



THE UNITED REPUBLIC OF TANZANIA NATIONAL AUDIT OFFICE



ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL FOR PUBLIC AUTHORITIES

**FINANCIAL
YEAR 2021/22**



MARCH 2023



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



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29 March 2023

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The President of the United Republic of Tanzania,
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**RE: ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR
GENERAL ON THE AUDIT OF PUBLIC AUTHORITIES AND OTHER
BODIES FOR THE FINANCIAL YEAR 2021/22**

In accordance with Article 143(4) of the Constitution of the United Republic of Tanzania of 1977, and Section 34 of the Public Audit Act, Cap 418, I am pleased to submit to you my Annual General Report on the audit of Public Authorities and other Bodies for the financial year 2021/22.

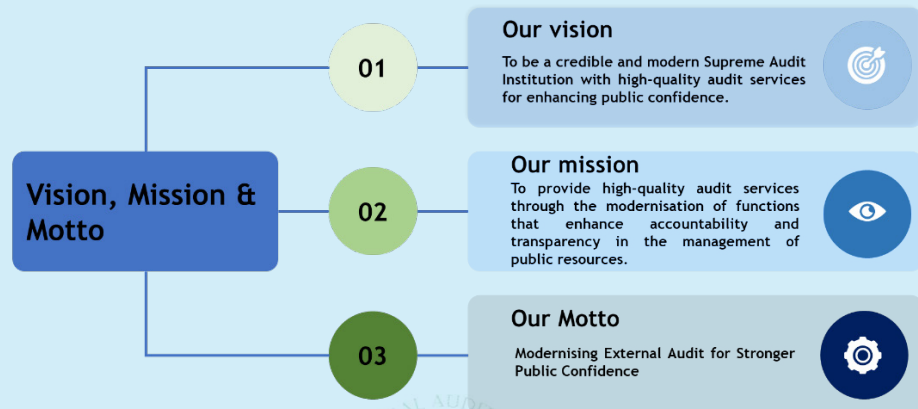
I humbly submit,

Charles E. Kichere
The Controller and Auditor General
United Republic of Tanzania

About National Audit Office

Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Sect. 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.

Teamwork Spirit

We value and work together with internal and external stakeholders

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services



STATEMENT OF THE CONTROLLER AND AUDITOR GENERAL

I am pleased to present this report on the audit of Public Authorities and other Bodies for the financial year 2021/22. This report represents my objective and independent assessment of the operations of these entities and provides valuable insights into areas that require attention and improvement in their financial management and performance.

This report highlights significant deficiencies in the internal control systems, financial management, and governance structures of various PA & oBs. These issues included shortcomings in procurement and contract management, revenue and cash management, expenditure management, budget management, and tax compliance. The report also identified inefficiencies in the management of public entities in the health sector, tourism sector, water authorities, higher learning, training, and research institutions, government banks, pension funds as well as the performance of crops and produce boards and the extractive industry.

To address these issues, I have provided recommendations for improvement, which I urge the management of these entities to implement. My goal is to ensure that these entities comply with laws, regulations, and policies and operate efficiently and effectively in delivering services to the public.

I would like to express my gratitude to the Government, the Public Entities, and other stakeholders who supported us throughout the audit process. I would also like to acknowledge the unwavering commitment and hard work of my team, who contributed immensely to the preparation of this report.

In conclusion, under the leadership of Her Excellency Dr. Samia Suluhu Hassan, this report serves as a vital instrument for promoting transparency, accountability, and good governance within the public sector.



Charles E. Kichere
The Controller and Auditor General



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EXECUTIVE SUMMARY

This Report contains 19 chapters that arises from audit of Public Authorities and other Bodies (PA & oBs) for financial year 2021/22. The following areas have been discussed in details in this report:

Audit Opinion

I completed 206 financial audits and issued 203 opinions to the Public Authorities and other Bodies (PA & oBs). Of the 203 opinions issued, 196 were unqualified, five were qualified, while two were disclaimer of opinion and there was no adverse opinion was issued. I was unable to issue opinion on the remaining three PA & oBs because they had no Board of Directors to approve the financial statements for more than 12.

