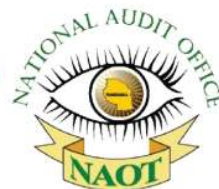




# THE UNITED REPUBLIC OF TANZANIA NATIONAL AUDIT OFFICE



## PERFORMANCE AUDIT REPORT ON THE MANAGEMENT OF DISPOSAL OF GOVERNMENT MOTOR VEHICLES

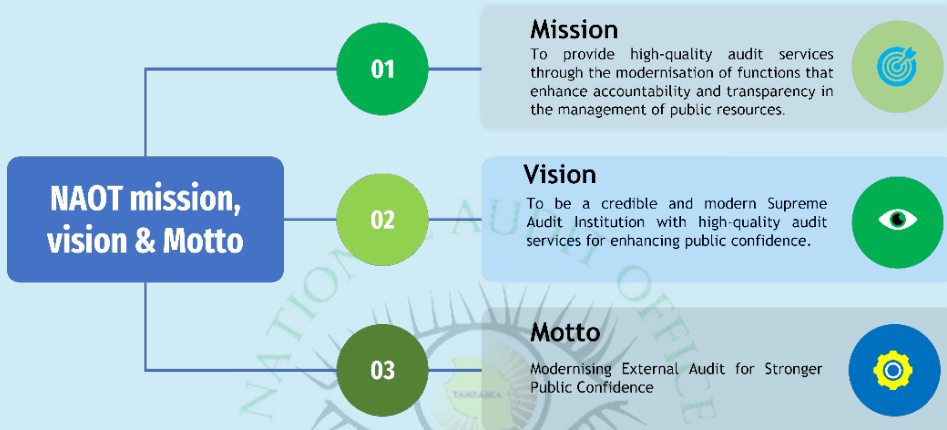


**MARCH,  
2023**

**CONTROLLER AND AUDITOR GENERAL**

## 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.



### Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

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## 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, Departments and Agencies (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 Disposal of Government Motor vehicles.

The report contains findings, conclusions, and recommendations that are directed to the Ministry of Finance and Planning (MoFP) and the President's Office - Public Service Management and Good Governance (PO-PSMGG).

The Ministry of Finance and Planning (MoFP) and the President's Office - Public Service Management and Good Governance (PO-PSMGG) had the opportunity to scrutinize the factual contents of the report and comment on it. I wish to acknowledge that discussions with the Ministry of Finance and Planning (MoFP) and the President's Office - Public Service Management and Good Governance (PO-PSMGG) have been useful and constructive.

My Office will carry out a follow-up audit at an appropriate time regarding actions taken by the Ministry of Finance and Planning (MoFP) and the President's Office - Public Service Management and Good Governance (PO-PSMGG) 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. Faustine Panga, a Senior Lecturer - Procurement and Supply Chain Management at Moshi Co-operative University and Dr. Noel Mrope, a lecturer at Mzumbe University who came up with useful inputs for the improvement of this report.

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This Report was prepared by Mr. January Kinunda (Team Leader) and Ms. Anna Minja (Team Member) under the supervision and guidance of Mr. Elisante Mshana (Chief External Auditor), Ms. Esnath Henry (Assistant Auditor General) and Mr. George Haule (Deputy Auditor General).

I would like to thank my staff for their commitment to 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

ACGEN	Accountant General
AO	Accounting Officer
APSP	Association of Procurement and Supplies Professional
CAG	Controller and Auditor General
CC	City Council
CIF	Cost, Insurance, and Freight
DC	District Council
Des	Disposing Entities
DPM	Director of Procurement Management
DGAM	Directorate of Government Asset Management
GAMD	Government Assets Management Division
GAMIS	Government Asset Management Information System
GN	Government Notice
GPN	Government Procurement Notice
HPMU	Head of Procurement Management Unit
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
IFRS	International Financial Reporting Standards
LATRA	Land Transport Regulatory Authority
MoFP	Ministry of Finance and Planning
MOH	Ministry of Health
MoWT	Ministry of Works and Transport
NAOT	National Audit Office of Tanzania
NIDA	National Identification Authority
No.	Number
PE	Procuring Entities
PFA	Public Finance Act
PMG	Paymaster General
PO-PSMGG	President's Office - Public Service Management and Good Governance
PPA	Public Procurement Act
PPE	Property, Plants and Equipment
PST	Permanent Secretary Treasury
SUA	Sokoine University of Agriculture
TANESCO	Tanzania Electric Supply Company Limited
TANROADS	Tanzania National Roads Agency
TAWA	Tanzania Wildlife Authority

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TBC	Tanzania Broadcasting Corporation
TEMESA	Tanzania Electrical and Mechanical Service Agency
TPA	Tanzania Ports Authority
TTCL	Tanzania Telecommunication Corporation
TZS	Tanzanian Shillings
URT	United Republic of Tanzania



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## EXECUTIVE SUMMARY

During the Fiscal Year 1994-1995, the Tanzanian government decided to dispose of all motor vehicles and limit the number of motor vehicles to two for each entity, so as to reduce its expenditure by reducing the number of vehicles.

The employees who used motor vehicles were given the first priority to get them if they were willing, and the remaining vehicles were auctioned off. The expectation was therefore, that the Procuring Entities (PEs) will manage the motor vehicles from the date of acquisition or allocation up to disposal in a manner that maximizes the value of Motor vehicles and minimises cost.

However, according to budget speech of the Minister of Finance and Planning of 2022 the Government of the United Republic of Tanzania still spends approximately TZS 500 billion on Procurement, maintenance and fueling of its Motor vehicles.

The main objective of the audit was to assess whether the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO - PSMGG) managed adequately the process for disposal of, the government motor vehicles in a manner that ensured efficiency.

Whereas, the Ministry of Finance and Planning was responsible for managing the disposal of public assets and observing the proper valuation of public assets, the President's Office - Public Service Management and Good Governance was responsible for disposing of, the government vehicles by issuing certificates of allocation. The Ministry of Works and Transport was responsible for the valuation of Government vehicles before disposal.

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## **Main Audit Findings**

The audit came up with findings regarding the Management of disposal of Government motor vehicles as summarised below:

### **a) Large Number of Government Vehicles were Grounded**

The total of 547 vehicles were found to be grounded in TEMESA workshops and at the sampled government entities visited during the audit. In addition, some of the grounded cars had neither maintenance nor disposal plans. The audit found out that 43% of motor vehicles were at TEMESA Workshops for more than three (3) years for various reasons such as accidents, maintenance, parking, and awaiting for Disposal permits. The audit found out that the government vehicles have been grounded for such long period at TEMESA Workshops and other government entities due to:

#### **(i) Inadequate Assessment and Approval of Motor Vehicles to be Disposed of**

The audit found that that all Accounting Officers (AOs) in the visited entities, did not form the Board of Survey to quantify and specify motor vehicles to be removed or replaced. All ten sampled disposing entities did not form the Board of Survey to quantify and assess the motor vehicles to be disposed of annually.

Absence of the Boards of Survey jeopardized decisions for either disposal or maintenance of the available motor vehicles.

#### **(ii) Lack of Transparency and Fairness in the Processes for Disposing Government Motor Vehicles through Advance to employees**

The audit observed weaknesses in the current procedures for identifying vehicles for disposal. The main weaknesses observed were two-fold, first, lack of transparency and second, lack of fairness in the disposal processes as evidenced by ineffective advertisement of motor vehicles fit for disposal and lack of Criteria for Approving applications for disposals of Motor vehicles.

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### **(iii) Inadequate Registration of Government Vehicles in Government Asset Management Information System (GAMIS)**

As at 30<sup>th</sup> September 2022, only 6 out of the 10 sampled entities were registered in the GAMIS. These entities were Mpwapwa DC, Judiciary of Tanzania- Vote 40, Ministry of Health, Ministry of Foreign Affairs, TANROADS and TBC. The entities which were not registered in GAMIS were Tanga CC, Njombe DC and the Ministry of Finance and Planning.

The audit noted different reasons for the failure to register motor vehicles in GAMIS. For instance, TTCL stated that their fixed asset register did not meet the system's requirements, thus, it was not possible for them to upload information about their assets in the GAMIS system. On their part, Tanga CC and Njombe DC did not provide clear reasons as to why their assets were not in GAMIS despite being trained to do so. Also, there was inconsistency in the motor vehicle data entered in the GAMIS. Generally, the audit noted a mismatch between the number of motor vehicles entered in the GAMIS and the actual number of vehicles available in different entities.

The audit noted that there was insufficient and inconsistent data of motor vehicles. This condition existed due to the failure to operationalise the Asset Trackers. In addition, the audit noted that only 3 out of 9 modules of GAMIS were operational despite the incurred cost in its development, capacity expansion, and operation which in total costed TZS 1,538,721,645.81.

#### **b) Ineffective Valuation of Government Motorvehicles**

In the review of the valuation reports for 500 motor vehicles done by MoWT, the audit found a variation ranging between -36% and 836% between the values of the disposed motor vehicles indicated in these reports and the values established by the Audit Team. It was specifically noted that five motor vehicles were overvalued, three were correctly/fairly valued, and at least 482 were undervalued. Such variations were also confirmed through the interviews held with Officials from MoW, MoFP and PO-PSMGG.

The statistics above show that most of the government motor vehicles earmarked for disposal through advancement to employees were undervalued mainly due to the use of wrong CIF in the valuation process. As a result of undervaluation of the government vehicles, the government



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incurred losses of about TZS 2.7 billion. Generally, the audit found out that the anomalies that were noted in the valuation of government motor vehicles before disposing them of, were attributed to non-confirmation of CIF, lack of reviews for valuation reports and incompleteness of database of government motor vehicles.

#### **c) Exclusion of some Costs in Valuation of Motor Vehicles**

The audit, through the review of 500 valuation reports from the Ministry of Works and Transport (MoWT) noted that, the cost used for motor vehicles valuation based on CIF values only and ignored other expenses incurred during the acquisition process, such as import duty Tax, Value Added Tax, excise duties, custom processing fee, Railway development levy and clearance cost which are normally more than 50% of the total cost of the Motor Vehicle. Exclusion of such costs resulted to undervaluation of the motor vehicles, leading to small residual values for disposed of motor vehicles. During verification, the audit team noted a variation of around 83% of the residual value with CIF only and those that included all acquisition costs as computed by auditors. This, reduced the value of the motor vehicles and caused the loss of TZS 956,774,529.90 from the disposed of, motor vehicles.

The audit further noted that the above anomalies were attributed to two major factors. The first factor is the valuation formula. It was noted that the valuation formula used for the valuation of motor vehicles that were to be advanced to the employee considered the CIF only. This prevented capturing of the real costs of the allocated vehicles. The second factor was exclusion of Chief Valuer in valuation of motor vehicles identified for disposal.

#### **d) Issuance of Disposal Approval through Auction took long Time**

The audit noted through the review of the applications from 2016/17 to 2021/22 for disposal of motor vehicles from various entities, that it took between 57 days and 2226 days for MoFP to make disposal decisions. It was noted that, by 30th June 2022, only 548 disposal proposals out of 2554 (equivalent to 21%) were processed, while 2006 out of 2554 (79%) applications were still waiting for approvals. The audit found that the delays in making disposal decisions happened due to late submission of the Condemnation Reports, lack of a specified tenure for the Condemnation

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Boards, inadequate follow-ups by the Condemnation Boards and the fragmentation of activities between ACGEN and GAMD.

#### **e) Delays in the Allocation of Motor Vehicles to Employees**

The review of the database for 609 sampled applications and motor vehicles for advancement to employees from 2018/19 to 2021/22, revealed that it took 4 to 2050 days for the Permanent Secretary President's Office - Public Service Management and Good Governance to grant approval for the allocation of motor vehicles to employees. The audit noted that approvals for Five (5) motor vehicles (equivalent to 0.8%) were issued within a week from the date of application; for 539 motor vehicles (equivalent to 72.6%) took between a month and a year, and for 65 (equivalent to 10.7%) took more than a year.

The audit found out that delays in the valuation process and non-operationalisation of disposal module in GAMIS contributed to the delays in the allocation of motor vehicles that were to be advanced to employees. Furthermore, the audit found out that there was no set timeline for issuing allocation from the date of application.

#### **General Conclusion**

Based on the findings from the audit, the Team acknowledges the efforts by the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) towards management of the processes for the disposal of Government Motor Vehicles. However, more interventions are still needed to improve the processes for government vehicles disposal.

This is due to the fact that despite the existing efforts the audit noted a number of weaknesses which lead to the conclusion that the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) have not adequately managed the processes for the disposal of Government Motor Vehicles.

Despite the recognition of the efforts such as the development of Government Asset Management Information System (GAMIS), issuance of Ownership of Assets emanating from Government Projects Circular No. 7, development of Asset Management Guidelines for Central and Local

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Government levels and development of Guidelines for the procurement and management of government motor vehicles e.t.c, done by the government, this Audit concludes that the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) have not effectively managed the disposal of Government Motor Vehicles.

The audit findings suggest that more interventions are still needed to improve further the management of the disposal process for the Government motor vehicles . This is due to the existing gaps in the identification of motor vehicles to be disposed of through auction and Advancement to employees. One of the shortfalls of the existing process is that the issuance of the approval of the Government motor vehicles to be disposed of is not done timely.

In addition, It was noted that the decision to dispose of government vehicles through auctions takes long time without any discernible reasons. Moreover, the disposal decisions are not efficiently done and they lack transparency. Above all, monitoring for disposal of government motor vehicles is not conducted regularly. As a result, the Government Motor Vehicles are grounded for extended periods, causing depreciation and its associated loss in values for the vehicles.

### **Audit Recommendations**

#### **Recommendations to the Ministry of Finance and Planning (MoFP)**

*The Ministry of Finance and Planning (MoFP) is urged to:*

- a) Develop Guidelines for disposal that will describe the entire disposal process or cycle and milestone for each stage in order to avoid delays in disposing of government motor vehicles;
- b) Ensure fully utilization of GAMIS and disposal modules for the disposal process;
- c) Ensure that periodic inspection and verification of assets including Motor vehicles are effectively done from the inspection conducted at the Regional level;
- d) Make follow Ups on the performance of Condemnation Boards to ensure timely issuance of Condemnation Reports; and

- 
- e) Liaise with Government Chief Valuer to establish the best way valuation of motor vehicles should be done with regards to the best practices on valuation of government motor vehicles.

**Recommendations to the President's Office - Public Service Management and Good Governance (PO-PSMGG)**

*President's Office - Public Service Management and Good Governance (PO-PSMGG) is urged to:*

- a) Set a mechanism that ensures transparency and fairness during disposal process of government motor vehicles from identification to their advancement to employees;
- b) Liaise with MoWT to improve internal controls to enforce proper review of the valuation of the government motor vehicles to ensure that correct acquisition value is used;
- c) Liaise with MoFP to revise Implementation of circular no 84 of 1988 on Valuation of government motor vehicles to include full value of the assets and not only the CIF value;
- d) Liaise with Government Chief Valuer on the way valuation of motor vehicles should be done; and
- e) Liase with MoFP to use Disposal Module in Governmenet Managment Information System (GAMIS) in order to ensure timely disposal.





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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Disposal of Government Motor Vehicles

During the fiscal year 1994-1995, the Tanzanian government decided to dispose of all motor vehicles to employees and limit each entity's possession of vehicles to two in order to cut costs by reducing the number of vehicles. The employee who used motor vehicles was given priority to get it if he or she was willing, and the remaining vehicles were auctioned off.

It was assumed that implementation of the decision to dispose of the government vehicles would ensure that the Procuring entities (PEs) manage the motor vehicles from the date of acquisition to disposal in a manner that maximizes the value of the motor vehicles and indeed, that was the government's expectations. On the contrary, to date, the Government of Tanzania has spent substantial amount of money (approximately TZS 500 billion) on procurement, maintenance and fueling of its vehicles<sup>1</sup>.

In 2009, the Permanent Secretary (by then) responsible for Public Service Management issued Guidelines on Proceeds for Advancing government motor vehicles to Employees. The issued guidelines intended to streamline and standardize or harmonize the procedures for the disposal of government motor vehicles in the public entities in Tanzania.

According to Public Procurement Act No. 7 of 2011 as amended in 2016, disposal of an asset means the divestiture of public assets including intellectual and proprietary rights and goodwill, and any other rights of a procuring and disposing entity by any means, including a sale, hire - purchase, licenses, tenancies, rental, lease, franchise, auction or any classified combination.

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<sup>1</sup> Minister of Finance and Planning Budget Speech accessed from <https://www.mof.go.tz/docs/news/BUDGET%20SPEECH%20%20ENGLISH%20-%20PDF.pdf> on 26th April 2022.

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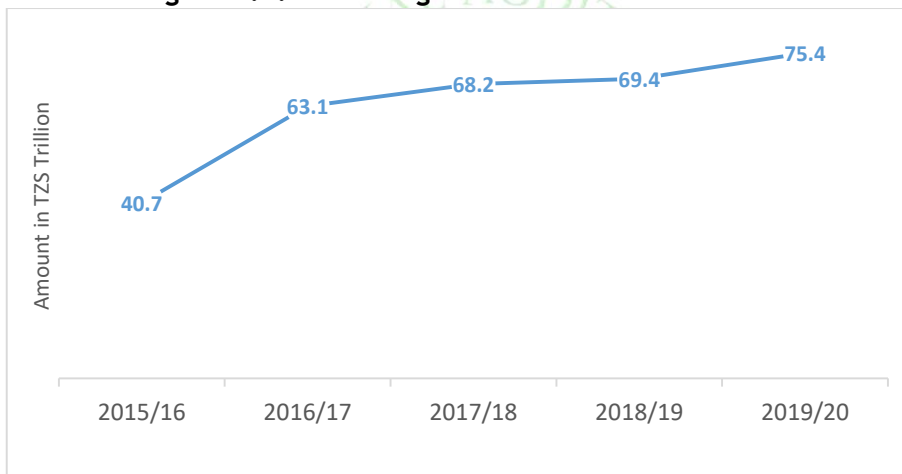
## 1.2 The Motivation of the Audit

The pre-study is motivated by various factors categorized into materiality and indication of the performance problems as detailed below:

### 1.2.1 The Materiality of the Audit

The audited NAOT consolidated financial statements from Financial Years 2015/16 to 2020/21 indicated an increasing trend of procurement of Property, Plants and Equipment (PPEs) for the five years from TZS 40.7 trillion to TZS 75.4 trillion as shown in **Figure 1.1**. The rising trend has been attributed to government commitments to development spending. The increase in spending indicates that there has been a replacement of the old vehicles, plants and machinery.

**Figure 1.1: Increasing Trend of Procurement of PPEs**



**Source:** Auditors' Analysis of the Audited Consolidated Financial Statements for the Year Ended on 30 June 2016 -2020 of the United Republic of Tanzania

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### **1.2.2 Indicators of Performance Problems**

There are various indicators of performance problems associated with the disposal of public assets as shown hereunder:

#### **a) Inadequate Information about Government Vehicles**

CAG's Performance Audit Report, 2021<sup>2</sup>, revealed that there was an ineffective system for collecting and storing information about the condition of government vehicles both at TEMESA and the Ministry of Works. It was observed that the Ministry of Works and Transport's National Government Vehicle Register did not contain the whole stock of newly purchased or used government motor vehicles. The vehicles register which was in spreadsheet format did not include the government motor vehicles from public authorities.

The report further indicated that TEMESA did not have sufficient information about the conditions of the vehicles. Eventually, the audit noted it has not been possible to retrieve information that would enable proper decision-making, for instance, the decision to maintain or dispose of the Government vehicles, plant, and Machinery.

#### **b) Presence of Grounded Government Motor Vehicles, Plants and Equipment**

CAG's General Report for Central Government 2022 revealed that 47 Procuring Entities had 489 PPE Equipment mainly motor vehicles, motorcycles, plants and equipment which were grounded for a long time without being serviced or disposed of. The report indicated that most of the un-serviced vehicles remained grounded due to the non-allocation of funds to do major repairs, and the long process of disposing of government motor vehicles. Delays in disposing of un-serviceable motor vehicles accelerate their deterioration and reduces proceeds that would have been realized if earlier disposal was considered.

Furthermore, CAG's General Reports on the financial statements of Local Government in Tanzania for the Financial year 2020/21, reported that in 113 Local Government Authorities, a total of 727 vehicles, were either not used,

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<sup>2</sup> On the Provision of Maintenance Services to Government Vehicles

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abandoned, or not maintained for a long time and the relevant Management had no plans to repair or disposing them of.

Moreover, a study by Celestine, (2019) noted that keeping unwanted motor vehicles, plants and machinery may result in increased risk of unnecessary expenditure on storage costs; management costs; continuing loss of the value of those items; and the possibility of disposing of assets, at a value lesser than the residual value or best achievable value in the market<sup>3</sup>.

### **1.3 Design of the Audit**

#### **1.3.1 Audit Objective**

The main objective of the audit was to assess whether the Ministry of Finance and Planning (MoFP) and Presidents' Office - Public Service-Management and Good Governance (PO-PSMGG) adequately managed the disposal of government motor vehicles in a manner that ensures timely and valuable disposal.

#### **1.3.2. Specific Objective of the Audit**

To address the general audit objective, four specific audit objectives were formulated These specific audit objectives are to assess whether the:

- a) Identification of motor vehicles to be disposed of was adequately done;
- b) Valuation of government vehicles to be disposed of was conducted adequately;
- c) Issuance of disposal approval of government vehicles to be disposed of were timely, efficiently, and fairly done; and
- d) Monitoring of the disposal process for government vehicles has been periodically performed.

To address these specific audit objectives, audit questions and sub-audit questions are presented in **Appendix 2**.

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<sup>3</sup><http://scholar.mzumbe.ac.tz/bitstream/handle/11192.1/2416/MBA-CM-Celestine-Ruth.2014.pdf?sequence=1>

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### 1.3.2 Audit Scope

The Ministry of Finance and Planning and the President's Office - Public Service and Good Governance were the main audited entities. The Ministry of Finance and Planning is responsible for managing the disposal of public assets and observing the proper valuation for them. The President's Office - Public Service and Good Governance is responsible for disposing of government vehicles by issuing a certificate of allocation and the Ministry of Works and Transport is responsible for the valuation of Government vehicles before disposal.

The audit covered four main areas namely, identification, valuation, disposal approval and monitoring of the disposal of government vehicles.

Specifically, on the identification of motor vehicles to be disposed of, the audit focused on fairness and transparency of the process for disposal, timely disposal of government motor vehicles, assessment of the condition of motor vehicles, openness, and involvement of the Board of Survey in the identification process, and status of grounded/unserviceable motor vehicles.

On the valuation of motor vehicles, the audit focused on all aspects followed during the valuation, particularly on establishing the residual value of the motor vehicles in this case, costs incurred for the acquisition of motor vehicles used in the determination of the value of motor vehicles, timely conduct of evaluation, the use of standardized formula in evaluation, and whether the valuation was done properly.

Regarding the issuance of the approval for disposal, the audit focused on adherence to the assessment before the approval of disposal of motor vehicles and issuance of disposal approval.

Finally, yet importantly, on the monitoring aspect, the audit assessed the monitoring activities of disposal of Government motor vehicles, verified, and checked whether monitoring addressed the challenges of disposal of government vehicles. Other issues examined by the audit were, communication of the results of monitoring, follow-up on the issued recommendations, and coordination of the activities regarding the disposal of government motor vehicles.

The audit covered the disposed of motor vehicles and not government-owned machinery due to the following reasons: the risks associated with the disposal of machinery and plants are low compared to the disposal of vehicles; vehicles are owned by almost all government entities unlike the machinery and plants; the database from the Ministry of Works and Transport showed that vehicles had greater (41019) number compared to plants and machinery which is 1966.

The audit covered a period of five financial years from 2016/17 to 2021/22. The selected period enabled the audit team to have an insight into the overall performance in the management of the disposal processes for the government motor vehicles and establish trends on the performance of the responsible Government authorities on the disposal of government vehicles.

### 1.3.3 Sampling Techniques, Methods for Data Collection and Analysis

The audit team gathered audit evidence to address the audit questions to achieve the objectives of the audit. Below are detailed explanations of sampling techniques, data collection methods and methods for data analysis used.

#### *Sampling Techniques*

Purposive sampling was used to select entities with high level of materiality in terms of the number of motor vehicles disposed of through advance to employees and auction; the number of motor vehicles grounded; category of PEs; and donor-funded vehicles (all categories of Motor vehicles) are shown in **Table 1.1**.

**Table 1.1: Sampled Entities for Inspection and Verification**

Category	Entities	Grounded	Disposed of by Auction	Advanced to Employees
LGAs	Mpwapwa DC	11	11	0
	Tanga CC	18	0	2
	Njombe DC	12	0	10
Independent Departments	Judiciary of Tanzania	0	2	106
Ministries	Ministry of Health	87	0	47
	Ministry of Finance and Planning	0	0	124
	Ministry of Foreign Affairs	0	4	0

Agencies	TANROADS	41	0	79
Public Authorities and Other Bodies	TTCL	0	24	0
	TBC	0	0	12

*Source: Auditors' Analysis on Grounded Government Motor Vehicles (2022)*

As presented on **Table 1.1** above, the Audit Team sampled entities with at least high materiality in terms of the number of motor vehicles disposed of through advance to employees or auction or the number of motor vehicles grounded for the category of PEs; and disposed of motor vehicles. Hence, the following PE's were sampled namely the Judiciary of Tanzania, Ministry of Finance and Planning; Ministry of Health, TANROADS, Mpwawa DC, TTCL, Ministry of Foreign Affairs, TBC, Njombe DC and Tanga CC representing 17% of motor vehicles disposed of (refer to **Appendix 3**). At the Ministry level, the audit team collected 100% of the data relating to disposal for the audit period. However, the Audit team verified the data collected from seven Procuring Entities (PEs).

### **Methods for Data Collection**

The Audit Team collected data from the Judiciary of Tanzania, Ministry of Works and Transport, Ministry of Finance and Planning, President's Office of Public Service and Good Governance, Judiciary of Tanzania, Ministry of Health, TANROADS, Mpwawa DC, TTCL, Ministry of Foreign Affairs, TBC, Njombe DC and Tanga CC to assess how the disposal of asset was done.

Furthermore, the Audit Team requested from the Tanzania Electrical, Mechanical, Electronics and Services Agency (TEMESA) to get information on grounded vehicles at TEMESA garages all over the country.

The data collection method used were:

#### **a) Document Review**

Different documents were reviewed to get comprehensive, relevant, and reliable information about the Performance of the Ministry of Finance and Planning and the President's Office - Public Service and Good Governance on the management of Disposal processes for the Government Vehicles.

The other reason for conducting document review was to corroborate information from interviews and physical observations. The main categories

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of documents reviewed included -Planning documents, Performance and Progress Reports, Monitoring and Evaluation Reports.

The reviewed documents are the ones that were prepared during the period from 2016/17 to 2021/22 covered by the audit. The specific list of documents that were reviewed and reasons for reviews is presented in **Appendix 4** of this report.

#### **b) Interviews**

To be able to respond to the audit questions and provide adequate conclusions against the audit objective, the interview method was used to collect information during the audit exercise. The interviews allowed the Audit Team to get a broader understanding of the audit area and identify existing challenges, root causes and eventually the consequences of those problems and challenges. The interviewed respondents were the officials from the MoFP, PO-PSM, MoWT, LGAs, MDAs and Public Authorities who are responsible for the Management of the Disposal of government motor vehicles. Number and titles of officials from audited entities who were interviewed is presented in **Appendix 5** of this report.

#### **c) Physical Verification**

The audit conducted physical verification to gather information about existence of grounded motor vehicles, its physical condition and time taken since they were grounded. The verification was done by visual, inspection and discussing with the Transportation Officers in each visited PEs.

#### **Data Analysis**

Various methods were employed in analysing data depending on the nature of the data and available evidence. Quantitative data were organised, summarised and compiled using excel. The analysed data were presented in different ways such as tables, graphs, charts, and percentage distribution.

Qualitative data were described, compared and related so that they could be extracted and explained as findings. The analysis involved looking for categories such as events, descriptions, consistencies, or differences from the gathered data.



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## 1.4 Assessment Criteria

Criteria concerning specific audit objectives and corresponding audit questions were developed based on the roles played by MoFP, PO PSMGG, and MoWT. These roles and responsibilities are stated in the Public Finance Act, 2001 Cap 348, Public Procurement Act, 2011 Cap 410, Public Finance Regulations GN. 259 of 2003, Public Assets Management Guideline, 2019, Public Service Management Circular no.11, 1991, Guidelines for motor vehicle loans to a Public Servants, 2009, International Public Sector Accounting Standards (IPSAS), International Financial Reporting Standards (IFRS) and Guidelines or Circulars guiding of the disposal process.

Detailed information on the audit criteria *used* are provided below.

### ***a) Identification of Disposed of Vehicles***

Regulation 254 (1 and 2) of the Public Finance Regulations of GN.259 of 2003, requires the Accounting Officer (AO), where it is considered that stores, vehicles, plants, or equipment, have reached the end of their useful life or are beyond economical repair or are unserviceable for any other reason or have become redundant through obsolescence, to request the Accountant General (ACGEN) to form a Board of Condemnation to inspect the stores, and to make recommendations as to their condemnation and disposal (*Public Finance Regulations, 2003*).

Also, Para 2.1 states that motor vehicles can be identified to be disposed of if the motor vehicles were used for at least five years or are obsolete and no longer fit for use in government (*Guideline of Advancing used Government Motor vehicles, 2009*).

Furthermore, the process for advancing government vehicles to employees are required to be transparent and known by all government employees to enhance Transparency and accountability in the management of public assets, the Government assets Management department was established (*MoFP Organisation Structure and functions*).

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### ***b) Valuation of Motor Vehicles***

Section 6(1) b and c) of the Valuation and Valuer Act No. 9 of 2016, requires the Chief Valuer to advise the Government on valuation matters and activities including valuation rates in the purchase and disposal of Government Properties; and to carry out the valuation of properties or other assets upon request from the Government, Institutions, Individuals and Members of the public.

Section 25(1) of the Valuation and Valuer Act No. 9 of 2016, states that a person or firm should not undertake any activity relating to valuation without a certificate issued by Valuer Registration Board.

Also, para 6.4 (xi and xvi) of the Public Assets Management Guidelines, (2019), requires the Director of Government Asset Management under the Ministry of Finance and Planning to manage the disposal of public assets and observe proper valuation of public assets per International Standards (*Public Assets Management Guideline, 2019*).

In addition, Order No.13 (3) (b) of the Standing Order of Public Service GN. 493 of 2009 states that the motor vehicle purchasing price from the Government, Local Government Authorities, Parastatal Organization, or through any other source shall be calculated from the actual cost taking into account the depreciation of motor vehicle. Whereas para 5 of the Guidelines of the Proceedings on Valuation of used Government motor vehicles, 2016, requires a valuation to be done by considering the rate of depreciation only.

Furthermore, according to the International Accounting Standards (IAS 16) and International Public Sector Accounting Standards (IPSAS 17), costs of property, plant, and equipment include costs incurred initially to acquire the plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

### ***c) Issuance of Disposal Approval/Allocation of Government Vehicles***

Regulation 253 of the Public Finance Regulations GN. 259 of 2003, states that except for minor items, the authority of the Permanent Secretary of the Ministry of Finance and Planning is required for the writing-off ledger

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charge and disposal of all unserviceable or obsolete stores, vehicles, plants, and equipment.

Para 2.0 and 2.1 of the Guidelines for advancing used government motor vehicles, (2009) highlighted motor vehicles can be disposed of after at least five years or being obsolete and no longer fit for use in government after approval/allocation is granted by Permanent Secretary PO - PSM.

According to the Public Asset Management Guidelines, (2019), the Director of Government Assets Management (DGAM) is responsible for managing the disposal of public assets and ensuring that assets are disposed of in accordance with policies, legislation, and regulations.

#### ***d) Monitoring of the Disposal Process for Government Vehicles***

Asset Management Section of the Ministry of Finance and Planning is required to; develop, monitor, evaluate and review the implementation of government assets management and disposal guidelines; control and monitor implementation policy, regulations, guidelines, and standards on the management of Assets; and carry out verification and oversee the disposal of government Assets (*MoFP Organisation Structure and Function*).

#### **1.5 Data Validation Process**

The audited entities namely the Ministry of Finance and Planning (MoFP) and the Presidents' Office - Public Service Management and Good Governance were given a chance to read and comments on the draft audit report. All audited entities confirmed the accuracy of the information presented in this report. The comments and responses of the Ministry of Finance and Planning and the President's Office - Public Service Management and Good Governance are presented in **Appendix 1**.

#### **1.6 Standards Used for the Audit**

The audit was conducted in accordance to the International Standards of Supreme Audit Institutions' (ISSAI's) performance auditing standards issued by International Organisation of Supreme Audit Institution (INTOSAI). The standards require the audit team to plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for findings and conclusions based on the audit objective(s). The Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

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## 1.7 Structure of the Audit Report

This audit report consists of six chapters as described below;

<b>Chapter One:</b>	Introduction
<b>Chapter Two:</b>	System Description for the Management of Disposal of Government Motor Vehicles
<b>Chapter Three:</b>	Audit Findings on Management of Disposal of Government Motorvehicles by Auction
<b>Chapter Four:</b>	Audit Findings on the Management of Disposal of Government Motor vehicles by Advance to Employee
<b>Chapter Five :</b>	Audit Conclusion
<b>Chapter Six</b>	Audit Recommendations



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## CHAPTER TWO

### SYSTEM FOR DISPOSAL OF GOVERNMENT MOTOR VEHICLES

#### 2.1 Introduction

This chapter describes the system for the disposal of Government motor vehicles in the country. The chapter highlights the efforts undertaken by the government, the legal framework governing the process, funding and roles and responsibilities of the identified audited entities responsible for the disposal of government motor vehicles, key actors, their roles and responsibilities as well as their relationships.

#### 2.2 Legislations Governing the Disposal of Government Motor Vehicles in the Country

The process for the disposal of Government Assets is governed by the Public Finance Act, 2001 CAP 348, Public Procurement Act, 2011 CAP 410, Valuation and Valuer Act No. 9 of 2016 and Public Finance Regulations, 2004 (R.E); Standing Order of Public Service GN. 493 of 2009; Guidelines which are Public Assets Management, 2019; Advancing government motor vehicles to employees, 2009; and Proceedings on Valuation of used government motor vehicles of 2016.

Moreover, the disposal process is guided by Circulars such as Public Service Management Circular No.4.1994, Ownership of Assets emanated from Government Projects Circular No. 7, 2018 and International standards such as ISO 55000:2014 - Asset Management, International Valuation Standards (IVS), International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS).

**Figure 2.1** presents the details on legislations, guidelines, circular and International Standards governing the disposal of government motor vehicles in the country.

**Figure 2.1: Summary of Acts, Guidelines and Orders, Circulars and International Standards**

Acts	Guidelines and Orders	Circulars	International Standards
<p>• <b>Public Finance Act, 2001 Cap 348</b> Act entail effective control, management, and regulation of public funds, resources and related matters. The Act describes the role of the Permanent Secretary and Pay Master General to make sure there is the effective application of the Act and any subsidiary legislation made or issued under it.</p> <p>• <b>Public Procurement Act, 2011 Cap 410</b> This Act intends to govern the disposal of assets conducted by tender. Also, the act defines the disposal of assets and the successive stages in the disposal.</p> <p>• <b>Valuation and Valuer Act No. 9 of 2016</b> An Act provide for powers and functions of Chief Valuer of the Government; establishment of Valuers Registration Board; provide functions and management of the board; to provide for regulation and control of valuation professional practices.</p> <p>• <b>Public Finance Regulations, 2004 (R.E)</b> These regulations give the Permanent Secretary power to write off ledger charges and disposed of all unserviceable or obsolete stores, motor vehicles, plant, and equipment</p>	<p>• <b>Standing Order of Public Service GN. 493 of 2009</b> Provide conditions for advance of motor vehicles to employees.</p> <p>• <b>Public Assets Management Guideline, 2019</b> The Public Assets Management Guideline 2019 prescribes procedures for acquisition, allocation, maintenance, valuation, accounting, disposal and other activities involved in managing public assets.</p> <p>• <b>Guidelines for Advancing Government Motor vehicles to employees, 2009</b> The guideline provides for procedures to be followed when a government employee intends to request a government Motorvehicles to be advanced.</p> <p>• <b>Guidelines of the Proceedings on Valuation of used Government Motor vehicles, 2016</b> Provide condition for Consideration of acquisition costs during the valuation of the motor vehicles advanced to employee.</p>	<p>• <b>Public Service Management Circular No.4.1994</b> The circular provides for the disposition of motor vehicles to government employees. The circular further provides for the conditions of disposition for both motor vehicles and the employees themselves. The Accounting Officer (AO) is vested with the power to give out approvals for the loans.</p> <p>• <b>Ownership of Assets emanated from Government Project Circular No. 7 of 2018</b> Provide condition for management of the assets originating from the project once it is completed.</p>	<p>• These standards include ISO 55000:2014 - Asset Management, International Valuation Standards (IVS), International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS). These international standard provides the way asset are suppose to be management from acqusition to disposal.</p>

Source: Auditors' Analysis of legislations, Laws and Regulations (2022)

## 2.3 MoFP Strategic Plan

The Ministry of Finance and Planning (MoFP) developed its first Strategic Plan 2012/13-2016/2017 as a tool for the implementation of the First Five Year Development Plan 2011/12 - 2015/16.

The Second Strategic Plan 2017/18 - 2021/22. The Plan intended to achieve Financial Management and Accountability, particularly asset management from acquisition to disposal.

The main strategic objective regarding the disposal of government motor vehicles are explained in **Table 2.1**.

**Table 2.1: Strategic objective regarding the Disposal of Government by the Ministry of Finance and Planning**

Year of the Strategic Plan	Objective	Strategy	Targets
2017/18 - 2021/22	Financial Management and Accountability Improved	Strengthening administration and coordination of disposal.	Unserviceable Government assets from MDAs, RSs and LGA disposed of by June 2022.
		Establish and maintain control systems in assets management and reporting.	Physical Asset tracking and upgrading of Asset Register increased from 28% in 2017 to 81% by June 2022.
		Promote capacity building to improve adherence to laws and regulations governing assets management	Assets verification units in MDAs, RSs and LGAs increased from 360 units to 600 units by June 2022
		Development and review of various Legislations, Regulations, Guidelines and	Public Asset Management Policy and Strategy developed by June 2022.



		Circulars related to assets management.	Public Asset Management legislations reviewed by June 2022.
2021/22- 2025/26	Financial Management And Accountability Improved	Strengthen Government Assets Management Systems.	Government Assets Management Information System upgraded, maintained and operationalized in 67 MDAs, 26 RSs, 184 LGAs and 298 other PSE by June, 2026

*Source: Ministry of Finance and Planning Strategic Plans of 2017/18 - 2021/22 and 2021/22 - 2025/26*

## 2.4 Roles and Responsibilities of Key Players in the Disposal of Government Motor Vehicles in the Country

There are several players involved in managing the disposal of government assets, each players is assigned roles and responsibilities to ensure efficient management of public assets and their disposal.

The roles and functions of each key player are described below.

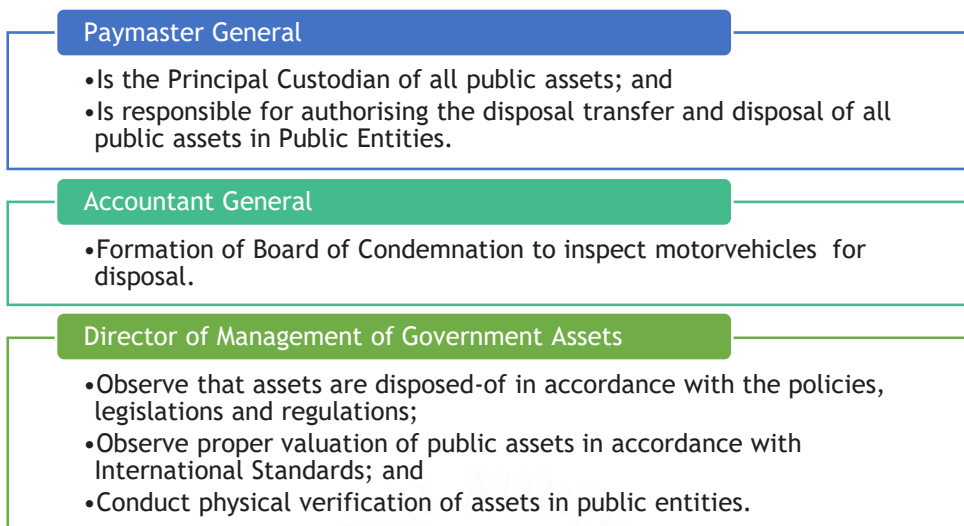
### 2.4.1 The Ministry of Finance and Planning

The Ministry of Finance and Planning (MoFP) is responsible for the management of external resources and the management of public assets (acquisition and disposal). Within the Ministry, there are three (3) main actors who are dealing with the Disposal of government motor vehicles. These actors are the Paymaster General (PMG), Accountant General and the Director of Government Assets Management (DGAM).

Their roles and responsibilities are explained in **Figure 2.2** below;



**Figure 2.2: Roles and Responsibilities for Actors within the Ministry of Finance and Planning**



*Source: Auditors' Analysis from MoFP's Organization Structure (2022)*

#### **2.4.2 President's Office - Public Service Management and Good Governance**

The President's Office - Public Service Management and Good Governance (PO-PSMGG) enforces implementation of the Guideline on Advancing Government's motor vehicles to public servants, 2009. Primarily, manages issuance of Certificate of Allocation of motor vehicles/cycles to qualifying public servants. At the Ministry assessment of allocation of Government Motor vehicles to employees is done by Administration and Human Resources Policies Monitoring Section under Policy Development Division.