Also, I conducted compliance audit on procurement and budget management of 203 PA & oBs and concluded that 128 entities were compliant with procurement laws and 75 were compliant with exception; similarly, 151 entities were compliant with budget laws, while 52 were compliant with exception.

Implementation status of prior years' audit recommendations

In my Annual General Report of the financial year 2020/21, I issued 126 key audit recommendations. 53 recommendations (42%) were fully implemented, 63 (50%) were under implementation, nine (7%) were not implemented while one (1%) was overtaken by events.

I reviewed Implementation Status of Previous Years' Audit Recommendations on Individual PA & oBs and found that, out of 6146 outstanding audit recommendations, 2195 (36%) were fully implemented and 1064 (17%) were not implemented. The remaining 2611 (42%) were under implementation, while 276 (4%) were overtaken by events.

I further assessed implementation of PAC directives issued in the financial year 2020/21 to PA & oBs and I found that, out

of 163 directives, 70(43%) were implemented, 92(56%) were under implementation, and one (1%) was not implemented.

Financial performance of the public entities

I reviewed the financial stability of 206 PA & oBs and found 45 entities continuously reported deficits or losses for two consecutive financial years while 16 entities made profit or surplus in 2020/21 but recorded loss or deficit during the financial year 2021/22. The deficits or losses were mainly attributed to insufficient alternative sources of revenue, and over dependency on Government subvention. I further found that 24 entities were financed by debts, whereas 10 entities had negative equity and 45 had negative working capital. The financial constraints facing these entities require Government support to effectively discharge their mandates.

Further, I found dividend payout by 18 PA & oBs were not made and 58 Public Entities failed to contribute to consolidated fund as required by section 12 (3) of Public Finance Act Cap 348.

Efficiency of public entities in enhancing business environment

My review found areas for improvement in strategic Public Entities and strategic projects with a role of creating conducive business environment. I found ATCL incurred fixed cost of TZS 5.27 billion and loss of potential revenue of TZS 20.35 billion due to grounded aircraft and TRC recorded 795 incidents of accidents that led to cancellation of trains. TANESCO, I found that IPTL delayed settlement of contractual obligation after court ruling in favour of Government USD 148.4 million.

Revenue and cash management at public entities

My review of revenue and cash management identified several issues that require management attention in various Public Entities which includes;- other income raised out of TPA billing systems amounting to TZS 13.5 billion, drilling services not supported by detailed certificates of works involved TZS 13.30

billion at STAMICO, Revenue collected out of GePG system amounting to TZS 3.32 billion, non-review and approval of rental charges to customers at NHC,TRC and TTCL, dormant bank accounts with cash balances at various entities of TZS 20.65 billion, Transferred staff but remained as signatories of TPA bank accounts as well as unsupported and unrecoverable receivables amounting to TZS 7.51 billion at TTCL.

Management of expenditure by public entities

My audit on expenditure management of PA & oBs for the year ended 30 June 2022 found that, 12 entities incurred nugatory expenditure amounting to TZS 63.77 billion comprising interests and penalties on delayed payments while 21 entities incurred ineligible expenses amounted to TZS 77.75 billion mainly in form of allowances to unentitled staff or payment not supported by sufficient documentation. At TANAPA I found payment of TZS 1.95 billion without supporting documents, staff allowances of TZS 38.72 million paid above approved rates. I further found railways infrastructure funds amounting to TZS 195.99 billion were used for purpose not mentioned in section 68 (9) of Railway Act, Cap 170.

Furthermore, I found 99 entities with long outstanding payables amounting to TZS 7.65 trillion; 31 entities with long outstanding imprest involved TZS 3.51 billion; and 11 entities delayed remittance of their statutory contributions to WCF, PSSSF and NHIF TZS 131.80 billion for a period of one month and over a year.