#### **2.4.3 Ministry of Works and Transport**

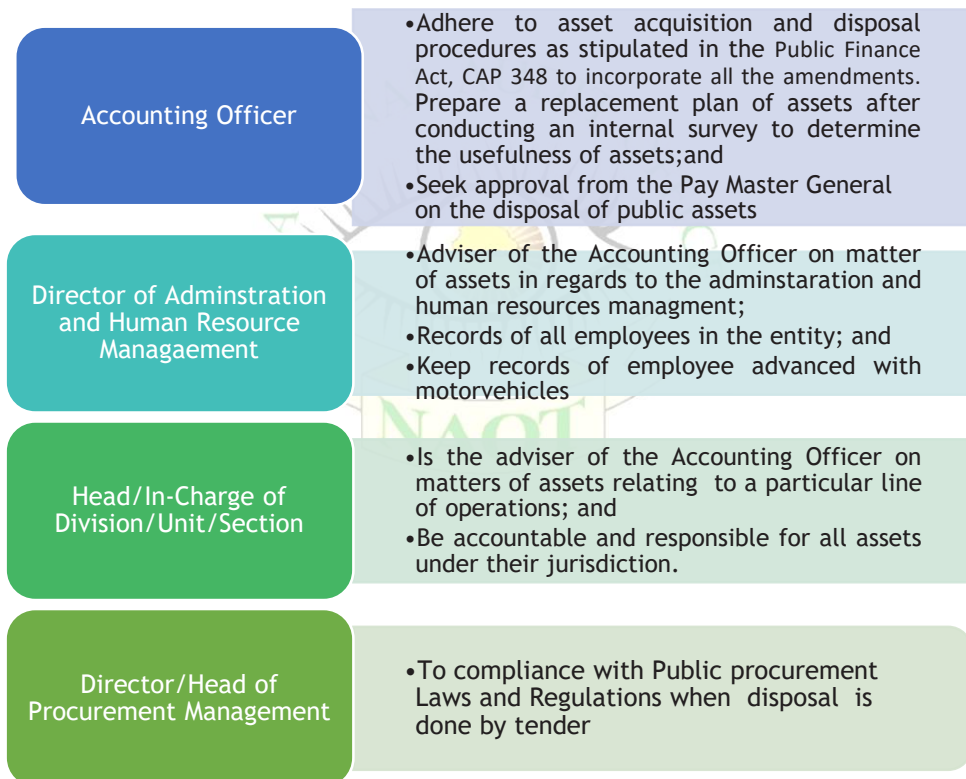
The Ministry of Works and Transport is responsible for issuing valuation reports for government motor vehicles advanced to employees. The valuation report does provide the price of the motor vehicles to be advanced to the employees. At the Ministry of Work and Transport valuation is conducted by the Mechanical and Electrical Section under the Division of Technical Services.

#### 2.4.4 Disposing Entities (DEs)

The disposing entities are all public entities disposing of their assets. Within the DEs, there are four (4) main actors who are dealing with the Disposal of Government motor vehicles. These actors are the Accounting Officer (AO), Director of Administration and Human Resource, Management Head/In-Charge of Division/Unit/Section and Head/Director of Procurement Management where disposal is done by tendering.

Figure 2.3 depicts roles and responsibilities of actors within the disposing Entity

Figure 2.3. Roles and Responsibilities for Actors within the Disposing Entity

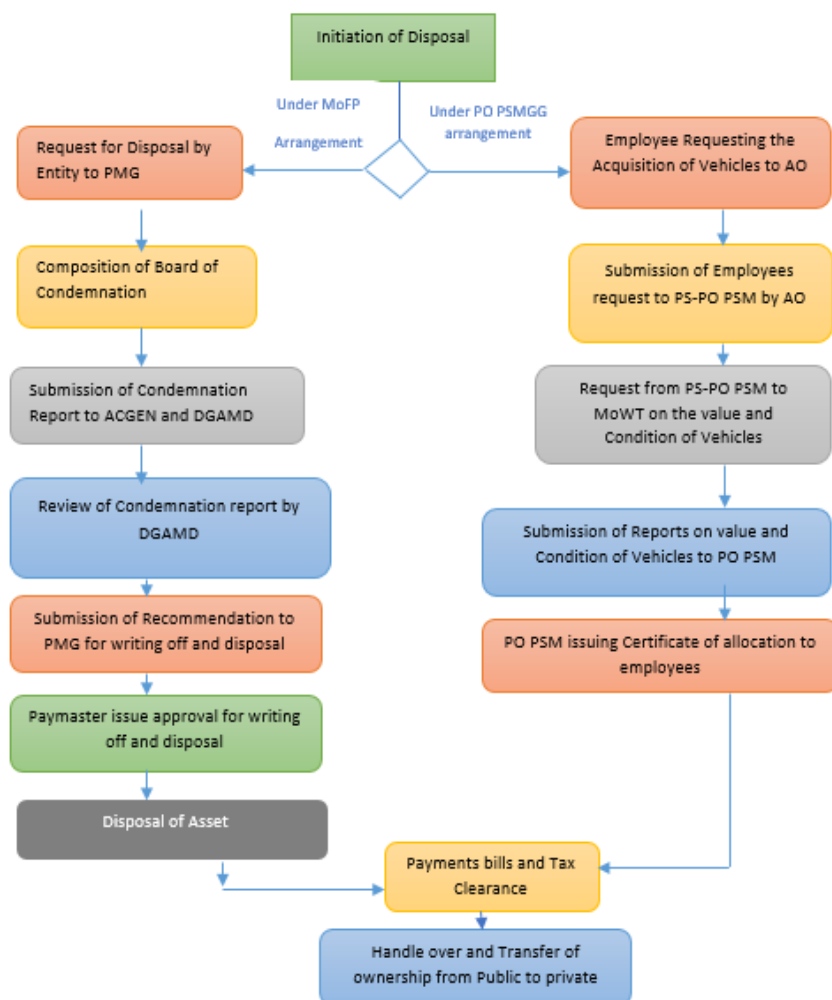


*Source: Auditors' Analysis of disposing Agencies responsibilities (2022)*

## 2.5 Process of Disposal of Government Motor Vehicles

The disposal of Government motor vehicles can be done by Auction, Tender, and other Methods; and by Advancing to the employee is presented in **Figure 2.4**.

**Figure 2.4: Processes for Disposal of Government Motor Vehicles**



*Source: Auditors' Compilations of the Process of Disposal of Government Motor Vehicles (2022)*

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## 2.6 Methods of the Disposal of Motor Vehicles

According to Regulation 257 (1) of the Public Finance Regulations, 2004 (R.E) the disposal of Government motor vehicles can be done by auction, tender and other methods as determined by the Paymaster General. The disposal by auction, tender and other methods is managed by the Ministry of Finance and Planning. The disposal process under Auction, Tender, and other Methods is explained below.

### ***a) Identification of Motor Vehicles to be Disposed Of***

This stage involves quantification and specification of assets to be replaced on annual basis per the ageing analysis conducted on non-current assets to remove assets that have become uneconomic to maintain. The identification process is described hereunder:

#### ***(i) Formation of Board of Survey***

The stage starts with the appointment of a Board of Survey by the Accounting Officer of the respective asset disposing public entity. The Board of Survey is responsible for the inspection and preparation of reports to be used in developing a replacement plan. The replacement plan shall include the following: asset ID, asset class, asset description, acquisition date, carrying amount, condition, location, and reasons for replacement.

#### ***(ii) Formation of Condemnation Board***

This stage starts with the formation of a condemnation Board which is composed of different members depending on the type of asset intended to be disposed of. The condemnation Board is formed by the Accountant General (ACGEN) after has received a request from the Accounting Officer of the disposing entity as per Regulation 256 of the Public Finance Regulations. The condemnation Board then, conduct an inspection to check the existence of the asset and advice on assets identified by the Disposing Entities (DEs). Lastly, as per Regulation 256 of the Public Finance Regulations, the condemnation Board is supposed to prepare condemnation reports and submit them to Accountant General (ACGEN).

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### ***b) Valuation of Motor Vehicles to be disposed Of***

Ministry of Finance and Planning observes valuation to determine the market reserve price which is used as the minimum price during the auction. According to Regulation 254(2) of the Public Finance Regulations, the Board of Condemnation which is formed by Accountant General under the MoFP is obliged to inspect unserviceable motor vehicles prior disposal by auction.

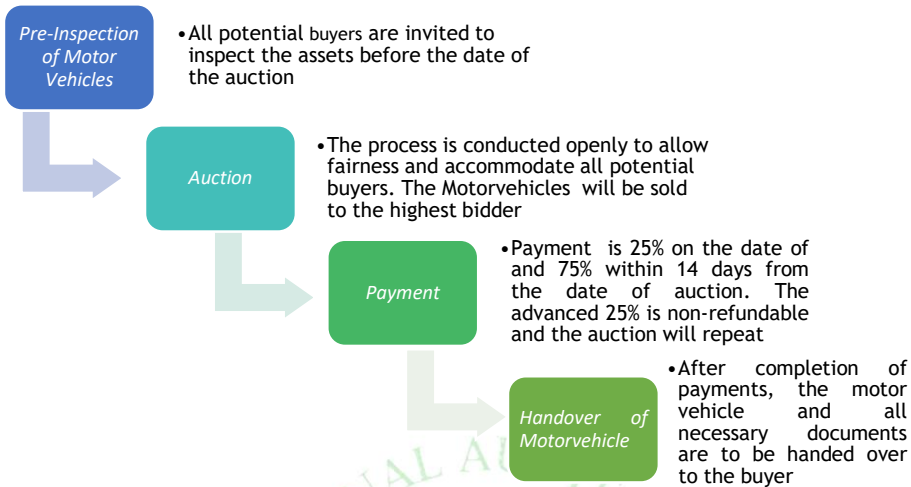
### ***c) Issuing of Approval for Disposal of Assets***

According to section 253 of the Public Finance Regulations, approval for write-off and disposal of Government Motor vehicles should be granted by the Paymaster General after the submission by the Board, of Condemnation report. The approval recommends means of disposal such as destruction, donation and transfer and sale. The disposal by sale can be done through auction, tender and other methods as shown hereunder:

#### **2.6.1 Disposal of Motor Vehicles by Auction**

According to regulation 257(1) of the Public Finance Regulations, the process of disposing of by auction begins with an advertisement in which the disposing Entity or MoFP issues an advertisement for assets intended to be disposed of. For highly valued items advertisement is done through a newspaper of wide circulation. **Figure 2.5** illustrates the Process for Auction of Government Motor Vehicles.

**Figure 2.5: Auction Process of Motor Vehicles**



*Source: Auditors' Analysis of the Tendering Process (2022)*

### 2.6.2 Disposal of Motor Vehicles by Tender

**Figure 2.6.** Summarizes the process for disposal of government motor vehicles using the tendering method as articulated in Regulation 332 of the Public Procurement Regulations GN 446 of 2013.

**Figure 2.6: Disposal of Motor Vehicles by Tendering Process**



Source: Auditor' Analysis Tendering Process for Motor Vehicles (2022)

### 2.6.3 Disposal by other methods stipulated in guidelines and procedure approved by Pay Master General (PMG) and other Authorities

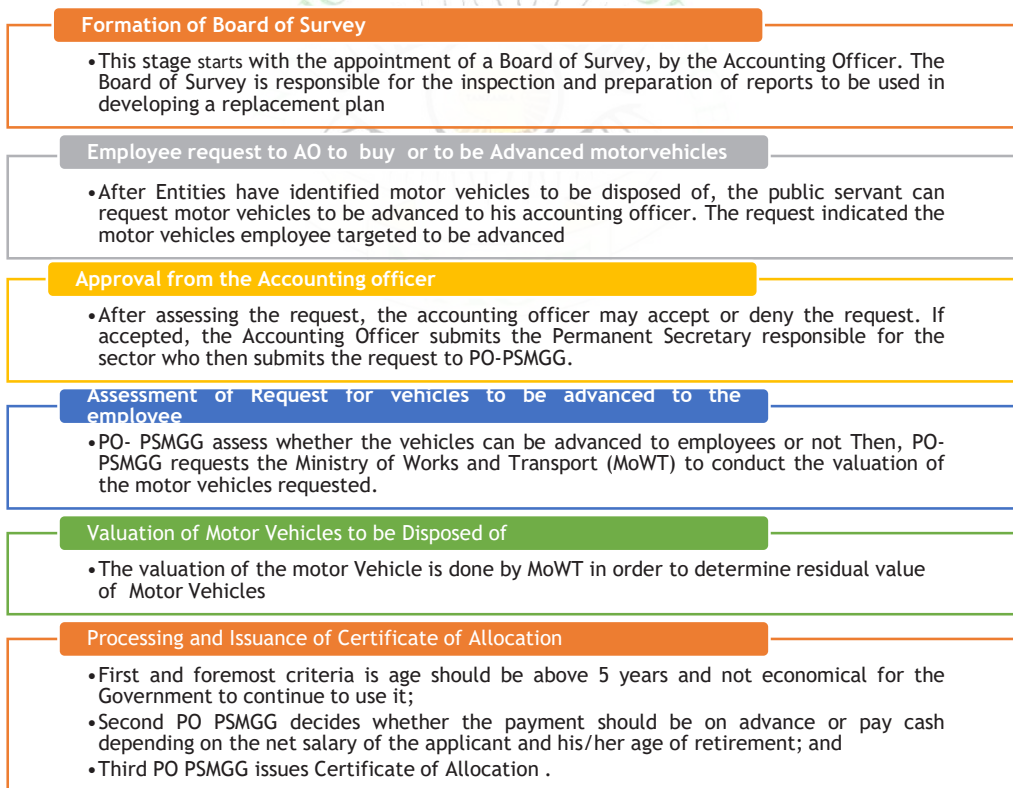
The other method for the disposal of Government Assets are through the provision of Vehicle loans to government employees. This process is managed by the President's Office - Public Service Management and Good Governance. According to the Standing Order for Public Service and issued

Guideline on 22<sup>nd</sup> January 2009, the process for disposal through advancing to employees includes Identification, valuation, and approval for disposal as described below:

**a) Identification of Motor Vehicles to be disposed of**

The government motor vehicles to be advanced to employees must have been in use for atleast five (5) years since its acquisition or be obsolete and unfit for use in government. After Entities have identified motor vehicles to be disposed of, the public servant shall request motor vehicles to be advanced through his AO who will approve and submit the application to Permanent Secretary (Establishments). The request should indicate the motor vehicle which the employee requires to be advanced as presented in Figure 2.7

**Figure 2.7: Identification Process of Government Motor Vehicles to be disposed of**



*Source: Auditors' Analysis of the Tendering Process for Motor Vehicles (2022)*



### **b) Valuation of Government Motor Vehicles to be Disposed of**

After receiving a letter from PO-PSMGG, the Ministry of Works and Transport (MoWT) do conduct a valuation of motor vehicles to be disposed of by considering the actual cost of motor vehicles at the time of acquisition and the rate of depreciation. Then, the valuation report is communicated to PO-PSMGG. The value established will be the cost of the vehicle. Valuation cost is incurred by the employee.

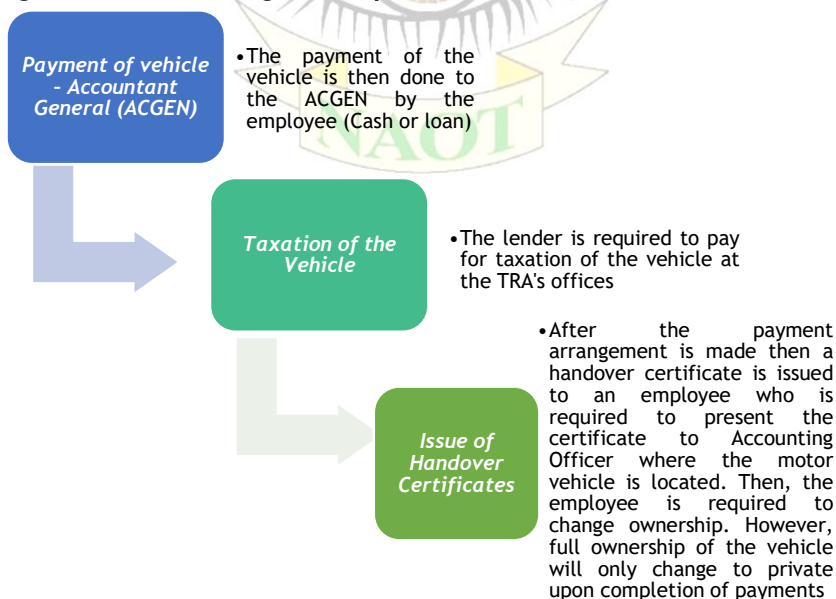
### **c) Issuance of Approval for Valuation of Government Motor Vehicles to be Disposed of**

After the report is issued and reviewed, then, PO PSMGG issues approval by *issuing a certificate of allocation to an employee.*

### **d) Disposal of Motor Vehicles**

After receiving a certificate of allocation, an employee submits a certificate of allocation to the Ministry of Finance and Planning to process payment of the vehicle as presented in **Figure 2.8:**

**Figure 2.8: Final stage of Disposal of Government Motor Vehicles**



*Source: Auditors' Analysis of the final stages of the Disposal of Motor Vehicles (2022)*

### e) *Monitoring of Disposal Activities*

The Ministry of Finance and Planning through the Government Assets Management Department is required to control and monitor the disposal process by carrying out verification of assets, observing valuation and overseeing the actual disposal of Motor vehicles, Plants and Machinery<sup>4</sup>.

#### **2.7 Resources (human and financial) for Managing the disposal of Government Motor vehicles**

##### **2.7.1 Funding of Activities for the Public Non-Financial Assets Management by MoFP**

To ensure proper management of the non-financial asset from asset recognition to disposal, the government has been allocating funds, to ensure assets including motor vehicles are effectively supervised and monitored. **Table 2.2** indicates the budgeted and actual disbursements for the period under audit.

**Table 2.2: Budget for Non Financial Assets Management**

Financial Year	Budgeted Amount in TZS	Actual Disbursement in TZS
2016/17	941,403,606.00	752,674,571.00
2017/18	1,430,610,000.00	1,068,620,899.00
2018/19	1,373,160,000.00	990,458,427.56
2019/20	2,048,686,250.00	1,978,792,466.11
2020/21	1,238,466,000.00	1,193,468,421.00
2021/22	1,747,381,626.00	1,707,131,850.00
<b>Total</b>	<b>8,779,707,482.00</b>	<b>7,691,146,634.67</b>

*Source: Ministry of Finance and Planning Budgets documents, 2022*

**Table 2.2** shows that for the period under audit, MoFP disbursed funds to facilitate the non-financial asset Management, with 88% ( TZS 7,691,146,634 out of TZS 8,779,707,482 being disbursed.

<sup>4</sup> *Approved Detailed Organisation structure and function of the MoFP, 2021; and Asset Management Guidelines 2019*

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### **2.7.2 Human Resources for Management of Non Financial Assets including Disposal of Government Motor Vehicles**

To ensure effective Management of non-financial assets including the disposal of Government Motor Vehicles, the ministry established a specific directorate namely the Directorate of Asset Management to deal with all matters regarding the Management of non-financial assets including disposal of Government Motor Vehicles.

**Table 2.3** depicts the required human resources and the available human resources at the Government Asset Management Directorate (GAMD) at the Ministry of Finance and Planning.

**Table 2.3: Human Resources for Management of disposal of Government Motor Vehicles**

<b>Designation</b>	<b>No. of Available Staff</b>	<b>No. of Required Staff</b>	<b>Deficit</b>
Director	1	1	0
Assistant Director	2	2	0
Principal Asset Management I	3	7	4
Principal Asset Management II	4	10	6
Senior Assets Management	19	22	3
Asset Management Officer I	39	62	23
Asset Management Officer II	22	78	56
<b>Total</b>	<b>90</b>	<b>182</b>	<b>92</b>

*Source: Auditors' Analysis of the MoFP's Personnel Enrolment of Staff for GAMD (2022)*

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## CHAPTER THREE

### AUDIT FINDINGS ON THE MANAGEMENT OF DISPOSAL OF GOVERNMENT MOTOR VEHICLES BY AUCTION

#### 3.1 Introduction

This chapter presents audit findings on the management of disposal of government motor vehicles by auction from Identification, valuation, and issuance of approval and monitoring activities for disposal of vehicles. Also, the chapter presented efforts undertaken by the Government through the Ministry of Finance to streamline and improve the disposal of Government Motor Vehicles.

#### 3.2 The Efforts undertaken to Streamline and Improve the Disposal of Government Motor vehicles

The Government have amended Public Finance Act CAP 348 (2022) by adding section 6A which requires oversight of public assets to be done by Paymaster General.

Also, the Ministry of Finance and Planning (MoFP) launched a Government Asset Management Information System (GAMIS) in 2021, which serve as a building block for a sustainable, reliable, and efficient way of managing assets and keeping asset information for utilization, maintenance, controls and disposal of public assets in MDAs, LGAs, and Parastatals.