Budget management in public entities

I found that the Government did not release TZS 161.88 billion to 18 PA and oBs as budgeted; 50 PA and oBs did not collect revenue amounting to TZS 174.63 billion as budgeted from their own sources. Further, I found 13 PA & oBs with deficiencies in the usage of PlanRep system for budget management process; and Seven PA & oBs had expenditure incurred above the approved budget TZS 118.04 billion without approval.

Procurement and contract management

My review of the procurement and contract management undertaken by PA & oBs, I found seven entities that signed contracts without being vetted by Attorney General or Legal Officer with contract sum of TZS 45.71 billion and USD 7.75 million. Also, while procurement legislations require competition to obtain economical prices and quality, Tanzania Standards Newspaper conducted procurement of TZS 7.49 billion and USD 48,480 by issuing LPOs to specific suppliers of goods and services without undertaking any such procurement processes. Further, at MSD I found illegal arrangements in contract implementation whereby suppliers exchange contractual obligations without any contract resulting to a loss amounting to USD 821,958.36 (equivalent to TZS 1.89 billion). Furthermore, I found MSD and Mloganzila made advance payments amounting to TZS 61.99 billion to suppliers without binding contracts that stipulates terms of the advance payments.

Evaluation of internal control, human resource and governance system

I found 13 PA & oBs were operating without Governing Boards, 42 PA & oBs had challenges in using MUSE, 15 PA & oBs did not effectively use Strategic Plan as a tool for governing their operations, 14 PA & oBs had staff in acting positions for more than six months up to seven years while 12 PA & oBs had shortage of 4,547 staffs. Further, at NHIF I found significant amount of funds tied up in staff loans amounting to TZS 41.42 billion without establishing the revolving fund.

Tax compliances in public entities

I found disputed tax in five public entities amounting to TZS 126.95 billion at various appellate machineries, interest and penalties charged to six PA & oBs due to non-compliance with tax laws involved TZS 123.32 billion, various taxes not remitted to TRA amounting to TZS 46.83 billion, delay in remittance of taxes to TRA amounting to TZS 5.09 billion, PAYE and withholding tax amounting to TZS 4.12 billion not deducted from various

payments and payments not supported by EFD receipts amounting to TZS 556.83 million.

Performance of government banks & other financial institutions

In 2022 TIB Development Bank continued making a loss before tax of TZS 131.07 billion while TADB profits had decreased by TZS 390 million whereas the Non-Performing Loans ratio of TIB Development Bank, Tanzania Agriculture Development Bank and Azania Bank ranged from 5.86% to 20.32%. Further aforementioned banks all together recoded Non Performing Loans (NPL) of TZS 278.93 billion compared to TZS 430.61 billion in 2021 and also NPL that were classified either substandard, doubtful or loss amounting to TZS 357.80 billion were charged off. On the other hand, in 2021 Tanzania Commercial Bank registered NPL ratio of 9.87% which is higher than the acceptable level of BOT which is 5% and had recorded NPL of TZS 70.06 billion.



I also found that the Government is still owing matured loans of TZS 1.49 trillion to NSSF and PSSSF pension funds. Similarly, Pension Funds facing challenges in loans recoverability involving TZS 27.30 billion from SACCOS, AMCOS and MFI-Microfinances. I further found return-on-Investments of NSSF investment has declined by TZS 2.07 billion (45%) for a period of five years from 2018 through 2021. Consequently, I noticed unsatisfactory performance and irregular management of three subsidiaries, under the purview of NSSF and PSSSF.

Review of tourism sector in Tanzania

At, Ngorongoro Conservation Area (NCA), I found that the Government implements indigenous community resettlement project. However, due to the challenges of implementation, a more flexible approach is necessary for successful implementation of the project. Further, in 2021/22 national parks experienced a drought reaching levels unseen in the previous decade. The drought killed 135 wild animals at NCA,

causing wild animals to move to human settlement looking for water and pastures.

I further found challenges facing Tanzania Tourism Board in promoting tourism industry in Tanzania amounting to non-operationalization of the Command Digital Centre. Also, frequent breakdown of the internet network undermines the efforts of Park's effective delivery of service to the tourists.

Performance of water authorities

My review found shortage of water supply in 25 Water Authorities ranging from 10% to 80% of the water demand, while 23 Water Authorities incurred losses amounting to TZS 162.14 billion from non-revenue water during the year 2021/22.

I further found that there was an unsatisfactory level of debt recovery in 28 Water Authorities, with a cumulative total debt of TZS 127.07 billion (2021: TZS 129.59 billion) that was not collected by 30 June 2022. Furthermore, there were inadequacies such as delays in implementing water projects amounting to TZS 56.27 billion in various Water Authorities.

Review of higher learnings, training and research institution

Under Higher Learning, Training and Research Institutions, I found that teaching staff were appointed as the temporary clerk of works and site engineers to supervise constructions projects that were being implemented by VETA without being replaced for the period up to 33 months, besides 12 VETA centres enrolled students without being registered. At HESLB, I found inadequate allocation of loans to priority programmes, only 21% loans were allocated instead of 51% of the total loans. Further, I found inadequate management of researches and consultancies as well as low performance of subsidiary companies and other centres operated by the institutions.

Efficiency of regulatory bodies in execution of their mandate

In regulatory bodies I found a number of weaknesses such as: deficiencies on systems deployed by nine Regulatory Authorities in undertaking their core functions; inadequate enforcement and management of regulatory sanctions on non-compliances; regulatory deficiency in handling and managing complaints; Inadequate inspections conducted; as well as ineffective licensing, registration and certification processes deployed by Regulatory Authorities.

Efficiency of public entities in the health sector

My review found NHIF rejected claims amounting to TZS 8.84 billion out of a total claim of TZS 92.44 billion made by public hospitals. Moreover, NHIF recorded a deficit for the year before tax amounting to TZS 189.65 billion (2021: TZS 93.68 billion). At MSD I found overcharging of health facilities with different prices from approved prices amounting to TZS 1.01 billion while, there was an increase of inventory received with shelf life less than 80% or two years of the total shelf life amounting to TZS 295.76 billion; and provision of credit services without a valid contract by Muhimbili National Hospital amounting to TZS 16.73 billion.

Review of crops and produce boards

During the audit of Crops and Produce Boards I found a number of deficiencies such as; Cereal and Other Produce Board operating its factories and warehouse below its capacity in conducting business entrusted to it by the Government; Low capacity in production of fertilizer within the country where by only 7% is produced internally; declining trends of cash crop production; inability of Crop Boards to generate revenue from their core functions to finance their operations. For instance, Tanzania Cotton Board, Tanzania Pyrethrum Board and Sisal Board of Tanzania each does finance its operations using their own sources from core- function by less than 5% only.

Performance of extractive industry

From the audit of the extractive industry, I found several areas that require attention to improve the industry's performance and promote social and economic benefits to the public. The audit revealed incidents of delay in execution of MoU to implement Kiwira Coal to Electricity Project 200 MW; Unutilized make-up gas by TANESCO whose rights exceed the contract tenure amounting to TZS 30.41 billion; long outstanding unresolved disputes on recoverable costs USD 386.34 million relating to gas companies; high price of gas charged by TPDC on gas supplied to TANESCO; lack of local content framework and strategies for monitoring and evaluation of technology transfer in petroleum industry; and project initiation without MoU/Legal Agreement between TPDC and DART on construction of CNG plant.



INTRODUCTION



1.0 Background

The report provides findings and recommendations identified during the audit of Public Authorities and other Bodies for the financial year 2021/22.

The report covers a range of topics, including audit opinions, implementation of prior year recommendations, procurement laws, revenue and cash management, expenditure management, budget management, and tax compliance. Additionally, the report identifies the need for regulatory bodies to improve their operations and execute their mandate efficiently.