Furthermore, in 2018 and 2019, MoFP issued Ownership of Assets guidelines emanated from Government Projects Circular No. 7 and Asset Management Guidelines. The guidelines were established to assist a unified and consistent set of procedures in managing public assets during service delivery.

Similarly, in 2019 Ministry of Finance and Planning (MoFP) issued the Assets Management Guidelines to Manage Assets in Central and Local Government levels. The Public Assets Management Guidelines of 2019 foresee the best opportunity in bringing the accountability and responsibility in Managing Government Assets.

In addition, on 7<sup>th</sup> October 2021 the Ministry of Finance and Planning issued guidelines for the disposal of motor vehicles that were at Tanzanian embassies.

### 3.3 The extent to which the Management of the Process for Disposal of Government Vehicles is Effective

With regard to management of the processes for the disposal of government motor vehicles, number of short falls were noted despite the existing achievements. Such shortfalls are explained below.

#### 3.3.1 A large number of Government Vehicles were grounded

The application of an asset management system provides assurance that assets are not only maintained and improved but also becomes consistent and sustainable over time. According to ISO 55001, it was expected that all government vehicles located in different government entities would be in use, under maintenance schedules, or disposed of.

Through reviews of various reports, the audit noted that as of September 2022, 494 Government motor vehicles were held at TEMESA workshops and sampled government entities. Similarly, the audit noted that the grounded motor vehicles did not have maintenance and disposal plans.

Table 3.1 depicts the number of grounded motor vehicles in the sampled Government entities and TEMESA.

**Table 3.1: Grounded Government Motor Vehicles**

Category of Entity	Entity	No. of Motor vehicles Grounded
Public Authorities and Other Bodies	TTCL	86
	TBC	19
Ministries	Ministry of Finance and Planning	51
	Ministry of Health	14
	Ministry of Foreign Affairs	39
MDA	TEMESA	176
	NIDA	44
	TANROADS	37
LGAs	Tanga CC	18
	Meatu DC	15

Category of Entity	Entity	No. of Motor vehicles Grounded
	Morogoro DC	13
	Mpwapwa DC	12
Independent Departments	Judiciary of Tanzania	23
<b>Total</b>		<b>547</b>

*Source: Auditors' Analysis of Motor Vehicles Grounded for more than 6 months*

**Table 3.1** shows that there were about 547 grounded government vehicles in the visited entities<sup>5</sup>. It can be noted that the large number of motor vehicles held were from TEMESA, which had 176 motor vehicles, followed by TTCL, which had 86 Motor vehicles. Mpwapwa DC had 12 grounded motor vehicles which were the lowest among the sampled entities.

The audit further examined the duration that motor vehicles stayed at the TEMESA Garages which had the largest number of grounded motor vehicles. **Table 3.2** depicts the average time taken for a motor vehicle to stay at the TEMESA Garages.

**Table 3.2: Average time taken for Government Motor Vehicles to Stay at TEMESA Garages across Regions**

Temesa Regions	No. of Vehicles held	Average stay time (Months)
Rukwa	4	103
Ruvuma	2	98
Iringa	4	88
Pwani	25	82
Lindi	2	44
Mtwara	6	44
Dar Es Salaam	79	43
Geita	1	34
Kilimanjaro	5	32
Njombe	2	31
Kagera	10	25
Kigoma	1	25
Dodoma	13	24
Mbeya	14	24
Mara	2	23

<sup>5</sup> Except for TEMESA were the information were provided by the MoW during the Audit.

Temesa Regions	No. of Vehicles held	Average stay time (Months)
Morogoro	5	23
Manyara	1	22

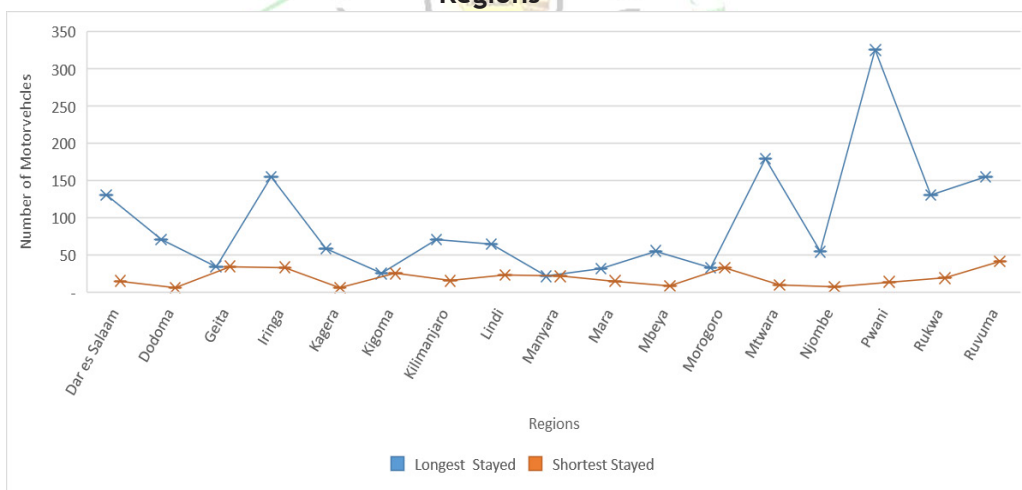
*Source: Auditors' Analysis of Motor Vehicles held at TEMESA Garages for an extended period (2022)*

Table 3.2 shows that on average, motor vehicles stayed in TEMESA Rukwa garage for 103 months, which was the longest, while shortest average time of 22 months that the motor vehicles stayed was observed by auditors in Manyara region.

The audit further analysed the longest and shortest time, the motor vehicles stayed in each TEMESA Garages across regions without maintenance or disposal plans.

Figure 3.1 depicts the minimum and maximum time, in months, that Government motor vehicles stayed at TEMESA garages across regions.

**Figure 3.1: Range of Vehicles overstayed at TEMESA Garages across Regions**



*Source: Auditors' Analysis from TEMESA Garage Data (2022)*

From Figure 3.1, it can be noted that in the Coast region, the longest stayed Motor Vehicle was held for 325 months while the shortest stayed was 14 months.

The audit further analysed the number of months motor vehicles, per groups, spent at TEMESA Garages. **Table 3.3** depicts the duration and number of motor vehicles stayed at TEMESA Workshops.

The audit noted that 43% of motor vehicles were held at TEMESA Workshops for more than 36 months which was equivalent to 3 years, 24% stayed for a period ranged between 25-36 months, 20% stayed for a period ranged between 13-24 months and only 9% stayed for a period ranged between 0-12 months.

**Table 3.3: Duration and No. of Government Motor Vehicles Stayed at TEMESA Workshops**

Duration of Motor vehicles Stayed at TEMESA Workshop in Month(s)	No. of Motor vehicles	Percentage (%) of Motor vehicles
More than 36	76	43
25 - 36	43	24
13 - 24	35	20
0 - 12	15	9
Unknown	7	4

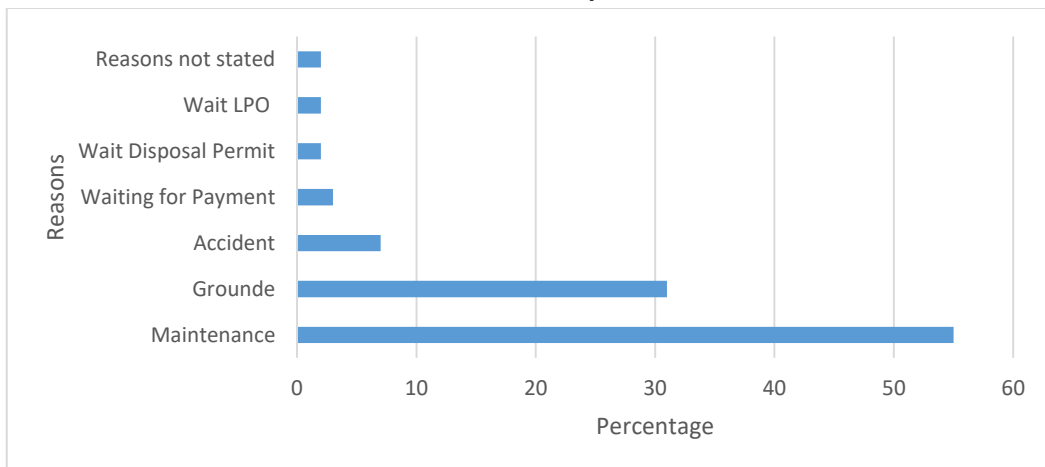
*Source: Auditors' Analysis of Motor Vehicles held at TEMESA Garages for an Extended Period (2022)*

From **Table 3.3**, it can be noted that 87% of the vehicles were held for a period of more than one year, and only 13% of motor vehicles were held for less than a year. In addition, the audit noted through physical observations that the motor vehicles showed signs of deterioration with time.

The audit further examined and established the reasons that led to motor vehicles being held at TEMESA workshops in various regions, as shown in **Figure 3.2**.



**Figure 3.2: Reasons for Government Motor Vehicles being held at TEMESA Workshops**



*Source: Auditors' Analysis of Motor vehicles held at TEMESA Garages for an Extended Period (2022)*

From **Figure 3.2**, it can be noted that, 55% of motor vehicles were grounded at the TEMESA Workshop due to lack of the maintenance plan of motor vehicles, 31% of the vehicles in the TEMESA grounds were grounded, 7% were the result of accidents, Waiting for Payment contributed to 3% of the grounded motor vehicles, while Waiting for disposal Permit and LPO both contributed to 2% and for those with unknown reasons represented 2% of all motor vehicles grounded and overstayed at TEMESA Garages.

As a result, motor vehicles were abandoned and grounded for a long period of time without decisions for disposal or maintenance. These vehicles deteriorated over time; some were abandoned in private yards for longer than 5 years with no clear direction as to their fate, as seen in Error! Reference source not found..





Photo 1: Physical conditions of the Grounded Motor vehicles in the visited areas, namely Morogoro DC, Meatu DC and Tanga CC. Source: Photo taken by Auditors on 09 June 2022

The audit observed that grounding and abandonment of government motor vehicles at TEMESA garages and other government facilities was contributed by insufficient verification and periodic inspection of assets by DGAM.

### ***The Impact of Delays in Disposing of Government Motor Vehicles***

The following were the major negative impacts of grounding several government motor vehicles for an extended period without disposing them of:

- (i) Deterioration of the vehicles; vehicles that are grounded for a long time suffer more and faster deterioration, therefore rapidly decreasing their value, even when the government decide to dispose them of;
- (ii) The objective of vehicle acquisition is inadequately met since the vehicles are not functioning as per the intended purpose;
- (iii) Massively increased maintenance costs due to rapid wear and tear from the grounding of vehicles for long time;
- (iv) Loss of public financial resources; and
- (v) Loss of government funds.

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The Ministry of Finance and Planning acknowledges the presence of grounded motor vehicles in various garages, whereas the verification of grounded motor vehicles and motorcycles was done in 2020/2021 and found 282 grounded motor vehicles and motorcycles in various garages (Dar es Salaam, Dodoma, Morogoro, and Pwani Regions), and instructions were issued to the owners of the motor vehicles. However, the audit team did not receive a report showing grounded motor vehicles in various garages, instructions issued to the owners, and the current status

### **3.4 Improper Identification of Government Motor Vehicles to be Disposed of**

Identification involves quantifying and specifying assets to be replaced annually per the ageing analysis conducted on non-current assets that involve removing assets that have become un-economical to maintain. The following were the weaknesses related to identification of motor vehicles to be disposed of that were noted during the audit:

#### **3.4.1 Inadequate Assessment of Motor Vehicles to be Disposed of**

Paragraph 16 of the Asset Management Guideline, 2019, requires the Accounting Officer (AO) to quantify and specify uneconomic assets to be removed annually. In addition, the Accounting Officer is obliged to appoint a Board of Survey to inspect and prepare a report which will be used for developing a replacement plan.

However, the Audit Team found out that identification of motor vehicles to be disposed of was not adequately conducted because the entities did not have a Board of Surveys to conduct this activity. From the visited entities, the Audit Team observed that in all visited entities, the Accounting Officers did not form the Board of Survey to quantify and specify motor vehicles to be removed or replaced.

The status of the Board of Survey formation by the Accounting Officers in the visited government entities is presented in **Table 3.4**.

**Table 3.4: Status of Formation of Board of Survey**

Disposing Entity	Status
Mpwapwa DC	Board was not formed
Tanga CC	Board was not formed
Njombe DC	Board was not formed
Judiciary of Tanzania- Vote 40	Board was not formed
Ministry of Health	Board was not formed
Ministry of Finance and Planning	Board was not formed
Ministry of Foreign Affairs	Board was not formed
TANROADS	Board was not Formed
TTCL	Board was not formed
MoH	Board was not Formed
TBC	Board was not formed

*Source: Auditors' Analysis in the Visited Entities (2022)*

**Table 3.4** indicates that, in all disposing entities, the Board of Survey was not formed to quantify and assess motor vehicles to be disposed annually. This creates doubts on the disposal decisions made for Motor vehicles.

For motor vehicles advanced to employees, the audit noted the likelihood of risk in decision-making and an extended period for the grounded motor vehicles waiting for maintenance.

The audit noted the approvals for disposal or advance of motor vehicles to employees did not consider formation and decisions of Board of Survey. This was contrary to the requirements of para 16 of the Asset Management Guidelines of 2019.

Failure to formulate the Board of Surveys by Accounting Officers was attributed to:

**a) Violation of Asset Management Guidelines**

Paragraph 16 of the Asset Management Guidelines, 2019 requires Accounting Officers to form boards of annual surveys to inspect motor vehicle's physical and economic condition. The report produced by the survey board helps the Accounting Officer to decide on the available assets for disposal.

## b) Inadequate Verification of Assets by MoFP

Section 3.11.2 (iv) & (v) of the detailed organization functions and structure of the Ministry of Finance and Planning, as well as para 6.4(iv) of the Asset Management Guidelines, mandates it to carry out verification and prepare periodic reports on the Government Assets.

The Audit found out that, MoFP did not conduct verification for 7 out of 10 sampled public entities for the last three financial years. In addition, the audit noted that there was no periodic inspection contrary to the Guidelines on Asset Management, which require the Government Asset Management Department to conduct physical verification of assets in public entities.

The GAMD's officials mentioned that due to inadequate budget allocations, the activity was not conducted for a long time. **Table 3.5** indicates the budget set aside for inspection and verification of Government Motor vehicles.

**Table 3.5: Budget for the Inspection and Verification of the Government Motor vehicles.**

Financial Year	Budgeted Amount in TZS	Actual Disbursement in TZS
2016/17	941,403,606.00	752,674,571.00
2017/18	1,430,610,000.00	1,068,620,899.00
2018/19	1,373,160,000.00	990,458,427.56
2019/20	2,048,686,250.00	1,978,792,466.11
2020/21	1,238,466,000.00	1,193,468,421.00
2021/22	1,747,381,626.00	1,707,131,850.00
<b>Total</b>	<b>8,779,707,482.00</b>	<b>7,691,146,634.67</b>

*Source: Budgets of the Ministry of Finance and Planning (2022)*

**Table 3.5** shows that for the period under audit, MoFP allocated funds to facilitate the asset Management, at 88% whereby TZS 7,691,146,634 out of TZS 8,779,707,482 of funds were disbursed.

### 3.4.2 Inadequate Registration of Government Vehicles in GAMIS

Treasury Circular No. 2 of the year 2021/22 on the management of public assets through the Government Asset Management Information System (GAMIS), issued on 15<sup>th</sup> July 2021, required all public entities to register their assets, including vehicles in the system by 31<sup>st</sup> August 2021 to capture all assets and their conditions.

Review of the status of motor vehicle registration in the GAMIS for the ten (10) sampled public entities, revealed the status of Entities registered in GAMIS as indicated in **Table 3.6**.

**Table 3.6: Status of Entities Registered in GAMIS as of 30th September 2022**

Entity	Status on GAMIS
Mpwapwa DC	✓
Judiciary of Tanzania- Vote 40	✓
Ministry of Health	✓
Ministry of Foreign Affairs	✓
TANROADS	✓
TBC	✓
Tanga CC	x
Njombe DC	x
Ministry of Finance and Planning	x
TTCL	x

*Source: Auditors' Analysis of GAMIS Data, 2022*

**KEY**

**X=Not Registered**

**J=Registered**

From **Table 3.6**, it can be noted that as of 30<sup>th</sup> September 2022, 6 out of 10 sampled entities were registered in the GAMIS. These entities were Mpwapwa DC, Judiciary of Tanzania - Vote 40, Ministry of Health, Ministry of Foreign Affairs, TANROADS and TBC.

The entities which were not registered included; Tanga CC, Njombe DC, Ministry of Finance and Planning and TTCL.

The audit noted different reasons for the failure to register motor vehicles in GAMIS. For instance, TTCL stated that their fixed asset register did not meet the system's requirements, which was one of the reasons for not uploading the information about their assets in the GAMIS system. The current TTCL system misses essential information such as the assets' location, the assets' condition, etc. Therefore, TTCL has been working through it by doing physical verification on its information which will later be uploaded into the systems. On the other hand, Tanga CC and Njombe DC did not provide clear reasons why their assets were not in GAMIS despite being trained to do so.



The audit further compared the number of registered motor vehicles in GAMIS and the number of motor Vehicles owned by government entities. **Table 3.7** depicts the status of the number of motor vehicles available, the number recorded in the system and the existing differences.

**Table 3.7: Status of Vehicles Registered in GAMIS versus Actual No. of Vehicles Owned by the Sampled Public Entities**

Entity	No registered vehicles in GAMIS	Actual No. of Vehicles Available	Difference
TANROADS	411	567	156
Judiciary of Tanzania-Vote 40	353	443	90
Ministry of Finance and Planning	196	147	49
Mpwapwa DC	25	27	2
TBC	68	68	0
Ministry of Foreign Affairs	101	83	18
Ministry of Health	198	301	103

*Source: Auditors' Analysis of GAMIS Data and Asset Registers (2022)*

**Table 3.7** shows that there was a mismatch of data in the GAMIS and the actual number of motor vehicles available at the entity. The audit noted that at TANROADS, the difference was 156 motor vehicles which was the highest, while at Mpwapwa DC, the difference was 2 motor vehicles which was the lowest among visited entities. TBC was the only entity that did not have any mismatch. Generally, it was found out that MoFP does not have a clear and actual registration of the government vehicles and their status.

Through the interviews held with MoFP's officials, the audit noted that Public Entities had not timely updated and approved their information in the system, despite the MOF's efforts in providing capacity building on the system in all visited entities.

The Audit noted that the absence of adequate data for motor vehicles basing on their conditions was attributed to:

**a) Failure to Operationalize the Asset Auditor/Tracker**

The audit noted that the Ministry of Finance and Planning did not manage to operationalize the Asset Auditor/Tracker, which the initiatives to establish, it started in 2010. The details show that on 13/09/2010 the Ministry of Finance and Planning through the Government Asset Management Directory

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(GAMD) used a software named 'Asset Auditor/Tracker' to manage government assets. This software was funded in 2012 under the PFMRO IV fund<sup>6</sup>. In 2013, through contract No.ME/004/2012-13/HQ/G/08, the Ministry entered a contract worthing TZS 62,919,450.00 to supply, install, test, and commission asset tracking software.

The review MoFP's correspondence file (KA.32/109/01 Asset Tracking Software (GAMD) File period 26.2.2015) indicated that the system was not operational due to;

***(i) Lack of Interoperability 'Asset Auditor/Tracker' and Financial Management Systems (Sage and EPICOR)***

The audit noted that the developed software was not interoperable with the previous financial management systems (SAGE and Epicor) which impacted the exchange data between the system making it not useful in asset management.

***(ii) Internet and network challenges within Government Entities***

The audit noted that Asset Auditor/Tracker was not a web-based system and thus lacked a government net (Gov.Net). Therefore, public entities did not access the software and, therefore, only available at the Ministry of Finance and Planning.

***(iii) Inefficiencies in maintenance and support of the system***

The audit noted that the software was a off shelf and thus involved paying licence fees, maintenance, and support fees. In addition, any maintenance to the system required approval from the supplier, resulting in failure to maintain the system due to high maintenance costs.

***(iv) The Software was Prone to Virus Attacks***

The audit noted that the the software used the old version technology which involved direct installation to a specific computer. Installing the software to a computer made it prone to virus attacks whenever any of the

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<sup>6</sup> KA.32/109/01 Asset Tracking Software (GAMD) File period 26.2.2015



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used computers did not have antivirus. At that point, the Ministry of Finance and Planning did not have a centralised anti-virus system.

***(v) The Inability of the system to accommodate all Functions in the Asset Department***

The audit noted that the asset/tracker, which was an off-shelf software, was developed for General requirements. This made it hard to accommodate other department business functions that required additional payments and involved bureaucratic discussions.

Review of the payments record indicated that MoFP incurred the cost amounting TZS 90,441,959.00 in the development of the system, which is not functional. It was generally learned that, non-operational asset data tracker resulted into inadequate registration of Government Vehicles.