The report highlights several areas of concern, including inadequate separation between oversight and management functions of PA & oBs, delays in the implementation of development projects, and investments in unfeasible projects resulting in the loss of public funds. Also, the report provides valuable insights into the financial and operational performance of Public Authorities and other Bodies and will serve as a useful reference for stakeholders interested in improving accountability and transparency.

1.1 Audit objectives

The audit aimed to provide an independent opinion on whether the financial statements had been prepared in accordance with an acceptable financial reporting framework, considering all significant factors. Additionally, it aimed to evaluate Public Authorities and other Bodies (PA & oBs) compliance with

Procurement Laws and Regulations, as well as with the Budget Act, Regulations, and guidelines. The audit also aimed to assess the PA & oBs' effectiveness and efficiency in managing public funds and delivering services to citizens.

1.2 Audit Scope

The audit covered the financial statements and compliance audit of 206 PA & oBs, including their revenue management, expenditure management, procurement and contracts management, payroll and human resources management, operational performance in the education, health, transport and water sectors, and the implementation of development projects.

The audit also included evaluating risk management, internal controls, and governance systems of the PA & oBs.

1.3 Audit methodology

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organisation of Supreme Audit Institutions (INTOSAI) and International Standards on Auditing (ISA).

The audit methodology used by the Controller and Auditor General included a combination of procedures, such as examining records and documents, conducting interviews, and carrying out site visits. The audit also involved testing the internal control systems of the PA & oBs and assessing their compliance with relevant laws, regulations, and policies.



AUDIT OPINIONS

2.0 Introduction

The Audit opinion is based on an evaluation of the conclusions drawn from the audit evidence obtained, as to whether the financial statements as a whole have been prepared in all material respects in accordance with the applicable financial reporting framework (such as IFRS or IPSAS). The opinion is expressed in accordance with International Standards of Supreme Audit Institutions (ISSAI) 1200. Also, my audit of PA & oBs covered assessment on compliance to public procurement laws and budget laws to which I have provided my conclusions.

2.1 Types of audit opinion

There are four types of audit opinions: unqualified, qualified, adverse, and disclaimer.

An unqualified opinion is issued when the financial statements are prepared in all material respects in accordance with the applicable financial reporting framework.

A qualified opinion is expressed when the financial statements are presented fairly, except for the effect of one or more matters. This can occur when sufficient appropriate audit evidence is obtained, and the auditor concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements. Also, a qualified opinion may be issued when the auditor is unable to obtain sufficient appropriate audit evidence to form an opinion, but

they conclude that the possible effects of undetected misstatements on the financial statements, if any, could be material but not pervasive.

An adverse opinion is expressed when the auditor has obtained sufficient appropriate audit evidence to confirm that a misstatement exists and that the effect of the misstatement, either individually or in aggregate, is both material and pervasive to the financial statements.

A disclaimer of opinion occurs when the auditor is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. In such cases, the auditor concludes that the possible effects of undetected misstatements on the financial statements, if any, could be both material and pervasive. In extremely rare circumstances involving multiple uncertainties, the auditor may disclaim an opinion, even if they have obtained sufficient appropriate audit evidence regarding each individual uncertainty. This is because the potential interaction of the uncertainties could have a cumulative effect on the financial statements, making it impossible for the auditor to form an opinion.

2.2 Emphasis of matter paragraph in auditor's report

An auditor may include an emphasis of matter paragraph in the report if it is considered necessary to draw attention to a matter presented or disclosed in the financial statements that are of such importance that it is fundamental to users' understanding of the financial statements. The auditor includes this paragraph only if sufficient audit evidence is obtained that the matter is not materially misstated in the financial statements.

2.3 Key audit matters

Key audit matters provide additional information to users of financial statements to assist them in understanding matters that, in the auditor's professional judgment, were of most

significance in the audit of the financial statements of a particular entity. Communicating key audit matters enhance communicative value of the audited financial statements by providing greater transparency about the audit that was performed.