***b) Only 3 out of 9 Modules in GAMIS were Operational***

The Ministry of Finance and Planning started to develop the Government Asset Management Information System (GAMIS) in 2018, which was expected to have nine modules.

The audit noted that MoF developed 9 (nine) GAMIS modules however by the time of this audit only (three) 3 modules of asset register, compensation, and asset transfers were operational. Moreover, the audit noted through the review of the correspondence file number KA.32/109/01, Asset Tracking Software (GAMD) file of period 26.2.2015, the Ministry started to develop the three modules and this costed TZS 1,538,721,645.81 which was spent for the development, capacity building and operationalization of the of GAMIS.

**Table 3.8** indicates the cost incurred for developing Government Asset Management Software.

**Table 3.8: Cost Associated with the Government Asset Management Software**

Name of Government Asset Software	Project Initiation Date	Project Cost (TZS)	Status
Asset Tracker Software	July 2013	90,441,959.00	Not Operating
Government Asset Management Information System- GAMIS	2018	1,538,721,645.81	Partially operating

*Source: Auditors' Analysis from correspondence file number KA.32/109/01/2022*

Table 3.8 shows that even though the government spent a total of TZS 1,629,163,604.81 for the development of systems of assets management systems, none was fully operational. These costs comprised supply, installation tests, software commissioning, data entry, data analysis, updating and capacity building conducted by responsible officers.

The disposal process was still conducted manually because of the non-completion of the disposal modules. The audit noted through the review of the correspondence file and Interviews with officials at the MoFP that there was no time set for the completion and full operationalization of GAMIS, which was partially operational during our audit.

Consequently, the provision for the disposal certificate was conducted manually, and GAMIS did not have the precise statistics and status of the government vehicles available.

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### 3.5 Inefficiencies in the Valuation of Government Motor Vehicles disposed of through Auction

The valuation report provides the price of the motor vehicles to be disposed of through auction. However, the audit assessed and noted that there were inefficiencies in the valuation conducted as discussed hereunder.

#### 3.5.1. Variation between Estimated and Disposed Value of the Motor Vehicles Disposed of through Auctions

The Public Assets Management Guidelines of 2019 defines ‘value’ as an estimate of likely price to be paid for goods and services in an exchange in the open market or a measure of the economic benefits of owning goods or services without any self-motivational.

The audit compared the estimated and actual value of motor vehicles disposed of through auction. **Table 3.9** depicts the variation between estimated and disposed values of government motor vehicles.

The audit noted that the difference between estimated and disposed values ranged between -68% and 8750%.

**Table 3.9: Percentage Variation between Estimated and Disposed Value**

No. of Motor vehicles	Percentage Variation
8	(68) - (1)
58	0
53	1 - 10
119	10 - 50
113	50 - 100
365	100 - 8750

*Source: Auditors’ Analysis of Auction Report (2022)*

From **Table 3.9**, it can be noted that 8 out of 716 motor vehicles were disposed for less than the reserved price while only 58 out of 716 were disposed within the same reserved price. Furthermore, the audit noted that 650 (716-66) motor vehicles were disposed for values that were more than the reserved prices. The disposed values, which were higher than the reserved prices, ranged from 1% to 8750%.

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The audit found that the variation between the estimated and disposed value of motor vehicles was attributed by the following factors;

***i) Valuation of Government Motor Vehicles was done by an Unauthorised Person or Firm***

The audit team found that the Condemnation Board's valuation for used motor vehicles to be disposed of through auction was done contrary to the requirement of Regulation 254(2) of the Public Finance Regulation (R.E 2004), which requires the Board to inspect and report on the item to be disposed of. Furthermore, in Section 25(1) of the Valuation and Valuer Act No. 9 of 2016, a person or firm shall not undertake any activity relating to valuation without a certificate issued by Valuer Registration Board. This was emphasized in guide 13 of Public Assets Management Guideline Revised Edition, 2019 which requires the valuation of the asset shall be done by a Registered Valuer based on the existing Valuation and Valuers Registration Act.

The audit team did not get any evidence showing that the Valuer Registration Board had empowered the officials involved to determine the value of motor vehicles.

***ii) Absence of the Basis for Estimating the Value of Government Motor vehicle disposed of through Auction***

The audit noted through the review of the consolidated Board of Condemnation reports that there was no basis for estimating the value of motor vehicles that was used as reserved prices during the auction.

Interviews with Ministry Officials highlighted that members of the Condemnation Board usually check the physical condition of the motor vehicles and estimate reserve price as per market price. However, the audit found no guidelines for the valuation of motor vehicles disposed through auctions.

In addition, no evidence was provided to the auditors to show the method used to establish the market price since the reserve price was used as the minimum price during the auction.

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Having an unrealistic price could jeopardize the auction because, as per the auction undertaken, there was no correlation between the estimated value and actual value during the auctions.

### 3.6 Deficiencies in Issuance of Approval for disposal of Government Motor Vehicles through Auction

PO - PSMGG issues approval of the motor vehicles by *issuing a certificate of allocation to an employee*. Issuance of the motor vehicles occurs after the valuation report is issued and reviewed. The following were the noted weaknesses in the issuance of motor vehicles.

#### 3.6.1 Issuance of Disposal through Auction took a long time

The audit reviewed **2226** applications for the disposal of motor vehicles from various entities to MoFP from 2016/17 to 2021/22 and analysed the time taken for approval to be granted.

**Table 3.10** depicts the time taken to issue approval permits. The audit noted that the issuance of permits varied substantially and ranged between 0 - 72 months.

**Table 3.10: Time Taken to Issue Disposal Permits of Government Motor Vehicles**

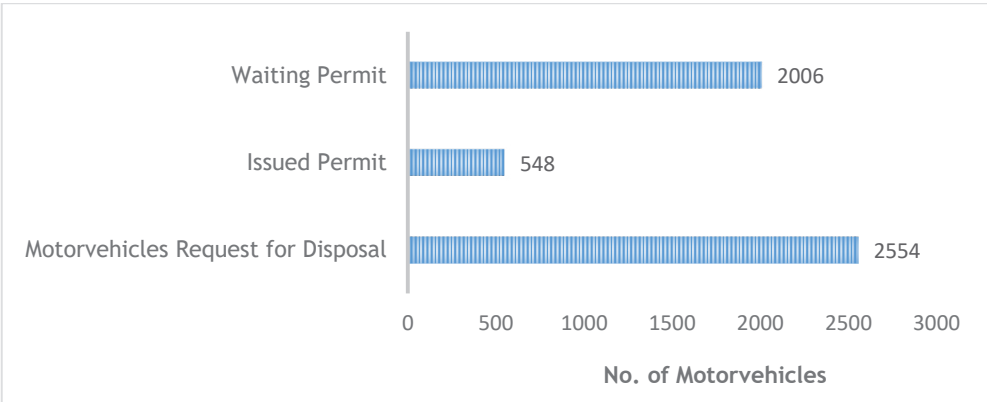
Time in Months	No. of Motor vehicles	Percentage (%) of Motor vehicles
37 - 72	1070	48
25 - 36	340	15
7 - 12	278	13
0 - 6	77	4

*Source: Auditors' Analysis of Application and Issued Permit from 2016/17-2021/22*

From **Table 3.10**, it can be noted that 48% of the disposal permits were issued between 37 - 72 months; 22% of the permits were issued after 13 - 24 months, 15% of the permits were issued between 25-36 months, 13% were issued between 7 - 12 months while only 4% were issued between 0-6 months.

**Figure 3.3** provides the status of the issued permits. The audit noted that as of 30<sup>th</sup> June 2022, only 548 out of 2554 permits to dispose of Motor Vehicles, equivalent to 21%, were made.

**Figure 3.3: Status of Issued Permit to dispose Government Motor Vehicles**



*Source: Auditors' Analysis of Applied and Issued Permits from 2016/17-2021/22*

From **Figure 3.3**, it can be noted that from the financial year 2016/17 to 2021/22, 2006 out of 2554 applications for disposal of government motor vehicles (equivalent to 79%) were delayed waiting for approvals.

The audit found that the existence of varied timeliness in making the disposal decisions was due to the following reasons.

**a) Delay in Submission of Condemnation Reports**

Regulation, 255 of the Public Finance Regulations, has given the ACGEN the mandate to form the Condemnation Board. However, review of the disposal report Volume 11<sup>th</sup> of March 2022 indicated that there was a significant number of months elapsed from the formation of the condemnation Board to submission of a condemnation report to DGAM for compilation and request of disposal approval to the Paymaster General.

The details of the number of days taken by ACGEN and DGAM to produce a condemnation report and request disposal approval to the Paymaster General are presented in **Table 3.11**.

**Table 3.11: Duration of Time between Submission of the Condemnation Report and Request of Disposal Approval**

Entity	Formation of Condemnation Board by ACGEN	Submission of Condemnation Report and Approval Request to PST	Lapse of Time (Months)
TBC	16 November 2017	8 February 2018	3
Mpwapwa DC	21 February 2020	22 April 2021	14
TANESCO	11 March 2021	21 March 2022	13
TTCL	5 September 2019	3 August 2020	11
NIDA	06 May 2021	21 March 2022	11
LATRA	21 September 2021	21 March 2022	6
SUA	30 September 2021	21 March 2022	6
TANROADS	7 February 2017	16 Machi 2017	1

*Source: Auditors' Analysis of the Letters from the entities requesting the formation of a Condemnation Board (2022)*

From **Table 3.11**, it can be noted that, lapses of time (In Month) from the formation of the condemnation Board to submission of the condemnation reports varied across entities. It took 14 months for the Board of Condemnation to submit report for the analysis conducted at Mpwapwa DC, which was the longest, while it took one month for the analysis done at TANROADS, which was the shortest time. At TANESCO the analysis took 13 months, TTCL 11 months, NIDA 11 months, and LATRA and SUA 6 months.

The audit noted through interviews with officials from the Ministry of Finance that the reasons for delays in provision of condemnation reports were:

- (i) *PEs did not budget for the disposal of motor vehicles:* ACGEN officials revealed that PEs tends to request the formation of a condemnation Board without budgeting for the condemnation process. As a result, the condemnation Board formed remained idle for a long time without executing the condemnation process as intended. This contributes to the delays in the submission of the condemnation reports. However, for the visited entities which disposed of motor vehicles through auction, no Condemnation Board failed/delayed to perform its functions due to the unavailability of funds.

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**(ii) There is no timeframe given to the Condemnation Board to produce a report :** The review of letters for appointment of the Condemnation Board revealed that this Board was appointed without being given the time limit for the execution of the condemnation process. The lack of a specified time limit for the condemnation process contributed to the submission of the condemnation reports for more than one financial year.

**(iii) Inadequate Follow-ups by the Board of Condemnation:** The audit observed that there were no control measures to ensure that the Condemnation Boards efficiently fulfil their obligations and ensure timely acquisition of disposal approvals. A visit to Morogoro DC, revealed that despite the fact that the Condemnation Board visited and inspected the vehicles in August 2021, the disposal approval was still not issued till the time of this audit. The Board was expected to produce a report to give insights on whether the PST should issue an approval or not, however, till the time of the audit (10th June 2022) the board failed to produce the report leading to the delays in issuance of the approval.

The audit noted that there were no clear procedures for making follow-ups for the formed Condemnation Boards to ensure that the Boards produce and submit condemnation reports within a reasonable time. Furthermore, the audit team noted that no follow-ups on the reports or other records indicating that follow-ups were done.

#### ***b) Overlapping of Activities Between ACGEN and GAMD***

According to the Public Finance Regulations, the ACGEN is mandated to formulate the Condemnation Board, which has the responsibility of identifying and inspecting assets to be disposed of and producing the condemnation Report.

However, the audit observed the existing bureaucracy in the disposal activities resulted in the prolonged disposal process. Once the Condemnation Report was submitted to ACGEN, the reports were then directed to DGAM who was required to review and compile it to request disposal approval from the Permanent Secretary Treasury (PST).



Moreover, further interviews, with the officials from the Ministry of Finance and Planning revealed that the Ministry was in the process of amending the laws so as to give mandates to whereby DGAM is mandated to appoint the Condemnation Board and review and compile its reports. It is expected that this arrangement will contribute to shortening the condemnation process. However the audit noted that the The Government have amended Public Finance Act CAP 348 (2022) by adding section 6A which requires oversight of public assets to be done by Paymaster General in November 2022.

### **3.6.2 Disposal of Government Assets without Approval from the Paymaster General (PMG)**

According to Regulation 253 of Public Finance Regulations GN. of 2003, except for minor items, the Permanent Secretary must write off ledger charges and dispose of all unserviceable or obsolete stores, vehicles, plants, and equipment.

The audit noted that with the exception of TAWA all sampled entities disposed their motor vehicles after approval from the Pay Master General.

The audit noted through the review of the Board of Survey Report of 2018, that the Tanzania Wildlife Authority (TAWA) identified 43 vehicles to be disposed of due to un-serviceability. Furthermore, review of letters with ref. No. JA.660./517/01/54 and DA 614/644/01/47 dated 13<sup>th</sup> December 2019 and 8<sup>th</sup> February 2021, respectively, indicated that TAWA had the 11<sup>th</sup> Ordinary Meeting in which the Board of Directors approved used vehicles to be disposed of without obtaining the approval from the Pay Master General.

Table 3.12 depicts the status of the identified motor vehicles to be disposed of at TAWA.

**Table 3.12: Status of the Identified Motor Vehicle for Disposal at TAWA**

Status of Identified for Disposal	No. of Motor vehicle
Sold through Auction	34
Not sold during the Auction	9
<b>Total</b>	<b>43</b>

*Source: TAWA Auction Report (2020)*

Table 3.12 indicates that 34 out of 43 motor vehicles identified for disposal were sold through auction to TAWA employees, and 9 were not sold through auction for various reasons, as shown in Figure 3.4.

**Figure 3.4: Status and Reason for Motor Vehicles not disposed of through Auction**



Source: TAWA Auction Report (2020)

Figure 3.4 indicates that five motor vehicles identified to be disposed of were not available at the time of the auction. Also, two motor vehicles were disposed of to some staff out of auction as did for other staff. Furthermore, one vehicle on the disposal list was still used for project implementations.

The audit noted that this abnormality was attributed to:

***a) Inadequate awareness of the disposal of assets procedures by the Public Entities***

The interview with officials from visited TAWA indicated that there was little awareness of disposal procedures. This was evidenced by the tendency to conduct an auction without requesting the Accountant General to form Board of condemnation, which enables the Paymaster to issue an approval for disposal. Also, the review of disposal correspondence files at MoFP found that Public entities request Paymaster General to issue disposal approval

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rather than requesting the Accountant General to form a Board of Condemnation to inspect and report on the condition of motor vehicles and advise Paymaster general on disposal or not.

***b) Low Level of Implementation of Assets Verification Activities***

It was observed that DGAMD did not physically verify assets in public entities as required. No reports were produced by the Department in the sampled audited entities regarding physical verification for the sampled period.

In addition, 7 out of 10 sampled public entities confirmed that there was no visit from the Ministry of Finance officials for the purpose of conducting Asset verifications. Audit observation indicated that this was due to absence of disposal guidelines which could streamline the disposal process.

**3.6.3 Improper procedures for Disposal of Motor vehicles acquired to facilitate the implementation of projects**

Part 2(i) of Treasury circular No.2 of 2018/19 requires all public entities with motor vehicles acquired through projects funded by the government or development partners to report to the Ministry of Finance and Planning motor vehicles remained within 30 days of the project's completion.

From the review of the disposal approvals from 2018/19 to 2021/22, it was noted that 147 motor vehicles were approved for disposal without meeting the requirement of reporting to MoFP. The Number of Project motor vehicles disposed of after completion of the project is presented in **Table 3.13**.

**Table 3.13: Project Motor Vehicles disposed of after Project Implementations**

Details	No. of Projects Motor vehicles
Projects Motor vehicles Advance to Employees	113
Projects Motor vehicles Sold through Auction	34

*Source: Auditors' Analysis of Motor vehicles approved for Disposals (2022)*

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**Table 3.13** indicates that 113 out of 147 equivalent to 77% of the disposed of motor vehicles acquired for project implementation, were advanced to employees.

Furthermore, the audit noted that there were 47 grounded motor vehicles at the National Identification Authority (NIDA) whose disposal approval was not granted by MoFP because those vehicles were acquired to facilitate the implementation of projects.

The audit noted insufficient enforcement of Treasury Circular No. 2 of 2018/19 regarding the disposal of motor vehicles that are still categorized as vehicles acquired to facilitate project implementation .

### **3.7 Inadequate Monitoring of Disposal Activities of Government Motor Vehicles**

This part presents the assessment of monitoring processes for Public assets by MoFP. The monitoring function was assessed from the acquisition of the vehicle to their disposal stage. The following weaknesses were noted regarding monitoring of the process for disposing of the government motor vehicles:

#### **3.7.1 Inadequate Plans for Monitoring the Process for Disposing of the Government Motor Vehicles**

According to the Public Assets Management Guidelines , 2019 the Ministry of Finance and Planning is required to manage public assets by monitoring the way they are acquired up to their disposal so as to maximise the value of the assets.

The audit review of the Asset verification reports from 2016/17 to 2021/22 revealed that the MoFP did not set a clear target and budget for monitoring the disposal activities.

Furthermore, the audit noted that the MoFP managed to include verification activities from 2016/17 to 2020/21 in its plans and budgets. However, the audit noted that the targets set were not clear for monitoring as the number of verifications targeted to be achieved were not specified.

**Table 3.14** depicts the list of planned and budgeted monitoring activities.

**Table 3.14: List of the Planned and Budgeted Monitoring Activities**

FY	Target	Budget in TZS
2016/17	The number of MDAs and LGAs verified increased annually by June 2017	884,403,606
2017/18	The number of MDAs and LGAs verified increased annually by June 2018	1,297,410,000
2018/19	Asset verification units in MDAs, RSS and LGAs increased from 360 to 420 units by June 2019	1,373,160,000
2019/20	Asset verification units in MDAs, RSS and LGAs increased from 360 units to 600 units by June 2020	1,327,736,250
2020/21	Asset verification units in MDAs, RSS and LGAs increased from 360 units to 600 units by June 2021	1,143,166,000
2021/22	Asset verification units in MDAs, RSS and LGAs increased from 360 units to 600 units by June 2020	1,568,958,589

*Source: Auditors' Analysis of MoFP Annual Performance Reports from 2016/17-2021/22*

Table 3.14 shows that for the financial year 2016/17 and 2017/18, MoFP planned and budgeted for TZS 884,403,606 and TZS 1,297,410,000, respectively. The target was to increase verification in MDA and LGAs. However, targets were not measurable. Moreover, for the financial year 2021/22, MoFP did not indicate the target for the verification activity.

Failure of MoFP to set the target for the verification led to failure to monitor and measure the achievement of the set targets.

Interviews with the MoFP officials revealed a typing error in indicating the targets for monitoring for each financial year. However, the target was to ensure verification increases by 60% every year starting from 2016/17.

### **3.7.2 Inadequate Periodic Inspection and Verification of Assets**

Para 18 of the Public Asset Management Guidelines, 2019, requires verification of assets to be undertaken by an officer from GAMD every financial year or whenever there is a need or instruction. On top of that verification by Accounting Officer is required after every three months as a measure to strengthen internal controls.

The review of the Monitoring and Evaluation Report, 2021/22 indicated that for the fiscal year, 2021/22, MoFP visited only 7 out of 26 regional offices as part of monitoring. It was further reported that those seven visited regional offices conducted verification in 35 public institutions, equivalent to 30% of the target of 115 public institutions, which translates to only 6% of all 564 public entities in the country.

Similarly, the audit noted that from 2017/18 to 2018/19, no verification activities were conducted for the sampled public entities. However, between 2019/20-2021/22, sampled public entities such as TANROADS, the Judiciary of Tanzania and the Ministry of Health were partially covered as information summarized in table 3.15 indicate.