2.4 Audit opinions issued during the year

During the financial year 2021/22, I have completed 206 audits and issued opinions to 203 PA & oBs. Out of 203 opinions issued, 196 were unqualified opinions, five were qualified opinions, and two were disclaimers of opinion, and there was no adverse opinion. The remaining three entities have no Board of Directors for more than 12 months as a result their financial statements and audit reports have not been signed.

Details of opinions issued during the year are shown in Appendix I.

2.5 Trend of audit opinions



Table 1 and Table 2 shows the trend of audit opinions issued to Public Authorities and other Bodies for the five consecutive years from 2017/18 to 2021/22.

Table 1: Trend of audit opinions (number of opinions)

Opinion	2017/18	2018/19	2019/20	2020/21	2021/22
Unqualified	121	147	162	185	196
Qualified	1	0	3	8	5
Disclaimer	0	0	0	2	2
Adverse	0	1	0	0	0
Total	122	148	165	195	203

Source: Analysis of the audit reports on financial statements

Table 2: Trend of audit opinions in percentage

Opinion	2017/18	2018/19	2019/20	2020/21	2021/22
Unqualified	99%	99%	98%	95%	97%
Qualified	1%	0%	2%	4%	2%
Disclaimer	0%	0%	0%	1%	1%
Adverse	0%	1%	0%	0%	0%
Total	100%	100%	100%	100%	100%

Source: Analysis of the audit reports on financial

2.6 Conclusions on budget and procurement management

My audit for the financial year 2021/22, covered two subject matters on compliance aspects which were on the public procurement laws and budget laws and guidelines to which I have drawn my conclusions as further explained below.

2.6.1 Conclusions of compliance audit on procurement laws

During the financial year 2021/22, I have completed 206 audits and issued conclusion to 203 Public Authorities and other Bodies. Of the 203 conclusions, 128 were compliant with the procurement laws and 75 were compliant with exception. Details of conclusions issued during the year are shown in **Appendix I**. Also, **Table 3** shows a summary of conclusions for the current year and prior year.

Table 3: Trend of conclusions on procurement compliance audit

Opinion	2020/21	2021/22
Compliant	115	128
Compliant with exception	79	75
Disclaimer	1	0
Total	195	203

Source: Analysis of audit reports on financial statements

2.6.2 Conclusions of compliance audit on budget laws

For the financial year 2021/22, I have completed 206 audits and issued conclusion to 203 Public Authorities and other Bodies. Out of the 203 conclusions, 151 were compliant with budget laws and 52 were compliant with exception. Details of conclusions issued during the year are shown in **Appendix I** and summary in **Table 4**.

Table 4: Summary of conclusions on budget compliance audit

Opinion	2021/22
Compliant	151
Compliant with exception	52
Total	203

Source: Analysis of audit reports on financial statements

CHAPTER THREE

IMPLEMENTATION STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS



3.0 Introduction

This chapter provides a summary of implementation status and actions taken by Accounting Officers towards my audit recommendations issued to the managements and those charged with governance.

I appreciate the efforts made by the Accounting Officers in responding to my reports and providing action plans on the implementation of the recommendations.

Additionally, as part of its oversight responsibilities the Public Accounts Committee (PAC) periodically conducts sessions and follow-ups, to confirm, among other things, whether the Paymaster General and Accounting Officers have taken corrective actions on the outstanding audit recommendations and the directives issued by PAC from time to time.

3.1 Follow up on the implementation of previous years' audit recommendations on CAG's annual general reports

Section 40 of Public Audit Act, Cap 418 requires me to incorporate the implementation status of the action plan prepared by Accounting Officers and consolidated by Pay Master General (PMG) in the Annual General Report. In compliance with the above law, the Government through PMG submitted to me responses regarding recommendations issued in my report for the financial year that ended on 30 June 2021.

Out of 126 outstanding key audit recommendations from my previous years' Annual General Report, **53 (42%)** were fully implemented, **63 (50%)** are under implementation, nine **(7%)** were not implemented while one **(1%)** was overtaken by events. The overall status of implementation is satisfactory. Details of the status of implementation and ageing analysis of these recommendations are shown in **Appendix II** and **Table 5**.

Table 5: Implementation status of previous years' audit Recommendations on CAG's annual general reports

Financial Year	Implemented	Under Implementation	Not Implemented	Overtaken by events	Total
2017/18	16	26	20	1	63
2018/19	25	36	52	3	116
2019/20	34	51	11	1	97
2020/21	53	63	9	1	126

Source: paymaster response

3.2 Implementation status of previous years' audit recommendations on individual audit of PA & oBs

Out of 6146 outstanding audit recommendations from my previous years' individual reports in 206 PA & oBs, 2195 (36%) were fully implemented, 2611 (43%) were under implementation, 1064 (17%) were not implemented, while 276 (4%) were overtaken by events. The overall status of implementation is satisfactory.

Delays in implementation of my recommendations means that the deficiencies identified have not been addressed and are likely to reoccur, thus exposing the entities to the risk of fraud, inefficiencies and failure to discharge their mandate. In this regard, Management needs to fully implement all outstanding audit recommendations.

3.3 Implementation status on PAC directives

The assessment of the implementation status of PAC directives, up to the financial year 2021/22 noted that, out of 163 directives issued by committee to the 37 PA & oBs, 70 (43%) directives were

implemented, 92 (56%) were under implementation, 1 (1%) was not implemented.



CHAPTER FOUR

FINANCIAL PERFORMANCE OF THE PUBLIC ENTITIES



4.0 Introduction

This chapter evaluates the financial performance, sustainability of service delivery, and liquidity of two types of Public Entities - Commercial Public Sector Entities (CPSEs) and Non-Commercial Public Sector Entities (NCPSEs) based on their financial statements for the year 2021/22 with the comparative period. CPSEs are profit-oriented and do not rely entirely on Government funding, while NCPSEs are established to provide services to the public without a business motive and depend mostly on Government funding, fees, and contributions. The financial performance review does not include Government-owned banks, social security schemes, and institutions dealing with marketable securities.

4.1 Entities that made losses or recorded deficits during the year

From the review of financial performance of public entities for the financial year 2021/22, found 45 Public Authorities and other Bodies (PA & oBs) reported losses or deficits for two consecutive years (**Table 6**). These entities included, 14 Commercial Public Sector Entities (CPSEs) and 31 Non-Commercial Public Sector Entities (NCPSEs). NCPSEs reported deficits mainly due to inadequate Government funding and insufficient alternative sources of revenue. CPSEs reported losses mainly due to under performance of undertaken investments, business operations, and inadequate management of expenditure and revenue.

Table 6: Entities that made losses or recorded deficits for two consecutive years