**Table 3.15: Coverage of the GAMD Asset Verification activities in the Sampled Public Entities**

Financial Years	2019/20	2020/21	2021/22
TANROADS	x	x	Partial
Judiciary of Tanzania	Partial	Partial	Partial
MoH	Partial	Partial	Partial
MoFPA	x	x	x
MoFP	x	x	x
Tanga CC	x	x	x
Njombe DC	x	x	x
Mpwapwa DC	x	x	x
TTCL	x	x	x
TBC	x	x	x

*Source: Auditors' Analysis of Verification Reports from Financial Year 2016/17 to 2021/22*

#### Key

X=Not Done

*Partial=Did cover all entities*

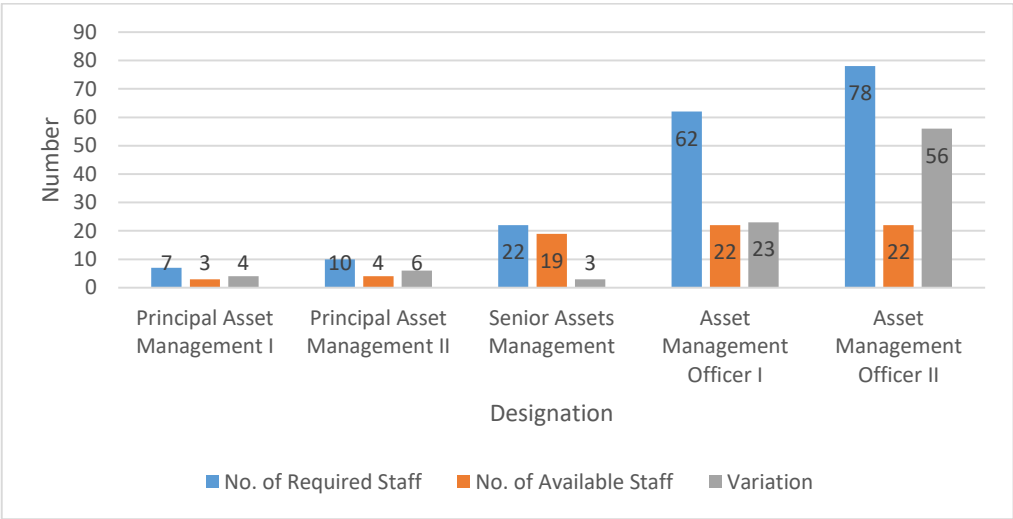
From **Table 3.15**, it can be noted, that from the financial year of 2016/17 to 2021/22, GAMD conducted verification to 3 out of the 10 equivalent to 30% of the sampled entities. TANROADS, the Judiciary of Tanzania and the Ministry of Health were partially covered by GAMD verification activities from the financial year 2019/20 to 2021/22. For the financial year 2021/22, TANROADS was partially covered by conducting verification in three out of 28 TANROADS Regional Offices. The three covered TANROADS Regional Offices were Manyara, Iringa and Kilimanjaro.

Also, at the Judiciary of Tanzania, in the Financial Year 2019/20, 2020/21 and 2021/22 the inspection and verification was conducted to only 19, 8 and 14 entities respectively. Likewise at the Ministry of Health the inspection was done to the financial years 2019/20, 2020/21 and 2021/22 covering 4, 5 and 10 entities respectively.

Inadequate inspection and verification was mainly caused by shortage of government assets management officers who could verify and inspect assets annually to all public entities.

The audit further analysed the number of required and available government assets management officers, and the results are indicated in **Figure 3.5**.

**Figure 3.5: Number of the required and available Asset Management Officers**



*Source: Auditors' Analysis of the MoFP Personnel Enrolment of Staff for GAMD (2022)*

From **Figure 3.5**, it can be noted that GAMD had a shortage of staff for asset management across all levels. The Assets Management Officer II position had a shortage of 56 staff which was the highest, Asset Management Officer I position had a shortage of 23 staff and Principal Asset Management I position had a shortage of 4 staff out of the established trend. The audit noted that the reasons for the inadequate human resources availability was government policies on employment.

Shortage of human resources contributed to inadequate identification of assets (Motor vehicles) to be disposed of hence leading to accumulation of a large number of grounded motor vehicles.

### 3.7.3 Inadequate Supervision of the Implementation of Disposal Permits for Government Motor Vehicles

Para 6.4 (vii) of the Public Asset Management Guidelines, 2019 requires MoFP through the Director of Asset Management to ensure that assets are disposed-of per the policies, legislations, and regulations.

The review of the Verification Report 2021/22 indicated that MoFP, through seven regional offices, managed to supervise the auction process, MoFP supervised the disposal of scrap assets, including motor vehicles, in 21 public institutions and raised a total of TZS 2,000,675,722.50 from the disposal exercise.

The audit noted through the review of the MoFP Annual Performance Reports of 2016/17 to 2021/22 that the Ministry neither did specify the number of entities nor the number of regions targeted for the supervision of the implementation of the disposal permits. The Ministry only reported on the amount of money collected from the sale of the unserviceable asset, including motor vehicles. Table 3.16 depicts the amount collected from the sale of unserviceable asset.

**Table 3.16: Amount Collected from the Sale of Unserviceable Assets**

Year	Amount Collected from the Sale of Unserviceable (in TZS)
2016/17	8,443,092,684
2017/18	1,243,601,000
2018/19	1,294,651,851
2019/20	Not indicated
2020/21	Not indicated
2021/22	Not indicated
<b>Total</b>	<b>10,981,345,535</b>

*Source: Auditor's Analysis of Annual Performance Reports from 2016/17 to 2021/22*

Table 3.16 shows that, the amount collected from the sale of unserviceable decrease from TZS 8,443,092,684 in 2016/17 to TZS 1,294,651,851, however from the financial year 2019/20 to 2021/22, amount collected from sale of unserviceable are not indicated.

Interviews with MoFP officials revealed that, inadequate supervision of the execution of the disposal permit is contributed by shortage of government asset management officers in regional offices. As a result of this MoFP does not have complete information about the status of the implementation of issued disposal permits.



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### **3.7.4 Inadequate Reporting of Disposal Activities**

Section 245(3) of the Public Finance Act 2004 requires stock verifiers to retain one copy of the report for their record and send one copy each to the Accounting Officer concerned, the Permanent Secretary, Accounting General and Controller and Auditor-General.

The review of the Verification Reports from 2016/17 to 2021/22, revealed significant improvement in the reporting of the disposal activities from the financial year 2019/20. From this years the MoFP managed to produce a well-structured verification reports which highlighted criteria, conditions, consequences, and recommendations with regards to asset management including issues on the disposal of government Motor-vehicles. Earlier, MoFP was producing a summary which indicated only consolidated issues on asset management but criteria, consequences, and recommendations were not included.

On the other hand, through a review of the Monitoring and Evaluation Report for the year 2021/22, the audit noted that the Ministry of Finance and Planning did not share the results of the inspection and verification with the Accounting Officers of the concerned public institutions.

The Ministry did not provide evidence for submitting those verification reports to the accounting officers of the respective public entities. Inadequate reporting of the disposal activities to Accounting Officers has contributed to the delay in the disposal of the identification of assets to be disposed of and hence delay of the overall disposal process.

### **3.7.5 Lack of Follow-up of Recommendations for Assets Management**

The review of the Verification Reports from 2016/17 to 2021/22 found that for the period under audit, there was no evidence that MoFP made a follow up on the implementation of audit recommendations. This was contributed by the fact that before the financial year 2019/20, the output of the verification activity was just a summary of consolidated issues on asset management, which had no recommendations.

On top of that, despite issuing recommendations in its verification reports, since the financial year 2019/20, MoFP did not prepare any plan, budget or reports that could help in highlighting the status of the implementation of the issued recommendations to Accounting officers of the public entities. .

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The reasons for the absence of follow ups on the implementation of the recommendations were:

***a) Absence of Recommendation Register***

The audit found that the MoFP did not have a recommendation register to show the number of the issued recommendations for previously inspected entities. Absence of recommendation register made it difficult for the MoFP and planning to understand the implementation of the previously issued recommendation and their implementation status; and

***b) Absence of Plans of Undertaking Follows up***

The audit noted that MoFP did not plan to conduct verification activities. The audit review of the verification plans indicated that there were no plans for verification of previously issued recommendations and the status of corrective action that the entity has taken.

**3.7.6 Lack of Coordination for Disposal done by Auction and Advance to Employees**

The audit found that there was an overlap in the two disposal processes, the one conducted through auction and the other conducted through advance to public servants.

During a site visit at Meatu DC, the Audit Team found that Meatu DC initiated the disposal process by requesting MoFP to form the Condemnation Board to get approval for the disposal of 9 motor vehicles through the disposal by auction processes. However, the audit noted that Meatu DC received the disposal permit to dispose of 9 vehicles through auction before that. Public servants were issued a certificate of allocation and a letter of 4 vehicles through advance to government employees.

*Lack of Coordination for Disposal done by Auction and Advance to employees was contributed by the following:*

- (i) Delays in issuing the disposal permit;*** the process to issue a disposal permit for auction takes a very long time, as explained in part 3.5. As a result, the delays provide room to attract people to request those vehicles through the disposal process in advancement to government employees.

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- (ii) ***Lack of the control mechanism***; the audit found that MoFP who is the custodian of all Government vehicles does not have any control mechanism to ensure that the one vehicle is not disposed of through two different methods i.e advance to employee or auction.

*The current practice has resulted into:*

- a) Duplication of disposal efforts for disposal of motor vehicles because both disposal process involves public resources in terms of human, time and financial resources in the entire approval process;
- b) Complicated disposal process to employees; and
- c) Delays in issuing approvals for disposal or advance of motor vehicles employees.



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## CHAPTER FOUR

### AUDIT FINDINGS ON THE MANAGEMENT OF DISPOSAL OF GOVERNMENT MOTOR VEHICLES TO EMPLOYEES BY ADVANCE METHOD

#### 4.1 Introduction

This chapter presents audit finding on the management of disposal of government motor vehicles by advance to employees from the Identification, valuation, and issuance of approval and monitoring activities for disposal of vehicles. Also, the chapter presents efforts undertaken by the Government to improve the disposal of Government motor vehicles through the process of advancing to employees.

#### 4.2 The Efforts undertaken by the Government to Streamline and Improve the Disposal of Motor vehicles to Employees

The President's Office - Public Service Management and Good Governance (PO-PSMGG) made several efforts to ensure that the disposal of Government motor vehicles through advancement to employees was done in accordance with the requirements and at a reasonable values.

The President's Office - Public Service Management and Good Governance (PO-PSMGG) issued various circulars to facilitate government motor vehicles' disposal. These include: Circular No. 2 of 2021, on the Procedure of use, types and entitlements of vehicles for leaders in the public service; Circular No. 4 of 1994 and No.5 of 1995 for Advancing Government Motor vehicles; and Guideline of Advancing Government Motor vehicles, 2009.

Also, in July 2021, the Ministry of Works and Transport (MoWT) developed "*guidelines for purchasing and managing government Motor vehicles*". The guidelines established criteria and procedures for the disposable vehicles to be observed by the Ministries/ Public institutions. The established criteria include:

- a) Removal of a Vehicles from the Government registry will be for vehicles that have been used for at least eight (8) years or a car that has travelled more than 250,000 kilometres or whatever comes first;

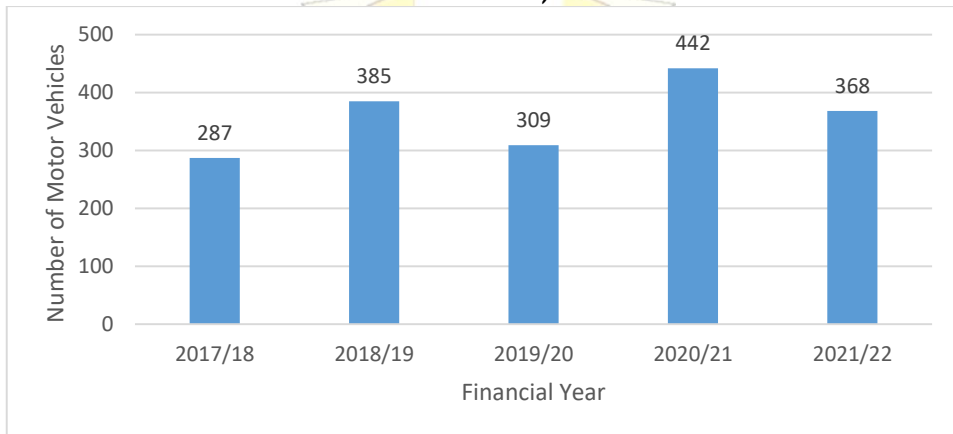
- b) Vehicles that had accidents and the costs of maintenance declared were uneconomical after assessment by experts from the Ministry of Transport; and
- c) Confirmation of the existence of high costs of operation and maintenance of relevant vehicles from experts from the Ministry of Works and Transport.

#### 4.3 A total of 1791 Government Motor Vehicles were advanced to Employees from 2016/17-2021/22

The audit analysis of data for the motor vehicles advanced to employee's revealed that the Government of Tanzania disposed of various motor vehicles through advancement to employees. The audit noted that a total of 1791 motor vehicles were disposed of to employees through advance method from 2017/18 to 2021/22. The audit analysed the number of motor vehicles advanced to employees across years.

**Figure 4.1** The number of motor vehicles that were disposed of through advanced to employees from 2016/17-2021/22.

**Figure 4.1: Number of Motor Vehicles Advanced to Employees (2016/17-2021/22)**



*Source: Auditors' Analysis of the Motor Vehicles Advanced to Employees (2022)*

**Figure 4.1** indicates number of government vehicles advanced to employees in different years. Based on this figure, a total of 287 vehicles were advanced to employees, in 2017/18, 385 Motor Vehicles, in 2018/19, 442 motor

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vehicles in 2019/20, 442 vehicles in 2020/21 and 368 motor vehicles were advanced to employees in the financial year 2021/22. The audit results in **Figure 4.1** indicates that the government considerably advanced motor vehicles to employees for facilitation and motivation purposes.

Although PO-PSMGG has made several efforts to improve the provision of services in the disposal of government Motor Vehicles, the audit noted several areas for improvement, as discussed in subsequent sections below.

#### **4.4 Weaknesses in Identification of Government Motor Vehicles disposed of through advance to Employees**

The Identification of government motor Vehicles to be disposed of involves the quantification and specification of assets to be replaced on an annual basis per the ageing analysis conducted on non-current assets to remove assets that have become uneconomic to maintain. The following are the weaknesses related to identifying motor vehicles to be disposed of through advance to Employees.

##### **4.4.1 Inadequate Assessment and approvals of Motor Vehicles to be Disposed of through advance to Employees at the Disposing Entities**

Paragraph 16 of the Asset Management Guidelines, 2019, requires that the Accounting Officer (AO) quantify and specify uneconomic assets to be removed on an annual basis. The Accounting Officer was obliged to appoint a Board of Survey to inspect and prepare a report which will be used for developing a replacement plan.

However, the audit found that the identification process was not adequately conducted because the entities did not form the Board of Surveys to conduct inspections of motor vehicles and prepare reports that could guide the accounting officers in the necessary actions. Specifically, the Audit observed in all visited entities that, the Accounting Officers did not form the Board of Survey to quantify and specify motor vehicles to be removed or replaced.

Although Accounting Officers did not form the Board of Surveys, the audit noted that approvals for the disposal or advance of motor vehicles to the employees did not consider whether the Board of Survey was formed. This

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means that the disposal of government motor vehicles was done without having proper assessment and approvals.

The audit noted that MoFP, TBC, MoH, Njombe DC, Foreign Affairs, formed a committee for assessing the applications for motor vehicles to be advanced to employees. The audit noted that the committees developed assessment that will be used to assess application. However, criteria were varying from one entity to another.

Similarly, the audit noted that the decision of the Judiciary of Tanzania to advance the motor vehicles to employees at the entity level based only on the discretion of the Accounting Officer there not committee formed to assess the application of employees to be advance motorvehicles. The audit concludes that there were were no criteria developed to assess employee application before disposal through advanced.

Similarly, during the site visits, the audit noted that at Mpwapwa DC Accounting Officer approved the advance of the Toyota Land cruiser GX V8 to an employee without the involvement of the Council Management Team or Full Council. As a result, the Mpwapwa DC declined to hand over the allocated motor vehicle even though the payments were already made.

The audit further noted that these incidences were caused by a lack of criteria that stated requirements to be adhered to by the accounting officers prior to submitting requests to the Permanent Secretary responsible for Public Service Management.

This put at risk disposal decisions made for motor vehicles advanced to employees, the audit noted the likelihood of risk in decision-making. Motor vehicles may be kept grounded for a long period or could be allocated to individuals without knowing the actual status and condition.

#### **4.4.2 Lack of Transparency on the Motor Vehicles to be advanced to employees**

Section 2.0 of the Circular for Advancing Government motor vehicles to Employees issued by the Permanent Secretary, Public Service Management of 2009 highlighted that once motor vehicles meet conditions for being disposed of, an employee has an option of applying to the President's Office -Public Service Management and Good Governance after approval of the Accounting Officer for the vehicle intended.

The audit noted that the vehicles advanced to the employees were not known beforehand by the employees. There was no specific system of informing employees on the vehicles fit for disposal to be requested by the employees through the advancement process.

The audit noted through interviews with the officials from 8 out of 10 visited PEs that the process for the disposal of government vehicles by advancing to employees is not transparent because information about unserviceable motor vehicles was not officially published to all employees

Consequently, only a few employees could benefit from this privilege, violating the purpose and objective of ensuring this opportunity is granted to all eligible employees to advance. **Table 4.1** depicts the status of advertisement for motor vehicles to be disposed of.

**Table 4.1: Status of Advertisements of Motor Vehicles to be Disposed of**

Disposing Entity	Status
Njombe DC	V
TBC	V
Mpwapwa DC	X
Judiciary of Tanzania- Vote 40	X
Ministry of Health	X
Ministry of Finance and Planning	X
TANROADS	X
Ministry of Foreign Affairs	V

*Source: Auditors' Analysis adverts in the Visited Entities (2022)*

**Key**

X= Was not advertised to employees through notice boards

V=Was advertised to all employees

**Table 4.1** shows that only 3 entities, namely Njombe District Council and TBC and ministry of foreign affairs out of 8 entities that were visited, transparently conducted the disposal process through advertising to employees.

The inadequate advertisement of motor vehicles for disposal was attributed to absence of a binding obligation for the Accounting Officers to advertise for the vehicles to be disposed of before approvals for disposal. Consequently, this rendered the process not transparent.



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As a result of such anomaly, only few employees with access with the information were able to benefit from this opportunity, contrary to the initial intention of benefiting a large number of employees.

#### **4.5 Inadequacies in the Valuation of Government Motor Vehicles Disposed of through Advancement to Employees**

Board of condemnation composed by Accountant General estimated the value of the Motorvehicles proposed to be written of. Audit noted that there were Inadequacies in the valuation conducted as discussed hereunder:

##### **4.5.1 Ineffective Valuation of Government Motor Vehicles disposed of through Advance to Employees**

Section 13 (3) (b) of the Standing Order of Public Service GN. 493 of 2009 requires that the motor vehicle purchasing price from the Government, Local Government Authorities, Parastatal Organisation, or through any other source be calculated from the actual cost by considering the depreciation of the motor vehicle.

To establish the effectiveness of the valuation done by the Ministry of Work and Transport, the audit recalculated the residual value of 500 sampled Motor vehicles that were disposed of through advancement to employees from 2016/17-2021/22. The audit noted variation between the residual values established by the MoWT and those established by the audit team.

**Table 4.2** depicts the Variation of the Residual Value established by MoWT and established by the Audit Team. The audit found variations in the value established by the Ministry of Works and Transport and by the audit team, which ranged between -36% and 836%.

**Table 4.2: Variation of Residual Values Established between the MoWT and Audit Team**

Variation of Residual Value in Percent (%)	No. of Valued Motor vehicles	Percentage of Motor vehicles (%)
-36 - 0	11	2
<10	14	3
10 - 100	296	59
101 - 200	148	30
201 - 836	34	7

*Source: Auditors' Analysis of Valuation Reports from the MoW (2016/17 - 2021/22)*

Table 4.2 indicates that there were five overvalued motor vehicles, three were correctly/fairly valued, and 482 motor vehicles, equivalent to 96.4% were undervalued. In overall, the value of the 500 sampled motor vehicles was undervalued by TZS 2.7 billion.

#### **4.5.2 Ineffective Determination of Cost during Valuation of Motor Vehicles**

According to International Accounting Standards (IAS 16) and International Public Sector Accounting Standards (IPSAS 17), costs of property, plant, and equipment include costs incurred initially to acquire plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

The acquisition cost of an item comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. (b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management; and subsequently cost which included only major repair and service.

The audit review of the valuation reports prepared by MoWT showed that the valuation considered only the purchasing price, insurance and freight (CIF). Other costs, initial and subsequent such as taxes, excise duties and clearance costs were not considered by the MoW during valuation. As a result, the carrying value of the asset was low as compared to its actual value. This had significant impact on the residual value of the Motor vehicle disposed of.

Exclusion of other costs resulted in the undervaluation of the motor vehicles, leading to small residual values for disposed of motor vehicles. During verification, the audit team noted that there was a variation of 83% of the residual value with CIF only and those that included all acquisition costs as computed by auditors. **Table 4.3** compares Residual Value with the inclusion of All Acquisition Costs and with CIF only at the Ministry of Finance and Planning (MoFP<sup>7</sup>).

**Table 4.3: Comparison of Residual Value Inclusive of All Acquisition Costs and with CIF only at MoFP**

Entity	No. of motor vehicles	Residual Values with all Acquisition Costs included (TZS)	Residual Value with CIF only (TZS)	Variation	
				In Amount	In (%)
MoFP	27	1,159,502,326.65	202,727,796.75	956,774,529.90	83

*Source: Auditors' Analysis on Valuation Reports (2022)*

**Table 4.3** indicates that there was exclusion of some costs in determination of the cost of the motor vehicles during the valuation of 27 motor vehicles disposed at MoFP. This reduced the value of the motor vehicles and caused a loss of TZS 956,774,529.90.

#### **4.5.3 Shortcomings of the Standardized formula Used for Valuation of Motor Vehicles Advanced to Employees**

According to the International Accounting Standards (IAS 16) and International Public Sector Accounting Standards (IPSAS 17), costs of property, plant, and equipment include costs incurred initially to acquire plant and equipment and costs incurred subsequently to add to, replace part of, or service it. Also, guide 13 of Public Assets Management Guidelines Revised Edition, 2019, requires that for the case of major repair or overhaul of an asset, revaluation shall be conducted to ascertain a new value of a particular motor vehicle.

After review of the valuation reports from MoWT and the formula used, the audit noted that, the residual value was calculated by taking the CIF value

<sup>7</sup> Cost associated with acquisition of motor vehicles apart from CIF were not available to other PEs. Likewise, at MoFP, information was available to 27 motor vehicles only.

minus depreciation without consideration of the costs incurred. such as the cost of putting motor vehicles into service and subsequent costs such as major repairs and overhauls if they were performed on a specific motor vehicle. This implies that motor vehicles undergoing major repairs or overhauls were undervalued.

**Table 4.4** shows the schedule of Depreciation. It can be noted that the rate of depreciation ranged from 0%-75%. However, the formula considered the rates of depreciation for more than 72 months (about 6 years) were the same throughout. Therefore, the formula assumed that the rate of depreciation was the same for motor vehicles used for 6 years and those used for 15 years.

**Table 4.4: Schedule of Depreciation**

Months	Rate of Depreciation (%)
0-6	0
7-12	10
12-24	20
25-36	35
37-48	45
49-60	55
61-72	65
72 and above	75

*Source: Auditors' Analysis of Valuation Forms from MoWT (2022)*

**Table 4.4** indicates that from 2016/17-2021/22, the rate of depreciation increased by 10%, except for the second two years, where the rate increased by 15%. However, the justification for having the rate of depreciation by 15% in the third year was not provided.

*The reasons for inadequate valuation of Government motor vehicles disposed of through Advancement to Employees were as explained below:*

**a) The incompleteness of the Database of Government Motor Vehicles**

According to the database of the Government motor vehicles, among the key information needed for the registration of motor vehicles in the database is the date of manufacturer, model of motor vehicle, engine type,

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chassis no., date of acquisition, the status of motor vehicles, CIF value and exchange rate at the date of acquisition.

The audits review of the database found that 20,471 out of 39,789 motor vehicles registered in the database did not have key information such as CIF value. Omission of CIF value contributed to the undervaluation of government motor vehicles at the Ministry of Works and Transport Offices . MoWT's officials revealed that this was attributed to failure by PEs to submit CIF value and other costs associated with acquiring motor vehicles during the registrations.

Furthermore, MoWT revealed that the valuation of motor vehicles with no CIF value in the database was conducted using the CIF of similar vehicles acquired in the same year.

Similarly, the audit noted through the review of the Database of Government motor vehicles at MoWT that, motor vehicles owned by Local Government Authorities (LGAs); Public Authorities and Boards were not recorded in the database and thus made it difficult for valuers to have the required information during valuation.

#### **b) Exclusion of the Chief Valuer in the Valuation of Motor Vehicles**

Section 13 (1) (a) of the Standing Orders of Public Service GN. 493 of 2009 requires the Permanent Secretary responsible for Transport to issue a valuation of advanced motor vehicles. Likewise, Section 2.4 and 2.5 of the Guidelines for Advancing Government Motor Vehicles to employees 2009 requires a valuation to be undertaken by the Ministry responsible for Infrastructures.

However, Section 6(1) (b and c) of the Valuation and Valuer Act No. 9 of 2016 requires the Chief Valuer to advise the Government on valuation matters and activities, including valuation rates in the purchase and disposal of Government Properties; and carry out a valuation of properties or other assets upon request from the Government, Institutions, Individuals and Members of the public. This shows that from 2016, all valuation activities of government properties were supposed to be conducted by the Chief Valuer.

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This was emphasized in Section 13 of the Public Assets Management Guideline Revised Edition, 2019 which requires the valuation of asset based on the existing Valuation and Valuers Registration Act.

However, the audit noted through the review of the valuation reports that valuations of motor vehicles to be advanced to employees were carried by either the Ministry of Work and Transport (MoWT) upon receiving the request from the President's Office-Public Service Management and Good Governance (PO-PSMGG), or the Condemnation Board in case of disposal through auction or tender.

Officials from the Ministry of Work and Transport (MoWT) promised to make a follow-up on whether the valuation of motor vehicles is required to be done by the Chief Valuer or not after learning that from auditors. This implies that the Ministry was unaware of the role of the Chief Valuer in the valuation of government properties.

#### **c) Use of Unauthorised Persons or Firms in Valuation of Motor Vehicle**

Section 25(1) of the Valuation and Valuer Act No. 9 of 2016, states that a person or firm shall not undertake any activity relating to valuation without a certificate issued by Valuer Registration Board. This was emphasized in Section 13 of Public Assets Management Guidelines Revised Edition, 2019, which provides that valuation of the assets shall be done by a Registered Valuer based on the existing Valuation and Valuers Registration Act.

The audit team found that all Officials undertaking valuations were not authorised by the Chief Valuer. In addition, the review of the MoWT organization structure and functions showed that no valuation function was vested in any of the MoWT Departments.

#### **d) Lack of CIF confirmation in the database**

The audit noted through the review of valuation reports and the database of the Government motor vehicles that the valuation did not consider the correct CIF as recorded in this Database. . In addition, the the Ministry's officials did not provide reasons for not confirming the correctness of CIF used, despite of having CIF value in their data base. However, the audit noted that the main reason was inadequate reviews of the valuation reports.

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#### **e) Inadequate Review of the Valuation Reports**

Para 6.4 xvi of the Public Assets Management Guidelines, 2019, requires the Director of Government Asset Management under the Ministry of Finance and Planning to observe the proper valuation of public assets per International Standards (Public Assets Management Guideline, 2019).

A review of the valuation and the Government motor vehicles audit reports revealed that officials from the MoWT who reviewed valuation reports did not review the actual CIF used during valuation as indicated in the database of motor vehicles.

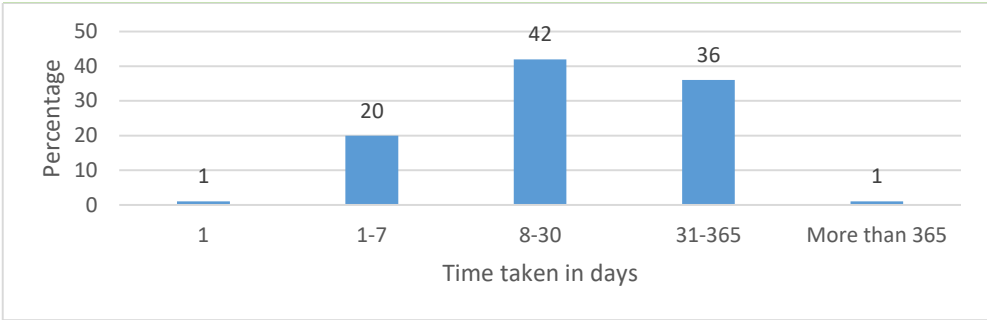
Further, the audit noted that the Ministry of Finance and Planning did not review the valuation done to motor-Vehicles disposed of through advancement to employees, nor did the MoWT submit the valuation to MoFP for review. This indicates a lack of a proper quality control system for reviewing the valuation reports. Generally, the Ministry was not able to confirm correctness of valuation processes for the government motor vehicles disposed through advancement to employees.

##### **4.5.4 Varied Timelines of Issuing Valuation Reports for Motor vehicles Advanced to Employees**

The audit analysed the duration taken for valuation of motor vehicles Advanced to Employees by comparing the request date and issued valuation reports of 1779 Motor vehicles.

**Figure 4.2** depicts the results of the duration taken for the valuation of motor vehicles advanced to employees from 2016/17-2021/22. It can be noted that it took 0 to more than 365 days for the valuation to be completed.

**Figure 4.2: Duration of Time in Valuation of Motor Vehicles Advanced to Employees**



*Source: Auditors' Analysis on the Dates of Requests and Actual Valuations (2022)*

From **Figure 4.2**, it can be noted that 1% of the valuation reports were issued within the same date of valuation request. 42% which was the largest number, were issued between 8-30 days, while 36% were issued between 31-365 days and only 1% of the valuations were issued for more than 365 days which was equivalent to a year and above of the reviewed 1779 Valuation of motor vehicles reports.

The audit noted through interviews with the officials at the Ministry of Works and Transport that the varied timeliness for valuation of vehicles was contributed mainly by delays in payment of the valuation fee of TZS 10,000 required to be paid prior to valuation, something which indicates lack of awareness about the process.

In addition, the MoWT officials revealed that the delay of notification between Po-PSMGG, MoWT, and an Employee was attributed to the delays in issuing valuation reports. Furthermore, absence of set timeline for undertaking the valuation of motor vehicles advanced to employees was also a source for the delays.



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## 4.6 Weaknesses in the Issuance of Approval for disposal of Motor Vehicles

PO - PSMGG issues approval of the advancement of motor vehicles by *issuing a certificate of allocation to an employee*. Issuance of the motor vehicles occurs after the valuation report is issued and reviewed. The following were the noted weaknesses in the issuance of advancement of motor vehicles.

### 4.6.1 Varied timeliness in the Allocation of Motor Vehicles to Employees

The audit review of the time taken from applications to the allocation of 609 sampled motor vehicles to be advanced to employees from 2018/19 to 2021/22 revealed that the process took 4 to 2050 days for Permanent Secretary to grant allocation of motor vehicles to employees since applications as Table 4.5 illustrates.

**Table 4.5: Time Spent for Allocations of Motor Vehicles Advanced to Employees**

Range of days taken	No. of Allocated Motor Vehicles	Percentage of Motor vehicles(%)
0 - 7	5	1
8 - 30	97	16
31 - 365	442	73
366 - 2050	65	10

*Source: Auditors' Analysis of the Dates of Application and Allocation of Vehicles (2022)*

From Table 4.5, it can be noted that it took between 0-7 days for 5 motor vehicles equivalent to 1% to be allocated, 8-30 days for 16% of the motor vehicles to be allocated, 31-365 days for 73% of the motor vehicles to be allocated to employee and 366-2050 days for 10% of the motor vehicles to be allocated to employees.

The audit found that the varied timeliness in the valuation process resulted from the lack of automation of the disposal process and that there was no set standard timelines for the allocation of a motor vehicle from the date of applications.

#### 4.6.2 Inadequate assessment of the Applications of Advancing Motor vehicles to Employees at the Ministry Level

Section 2.1 of the Guidelines on Proceeds for Advancing Government Motor Vehicles to Employees, 2009, requires motor vehicles to be disposed of after at least five years or when it is no longer fit for use in government (obsolete).

The audit noted through the review of the application letters from various public entities that the status of the disposed motor vehicles was not indicated to confirm whether the disposed motor vehicles were no longer fit for government use.

The audit review of the application revealed the reasons that were stated as the basis for the disposal of government motor vehicles. **Table 4.6** depicts the reasons that were stated in the application letters for the disposal of government motor vehicles.

**Table 4.6: Stated Reasons in the Application letters for Disposal of Motor vehicles <sup>8</sup>**

Stated Reasons	No. of Motor vehicles	Per cent of Motor vehicles (%)
High Maintenance Cost	328	53.90
Obsolete	194	31.90
Reasons not stated	79	13.00
Grounded	05	0.80
Not fit for VIP Use	01	0.20
Completion of the project	01	0.20

*Source: Auditors' Analysis on the Applications for Motor Vehicles (2022)*

From **Table 4.6**, it can be noted that 79 out of the 608 applications for motor vehicles advanced to employees were granted without stating the reasons for disposal. Furthermore, due to high maintenance costs, 328 out of 608 equivalents to 54% of motor vehicles were advanced to employees.

The audit further reviewed the highest stated reason in the application letters: high maintenance cost. The audit noted that only 11 out of 328 equivalents to 3% of the requests were supported with evidence for disposals under this reason.

<sup>8</sup> Disposal requests sent to PO-PSMGG

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**Table 4.7** depicts the list of the disposed government motor vehicles due to high maintenance costs with supporting evidence. Further review of the maintenance cost indicated that only 2 out of the 11 applications provided information about the previous maintenance cost to confirm the claims that maintenance costs were high.



**Table 4.7: High Maintenance Cost Claims with Supporting Evidence**

No. of Motor vehicles	Estimated Cost in TZS	Previous Cost in TZS
Motorvehicle 1	6,600,000	Not indicated
Motorvehicle 2	60,000,000	128,520,366
Motorvehicle 3	12,695,148	Not indicated
Motorvehicle 4	23,556,045	Not indicated
Motorvehicle 5	22,956,546	Not indicated
Motorvehicle 6	5,870,647	Not indicated
Motorvehicle 7	30,000,000	Not indicated
Motorvehicle 8	6,936,040	Not indicated
Motorvehicle 9	42,000,000	2016=TZS 12,516,850+TZS 7,612,416. 2017=TZS 7,101,712; 2018=TZS 8,245,840
Motorvehicle 10	18,000,000	Not indicated
Motorvehicl 11	6,027,735	Not Indicated

*Source: Auditors' Analysis on the Maintenance Cost Claims Applications (2022)*

Table 4.7 indicates that only 2 out of 11 motor vehicles had sufficient supporting evidences, including the previous cost incurred for maintenance of the motor vehicle. Also, the table indicates the *maintenance costs* claimed to be high ranged from TZS 5,870,647 to TZS 60,000,000. The audit noted that there was no established benchmark of what constituted high maintenance costs when deciding on the disposal of government Motor Vehicles.

#### **4.6.3 Employees are allocated with more than one Motor Vehicles in less than Five Years**

Section 1.1 of the Circular for Advancing Government Motor Vehicles to Employees, issued by the Permanent Secretary of Public Service Management 2009, highlights that advancing used motor vehicles to employees started in 1994 after circular No. 4 of 1994, followed by Circular No. 5 of 1995. This decision was made after the government reduced the number of motor vehicles to reduce operation and maintenance costs.

Based on the fact that one of the motives for the advance was to facilitate and motivate employees, it was expected that all employees could have an equal opportunity to enjoy the advantages of advancing Government motor vehicles.

The audit noted through the review of the motor vehicles allocation database from 2016/17 to 2021/22 that, there were employees who were repeatedly allocated government motor vehicles in less than five years.

**Table 4.8** depicts the number of employees who were allocated more than one vehicle from 2016/17-2021/22. It can be noted that 54 employees were allocated more than one motor vehicles.

**Table 4.8: Allocation of More than one Motor vehicles to a Single Employee**

Origin of Motor vehicle	Total No. of Vehicles	No. of Motor vehicles Allocated per Employee	No. of Employees
Same entity from employee is working	52	2	26
Different entities an employee is working	40	2	20
Same entity an employee is working	9	3	3
Different entities an employee is working	15	3	5
<b>Total</b>	<b>116</b>	<b>10</b>	<b>54</b>

*Source: Auditors' Analysis of Allocated Vehicles 2016/17-2021/22*

**Table 4.8** indicates that 29 out of 54 employees were allocated more than one vehicle from the same entity. The audit further analysed the interval of allocation of motor vehicles to employees. In addition, the audit analysed the interval of multiple allocations of motor vehicles to employees.

**Table 4.9** depicts the allocation interval of more than one vehicle to employees. The audit found that four (4) employees were allocated more than one Motor vehicle within the same and seven (7) employees within one year.

**Table 4.9: Interval for Multiple Allocation of Motor vehicles**

Duration (Year)	Number of Employees
3	18
1	15
2	14
<1	5
4	2

*Source: Auditors' Analysis of Allocated Vehicles data, 2016/17-2021/22*

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**Table 4.9** indicates that 5 employees were advanced with multiple motor vehicles in less than 1 year and 15 within a year.

The audit noted that the double allocation of motor vehicles to one employee was attributed to the absence of a set limit and interval for employees to be advanced government vehicles and the misinterpretation of guidelines and circulars. As a result, the chance for motivating and facilitating employees was enjoyed by only few employees.

#### **4.6.4 Misinterpretation of Guidelines for reducing Government Motor vehicles**

Section 1.1 of the Guidelines on Proceeds for Advancing Government Motor Vehicles to Employees, 2009 states that the proceedings of advancing used government motor vehicles started in 1994 when the Government decided to reduce the number of vehicles to reduce its expenditures. It states that this implementation was guided by Circular No. 4 of 1994 and No.5 of 1995 for Advancing Government motor vehicles.

The audit found that as per the Guideline for reducing Government Motor vehicles, 1994, the disposal of used Government motor vehicles directly to the employee was done in 1994/1995 when the government decided to dispose of motor vehicles to employees and remain with only two vehicles in each entity. Therefore, the priority was given to the person using vehicles to be disposed of if they were willing, entitled employees, and the remaining vehicles were disposed of through auction.

Hence, the audit team found that Guidelines on proceedings for Advancing Government Motor Vehicles to Employees, 2009, contradict the essence or motive behind the disposal of used government motor vehicles directly to employees stated in Guidelines for reducing Government Motor vehicles, 1994 and No.5 of 1995.

#### **4.6.5 Inadequate Reporting of Motor Vehicles Advanced directly to Employees**

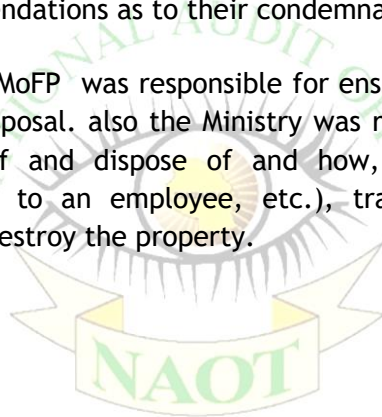
Para 6.4 (vii) of the Public Asset Management Guidelines, 2019 requires MoFP through the Director of Asset Management to observe that assets are disposed-off per the policies, legislations, and regulations.

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Section 2.0 of the Circular for Advancing Government Motor Vehicles to Employees issued by the Permanent Secretary of Public Service Management, 2009, highlighted that once motor vehicles meet conditions for being disposed of, an employee can launch application to be advanced used government motor vehicles to the President's Office-Public Service Management and Good Governance (PO-PSMGG) after approval of the Accounting Officer.

This is contrary to regulation 254(2) of the Public Finance Regulations of 2003, which requires the AO, when it is considered that vehicles, plants, or equipment, have reached the end of their useful life or are beyond economical repair or are unserviceable for any other reason or have become redundant through obsolescence, to submit the item to the Accountant-General with the condition that a Board be appointed to inspect the stores and to make recommendations as to their condemnation and disposal.

The audit noted that MoFP was responsible for ensuring that all payments were made before disposal. also the Ministry was responsible for deciding whether to write off and dispose of and how, (such as disposal by sale,auction, directly to an employee, etc.), transfer to other public entities, donate, or destroy the property.



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## CHAPTER FIVE

### AUDIT CONCLUSIONS

#### 5.1 Introduction

This chapter provides the conclusions of the audit based on the audit objectives and findings presented in this report. The conclusions are categorized into two main parts: general and specific audit conclusions, as explained in details below.

#### 5.2 General Conclusion

The audit Team acknowledges the efforts by the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) towards the management of disposal of Government Motor Vehicles as indicated by the findings from the audit. However, the Team is of the view that more interventions are still needed to improve the management of disposal of Government Motor Vehicles.

Despite the existing efforts the audit noted a number of Weaknesses which concludes that the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) have not adequately managed the disposal of Government Motor Vehicles.

Despite the recognition of the efforts done by the government such as the development of Government Asset Management Information System (GAMIS), issuance of Ownership of Assets emanated from Government Projects Circular No. 7 and Asset Management Guidelines, the Assets Management Guidelines for Central and Local Government levels and development of Guidelines for the purchase and management of government Motor vehicles etc, this Audit concludes that the Ministry of Finance and Planning (MoFP) and President's Office - Public Service Management and Good Governance (PO-PSMGG) have not effectively managed the disposal of Government Motor Vehicles.

The audit findings suggest that more interventions are still needed to improve further the management of the disposal process for the Government Vehicles. This is because the identification of motor vehicles



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to be disposed of through auction and Advancement to employees is not adequately conducted as presented and discussed in the preceding chapters. Similarly, the the approvals of the Government motor vehicles to be disposed of are not timely done. The decision to dispose of government vehicles through auctions takes a long time without any discernible reasons mainly due to lack of efficient and transparency and above all, regular monitoring for disposal of government motor vehicles. As a result, the Government motor vehicles are grounded for extended periods, which causes depreciation and its associated loss in values.

### **5.3 Specific Audit Conclusions**

#### **5.3.1 MoFP and PO-PSMGG have not ensured adequate identification of Government Motor Vehicles to be disposed of**

The visited entities have not adequately conduct identification of motor vehicles to be disposed of mainly due to absence of the Board of Surveys. The audit revealed that in all visited entities did not form the Board to quantify and Identify motor vehicles to be disposed of. Approvals for disposal of motor vehicles are not made based on the decisions of the Board of Survey, contrary to the Asset Management Guidelines of 2019. Non-formation of the Board of Surveys by Accounting Officers was mainly a result of due to non-adherence to the violation of the Asset Management Guidelines and inadequate verification of assets.

This was attributed to the Ministry of Finance and Planning, which did not conduct verification for 7 out of 10 sampled public entities ; and the guideline issued by PO-PSMGG to guide the advance of motor vehicles to employees did not set conditions that needed to be adhered to by AO prior to requesting Permanent Secretary PO-PSMGG to allocate motor vehicles to an employee.

Similarly, the Ministry of Finance and Planning has no adequate data for motor vehicles according to their conditions due to the failure to operationalize the Asset Auditor/Tracker. It was found that only 3 out of the 9 modules in the Government Asset Management Information System (GAMIS) were operational. The Ministry of Finance and Planning started developing the Asset Auditor/Tracker in 2010 but failed to operationalize it

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due to a lack of interoperability with previous financial management systems, internet and network challenges within government entities, inefficiencies in maintenance and support, the software's vulnerability to virus attacks, and software's inability to accommodate all asset department functions. There is also a mismatch on the available statistics in GAMIS and those available in the public entities.

### **5.3.2 MoWT has not adequately conducted Valuation of Government Vehicles to be disposed of**

MoWT has not adequately conducted the valuation of Government Motor Vehicles. The valuation is ineffectively conducted as the established values differ considerably between -36% and 836%. The Ministry of Works and Transport (MoWT) has not considered all costs during the valuation of government motor vehicles to be disposed of.

The Ministry of Works and Transport has not used the correct value of the Motorvehicles during the valuation which impacted the residual value of the motor vehicles that were disposed of and resulted in the undervaluation and loss of TZS 2.7 Billion of the disposed motor vehicles.

Similarly, the Ministry of Works and Transport database has no key information such as CIF value, the missing information was attributed to the failure by public entities to submit the required information during registration. Valuation of vehicles with missing information was done using the CIF of similar vehicles acquired in the same year. Additionally, motor vehicles owned by Local Government Authorities, Public Authorities, and Boards are not recorded in the database, making it difficult for valuers to have the necessary information during valuation.

Also, the valuation only considered purchasing price, cost, and insurance (CIF) but ignored other costs such as taxes, excise duties, and clearance costs. As a result, the carrying value of the assets was lower than their actual value.

Furthermore, the Ministry of Work and Transport did not involve the Chief valuer in valuation process as the valuations of government motor vehicles are carried out by either the Ministry of Work and Transport or the Condemnation Board. Similarly, the President's Office-Public Service

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Management and Good Governance did not involve the Chief Valuer in the valuation process.

The valuation of motor vehicles disposed of are not reviewed by the Ministry of Finance and Planning and the submission of the valuation reports for review indicates there is lack of a proper quality control system and thus open up the possibility of incorrect valuation of government motor vehicles.

### **5.3.3 The MoFP and PO-PSMGG have not issued disposal approvals in a timely, efficient and fair manner**

The MoFP did not issue approvals for disposed government motor vehicles through an auction in a timely manner, as the issuance of the disposal permits ranges between 0-72 months. This resulted from the absence of the condemnation reports and fragmented disposal activities between the Directorate of Government Asset Management (DGAM) and Accountant General (ACGEN).

On the other hand, the PO-PSMGG did not ensure that approval for motor vehicles advanced to employees are issued in a timely manner as it takes 4-2050 days for employees to receive the advanced Government Motor vehicles. Generally, there was no standard time set for issuance of the disposal of motor vehicles disposed of through advancement to employees.

PO-PSMG did not properly managed the allocation of motor vehicles to employees. It was noted that 29 out of 54 employees received more than one vehicles within a five-years period, due to a lack of clear limits and intervals for vehicle allocation on guidelines and circulars. As a result, the motivation and support intended for employees has been enjoyed by few employees.

On the other hand, there is inadequate transparency in the disposal of Government motor vehicles as the entities don't advertise the motor vehicles to be disposed of. As a result, employees are allocated more than one Vehicle within a short period of time.

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#### **5.3.4 The Ministry of Finance has not adequately Monitored the disposal of Government Motor Vehicles**

The Ministry of Finance and Planning did not adequately monitor the disposal of government motor vehicle. The developed plans for monitoring of the the disposal of government motor vehicles were not adequate due to lack of targets. As a result periodic inspections and verification of assets are not conducted.

Ministry of Finance and Planning (MoFP) lacks plans for monitoring the disposal of government Motor Vehicles. MoFP has no clear targets and budget for monitoring the disposal process. Although verification activities are included in the plans and budgets, the targets set are unclear as the number of verifications to be achieved are not specified.

The Ministry has inadequately conducted supervision of the disposal of government motor vehicles as has only supervised 21 public institutions. Moreover, there is inadequate reporting of the disposal activities as the reports are not adequately prepared and submitted.

The Ministry has not managed to share the results of the inspection and verification activities with the Accounting Officers and conduct follow-ups to the proposed recommendations for further improvements regarding the inspected assets and their management.

Similarly, there is inadequate reporting on the status of disposed Motor vehicles to employees because the condition of the disposed vehicles was not clearly stated in the application Letters and it was unclear if they were still usable by the government.

The Ministry of Finance has not made any follow-ups on the recommendations issued on asset management, monitoring as no evidences were provided by the Ministry to support the matter. Moreover, the Ministry has no plans, budgets or reports highlighting the status of the implementation of these recommendations.

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## CHAPTER SIX

### AUDIT RECOMMENDATIONS

#### 6.1 Introduction

This chapter provides recommendations to the Ministry of Finance and Planning and Presidents Office Public Service Management and Good Governance (PO-PSMGG) regarding the Management of disposal of Government Motor Vehicles. The audit findings indicated areas that need further corrective actions for effective Management of disposal of Government Motor Vehicles.

Based on the principles of 3E's of Economy, Efficiency and Effectiveness; the National Audit Office believes that these recommendations need to be fully implemented to ensure improvements in the Management of disposal processes for the Government Motor Vehicles.

#### 6.2 Specific Recommendations

##### 6.2.1 Recommendations to the Ministry of Finance and Planning (MoFP)

*The Ministry of Finance and Planning (MoFP) is urged to:*

- a) Develop Guidelines for disposal that will describe the entire disposal process or cycle and milestone for each stage in order to avoid delays in disposing government Motor Vehicles;
- b) Ensure fully utilization of GAMIS and disposal modules for the disposal process;
- c) Ensure that periodic inspection and verification of assets including motor vehicles are effectively done from the inspection conducted at the Regional level;
- d) Make follow Ups on the performance of Condemnation Boards to ensure timely issuance of Condemnation reports; and

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- e) Liaise with Government Chief Valuer and Ministry of works on the way valuation of motor vehicles should be done regarding the best practices on valuation of government motor vehicles.

#### **6.2.2 Recommendations to the President's Office - Public Service Management and Good Governance (PO-PSMGG)**

*President's Office - Public Service Management and Good Governance (PO-PSMGG) is urged to*

- a) Set a mechanism that to ensures transparency and fairness during disposal process of government motor vehicles through advance to an employees;
- b) Liaise with MoWT and Chief Valuer to improve internal controls to enforce proper review of the valuation of the government vehicles to ensure correct acquisition value is used;
- c) Liaise with MoFP to revise of Implementation circular no 84 of 1988 on Valuation of Government Vehicles to include full value of the assets and not only the CIF value;
- d) Liaise with Government Chief Valuer on the way valuation of motor vehicles should done; and
- e) Liase with MoFP to use Diposal Module in Governemet Managment Information System (GAMIS) in order to ensure timely disposal.

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## Appendix 1: Responses from the Ministry of Finance and Planning (MoFP)

This part provides details on the overall comments from Ministry of Finance and Planning and the responses for the comments, actions to be taken and implementation timeline for each of the issued recommendation.

### Specific Responses

No.	RECOMMENDATION	MOFP-COMMENTS	ACTION PLAN	TIMELINES
1	Develop Guideline for disposal that will describe the entire disposal process or cycle and milestone for each stage in order to avoid delays in disposing of government Motor Vehicles	The Audit recommendation of developing disposal guideline will be complied.	Developing disposal guideline is underway as the 1st Draft of Disposal Guideline was submitted by Individual Consultant who was hired to prepare the guideline. Action. I. Stakeholders Meeting to get opinion on the 1 <sup>st</sup> Draft of Disposal Guideline submitted. II. Management Approval on Final Disposal Guideline III. Conduct awareness of Disposal guideline	To have a nonfinancial assets Disposal Guideline by 1 <sup>st</sup> July 2023.  I. Stakeholders Meeting to be conducted by June, 2023 II. Management Approval May 2023 Awareness of Guideline by June 2023

No.	RECOMMENDATION	MOFP-COMMENTS	ACTION PLAN	TIMELINES
2	Ensure fully utilization of GAMIS and use disposal modules for Disposal process	The Audit recommendation of ensuring fully utilization of GAMIS and use disposal modules for disposal process will be complied.	The GAMIS Development Team is finalising Disposal modules. Action  I. Training to Trainers and user Fully operationalize GAMIS Module	I. Training to be conducted by June, 2023  To Fully operationalize disposal module by July 2023.
3	Ensure that periodic inspection and verification of assets including motor vehicles are effectively done from the Regional level	The Audit recommendation of ensuring effective periodic inspections and verification of assets including Motor Vehicles are done from Regional Level	The Ministry is in constant improvement of its Assets Management Department, currently the department has received 30 staff who together with the available staff will enable the department to reach even higher goals.	inspection and verification of 388 Entities to be conducted by June 2023
4	Make follow-Ups on the performance of Condemnation Board to ensure timely issuance of Condemnation reports	The Audit recommendation will be complied  For the last three years monitoring of Disposal Activities was not done. However, 2021/2022 monitoring was done in 181 disposing entities and this Financial year monitoring is set to be done to all disposing entity with disposal Approval	I. Make follow up of the BOC and disposal Permit issued up to 30 December 2022.  II. Implementation of reviewed PFA changes	Monitoring By June 2023  Implementation of reviewed PFA By July 2023

No.	RECOMMENDATION	MOFP-COMMENTS	ACTION PLAN	TIMELINES
		<p>Furthermore, the reviewed Public Finance Act CAP 348 by putting all Oversight of Public Property as stipulated in Sec 6A under one roof will enable follow up and management of disposal activities including Board of Condemnation</p> <p>The Audit recommendation will be complied.</p>		
5	<p>Liaise with Government Chief Valuer to establish the best way valuation of motor vehicles can be done.</p>		<p>The Ministry will set the meeting with Government Chief Valuer and other key stakeholders to find the best way of getting reserved values of Unserviceable Assets. The results will be accommodated in the disposal guideline</p>	<p>June 2023.</p>

## Appendix 1.2: Responses from President's Office - Public Service Management and Good Governance

This part provides details on the overall comments from the President's Office - Public Service Management and Good Governance and the responses for the comments, actions to be taken and implementation timeline for each of the issued recommendation.

### Specific Comments

No.	RECOMMENDATION	POPSMGG-COMMENTS	ACTION PLAN	TIMELINES
1	Set a mechanism to ensure transparency and fairness during disposal process of Government motor vehicles through advance to employees	PO PSMGG will communicate with all Public Institutions to instruct them to ensure that the whole process of disposal is conducted transparently and fairly in accordance to the Public Finance Regulations of GN.259 of 2003.	Write letters to all Public Institutions.	By 15 <sup>th</sup> March, 2023
2	Liaise with MoWT to improve internal controls and enforce proper review of the valuation of the government vehicles to ensure correct acquisition value is used	Evaluate tools governing the whole process of disposal.	a) Review the Guideline on Advancing Government's Motor vehicles/cycles to public servants, 2009; b) Public Service Management Circular Na. 11 of 1991; and	By July, 2023

No.	RECOMMENDATION	POPSMGG-COMMENTS	ACTION PLAN	TIMELINES
			Guidelines for reducing Government Motor Vehicles with ref. Na. MUF.23/011/C/22 of 1994 and No.5 of 1995;	
3	Liaise with MoFP to revise Implementation circular no 84 of 1988 on Valuation of Government Vehicles to include full value of the assets and not only the CIF value	PO PSMGG in collaboration with MoFP will visit selected Public Institution audited and those not audited to create awareness and evaluate compliance of rules and regulations governing the disposal of government assets specifically Motor vehicles.	Monitor 157 selected Public Institutions including those audited for compliance and awareness.	By June 2023
4	Liaise with Government Chief Valuer on the way valuation of motor vehicles should be done	Work with the MoWT to review tools used for evaluation to ensure correct acquisition value.	Convene a meeting with MoWT;	By June, 2023
5	Liaise with MoFP to use Disposal Module in Government Management Information System (GAMIS) in order to ensure timely disposal.		Review guidelines and regulations used for evaluation.	By August, 2023

## Appendix 2: Audit Questions and Sub questions

This part presents the list of Audit Questions and Sub questions used during the audit.

S/N	Audit Questions and Sub questions
<b>1</b>	<b>To what extent is the disposal of the Government Motor vehicles achieving the expected output in terms of time and value?</b>
1.1	What efforts have been done by MoFP and Po-PSMGG to ensure that disposals of Government Motor vehicles are done according to requirements and at reasonable value?
1.2	What efforts have been done by MoWT, MoFP and PO-SMGG to ensure that Government Motor vehicles are Properly valued?
<b>2</b>	<b>Is Identification of Government Motor vehicles to be disposed of adequately done?</b>
2.1	Is the process of Disposal of Government Vehicles conducted in fair and transparent manner?
2.2	Do Procuring Entities timely identify Motor vehicles to be disposed of?
2.3	Does MoFP have the updated Database and Register of the Motor vehicles from Procuring Entities?
<b>3</b>	<b>Is the valuation of Government Motor vehicles efficiently conducted?</b>
3.1	Does MoWT use the right cost incurred in the acquisition of vehicles during the determination of costs used for the valuation of Government Motor vehicles?
3.2	Does MoFP ensure the valuation of Government Motor vehicles is done properly?
3.3	Do MoWT/PO PSMGG have a standardized formula for the computation of cost of the vehicle to be disposed of/allocated to the employee?
3.4	Does PO-PSMGG/MoWT ensure timely valuation of Motor vehicles to be disposed of?
<b>4</b>	<b>Is issuance of Approvals and Allocations of disposed government vehicles conducted efficiently?</b>
4.1	Does PO-PSMGG effectively issue a certificate of allocation according to guidelines issued?
4.2	Does MoFP efficiently issue disposal Approvals?
4.3	Do the costs associate with the Disposal of Motor vehicles relate to the value of the Disposal?
<b>5</b>	<b>Does MoFP effectively conduct Monitoring and Coordination of the Disposal Process of Government Motor Vehicles and take corrective action?</b>
5.1	Does MoFP adequately plan and budget for monitoring activities?
5.2	Does MoFP effectively conduct verification and inspection of Government Motor vehicles?
5.3	Does MoFP monitor the disposal of Government Motor vehicles?
5.4	Are conducted Monitoring and Evaluation addressing the challenges of Disposal of Government Motor vehicles?
5.5	Does MoFP conduct follow-ups on the implementation of issues to PEs with other stakeholders?

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S/N	Audit Questions and Sub questions
5.6	Are the results of M&E effectively communicated or reported to PE's for further action?
5.7	Does MoFP coordinate the disposal of vehicles through approvals by tender, auction and those advanced to the employee?
5.8	Does MoFP adequately ensure that PE's use the Government Asset Management Information System (GAMIS) in Managing the Registration and Disposal of Government Motor vehicles?





### Appendix 3: Sampling based on Number of Vehicles Disposed

This part shows the sampling based on the number of disposed motor vehicles.

Category	Entity	No. of Motor vehicles advanced to Employee (H/L)	No. of Motor vehicles Disposed of through Auction (H/L)	No. of Grounded Motor vehicles (H/L)	Categories of Vehicles	Donor Funded Vehicles
Agency	1. TANROADS	H	N	H	All	Included
Department	2. Judiciary of Tanzania	H	L	N	All	Included
Ministry	3. Ministry of Health	H	H	N	All	Included
	4. Ministry of Foreign Affairs	L	L	N	All	Included
	5. Ministry of Finance and Planning	H	L	N	All	Included
Regional Administration and Local Government	6. Tanga CC	L	N	H	All	Included
	7. Njombe DC	L	N	L	all	Included
	8. Mpwapwa DC	N	L	L	All	Included
Public Authority	9. TTCL	N	L	N	all	Included
	10. TBC	L	N	L	all	Included

*Source: Auditors' analysis of vehicles disposed to employees and Grounded from 2016/17 to 2021/22*

#### Key

- i. H= Means High No. of Motor vehicles; L=Means Low No. of Motor vehicles; N= No Vehicles;
- ii. MDA: H=  $\geq 90$ ; L= $\leq 90$ ; and N= 0; and
- iii. LGA: H= $\geq 15$ ; L= $\leq 15$ ; and N= 0.

## Appendix 4: List of Documents Reviewed

This part provides details on the documents reviewed and their reasons for reviewing.

Institution to be Covered	Document to be Reviewed	Reasons for Interviewing
Ministry of Finance and Planning (MoFP)	<ol style="list-style-type: none"> <li>1. Letter for Formation of Board of Condemnation reports.</li> <li>2. Board of Condemnation Reports.</li> <li>3. Approvals for Disposals.</li> <li>4. Disposal reports.</li> <li>5. Assets Verification reports.</li> <li>6. Plans for Assets Verification reports; and</li> <li>7. Monitoring reports of Disposal activities.</li> </ol>	To assess the efficiency of MoFP from identification to disposal of motor vehicles
Ministry of Works and Transport	<ol style="list-style-type: none"> <li>1. Valuation reports; and</li> <li>2. Date base of Government vehicles.</li> </ol>	To assess the efficiency of the valuation process
President's Office - Public Service and Good Governance (PO-PSMGG)	<ol style="list-style-type: none"> <li>1. Letter requesting vehicles to be advanced.</li> <li>2. Allocation certification.</li> <li>3. Letter requesting valuation.</li> <li>4. Letter rejecting allocation of vehicles;</li> <li>5. Database of advanced motor vehicles; and</li> <li>6. Monitoring reports of Disposal activities.</li> </ol>	To assess the efficiency of PO PSMGG from identification to disposal of motor vehicles
<ol style="list-style-type: none"> <li>1. Judiciary of Tanzania;</li> <li>2. Ministry of Finance and Planning;</li> <li>3. Ministry of Health;</li> <li>4. TANROADS;</li> <li>5. Mpwapwa DC;</li> <li>6. TTCL;</li> <li>7. Ministry of Foreign Affairs;</li> <li>8. TBC;</li> </ol>	<ol style="list-style-type: none"> <li>1. Board of Survey Report;</li> <li>2. Letter request formation of condemnation Board;</li> <li>3. Notice of intention to Disposal motor vehicles to the employee.</li> <li>4. Letter of the employee requesting to be advanced motor vehicles;</li> <li>5. Letters of AO to Permanent Secretary requesting motor vehicles to be advanced to an employee; and</li> <li>6. Handing-over Certificates.</li> </ol>	To assess whether the disposal process was timely, fair, transparent, and reasonable.

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Institution to be Covered	Document to be Reviewed	Reasons for Interviewing
9. Njombe DC; and 10. Tanga CC		

*Source: Auditors' Analysis on the Interviewed Officials (2022)*



## Appendix 5: List of Officials interviewed and Reasons for the Interviews

This part presents the list of the officials interviewed and the reasons for the interviews

Institution to be Covered	Title of official to be Interviewed	Reasons for Interviewing
Ministry of Finance and Planning (MoFP)	1. Director of Government Asset Management; 2. Officials from ACGEN Office; 4. Officials from GAMD.	To assess the efficiency of MoFP in identification to disposal of motor vehicles
Ministry of Works and Transport	4 Directors and officials responsible for Vehicle Management and Valuation before disposal; 5 Director of Technical and Electrical Service; 6 Assistant Director of Technical and Electrical Services; and 7 Officials Responsible for Valuation.	To assess the efficiency in the valuation process
President's Office - Public Service and Good Governance (PO-PSMGG)	1. Assistant Director Administration;	To assess the efficient of PO PSMGG from identification to disposal of motor vehicles
1. Judiciary of Tanzania; 2. Ministry of Finance and Planning; 3. Ministry of Health; 4. TANROADS; 5. Mpwapwa DC; 6. TTCL; 7. Ministry of Foreign Affairs; 8. TBC; 9. Njombe DC; and 10. Tanga CC	1. Transport Officers; and 2. Head of Finance and Administration).	To assess whether the disposal process was timely, fair, transparent and reasonable.

*Source: Auditors' Analysis on Documents Reviewed (2022)*