S/N	Public Entity	2020/21 (TZS million)	2021/22 (TZS million)
Commercial public sector Entities (CPSE)			
1	Air Tanzania Company Limited	(36,182.50)	(35,238.36)
2	Tanzania Railway Corporation	(22,872.19)	(31,295.27)
3	Mkulazi Holding Company Ltd	(5,870.87)	(14,395.65)
4	National Development Corporation	(26,367.79)	(11,921.64)
5	TANOIL Investment Ltd	(166.26)	(7,839.54)
6	Kilimanjaro Leather Industries Company Ltd	(2,233.16)	(4,996.90)
7	Tanzania Biotech Products Ltd	(5,152.92)	(3,615.68)
8	TIB Rasilimali Ltd	(838.02)	(456.04)
9	Tanzania Geothermal Development Company	(618.69)	(791.68)
10	Tanzania Concrete Poles Manufacturing	(1,187.03)	(703.95)
11	Arusha International Conference Centre	(1,741.71)	(505.21)
12	Tanzania Merchantile Exchange Plc	(1,449.06)	(323.27)
13	PPF/DCC Investment Company Ltd	(158.46)	(60.35)
14	Dar es Salaam Institute of Technology Company Ltd	(95.65)	(2.28)
Non-Commercial Public Sector Entities (NCPSE)			
15	National Health Insurance Fund	(109,713.24)	(204,654.34)
16	Cotton Development Trust Fund	(8,306.33)	(19,406.06)
17	MNH - Mloganzila	(13,408.21)	(19,028.78)
18	University of Dar es Salaam	(3,703.44)	(15,324.80)
19	University of Dodoma	(11,698.91)	(10,274.08)
20	Tanzania Education Authority	(943.18)	(5,261.38)
21	National Environmental Management Council	(1,045.80)	(3,910.77)
22	Kigoma/Ujiji Urban Water Supply and Sanitation Authority	(2,732.83)	(3,196.11)
23	National Examination Council of Tanzania	(5,265.19)	(3,161.65)
24	Tanzania Civil Aviation Authority	(3,507.08)	(3,067.88)
25	Fair Competition Commission	(2,347.98)	(2,085.54)
26	MBEYA Water Supply and Sanitation Authority	(2,980.69)	(2,039.00)
27	Tanzania Library Services Board	(2,443.78)	(1,945.21)
28	Dar es Salaam University College of Education	(144.93)	(1,460.85)
29	Export Processing Zone Authority	(721.51)	(1,260.54)
30	Singida Urban Water Supply and Sanitation Authority	(1,478.98)	(1,259.74)
31	Sumbawanga Urban Water Supply and Sanitation Authority	(1,266.65)	(903.71)
32	Institute of Adult Education	(727.47)	(848.17)
33	Tanzania Investment Centre	(1,043.42)	(731.06)
34	Shinyanga Urban Water Supply and Sanitation Authority	(278.99)	(797.85)

S/N	Public Entity	2020/21 (TZS million)	2021/22 (TZS million)
35	Geita Urban Water Supply and Sanitation Authority	(904.73)	(677.32)
36	Cashewnut Industry Development Trust Fund	(1,262.20)	(497.74)
37	Tanzania Cotton Board	(164.39)	(481.31)
38	Tanzania Fisheries Research Institute	(52.72)	(424.82)
39	Marine Parks and Reserves Unit	(473.64)	(323.50)
40	National Construction Council	(72.89)	(309.87)
41	National Arts Council	(150.39)	(245.94)
42	Centre for Agricultural Mechanization and Rural Technology	(348.82)	(194.16)
43	Public Procurement Appeals Authority	(87.81)	(32.17)
44	Tax Revenue Appeals Tribunal	(47.94)	(21.32)
45	Tanzania Pyrethrum Board	(47.30)	(12.76)

Source: Audited Entities Financial Statements for the financial year 2021/22

I further noted that, 16 PA & oBs which reported profit or surplus during the financial year 2020/21 have reported loss or deficit during the year under review as detailed in Table 7.

Table 7: Entities that reported loss or deficit during the period but made profit/surplus in 2020/21

S/N	Public Entity	2020/21 (TZS million)	2021/22 (TZS million)
Commercial Public Sector Entities			
1	Tanzania Telecommunications Corporation (TTCL)	517.00	(15,563.00)
2	Marine Services Company Ltd	28,489.17	(9,417.38)
Non-commercial Public Sector Entities			
3	Muhimbili National Hospital	6,631.05	(5,441.50)
4	Cashewnut Board of Tanzania	151.52	(1,169.95)
5	Bukoba Urban Water Supply and Sanitation Authority	2,015.04	(594.04)
6	Masasi - Nachingwea Water Supply and Sanitation Authority	23.00	(633.46)
7	Kahama Urban Water Supply and Sanitation Authority	10,118.70	(416.55)
8	Petroleum Upstream Regulatory Authority	6,569.23	(355.95)
9	Fair Competition Tribunal	103.93	(234.57)
10	Tanzania Forestry Research Institute	236.58	(184.65)
11	Procurement and Supplies Professionals and Technicians Board	84.95	(145.16)
12	Tanzania Commission for University	573.88	(68.01)
13	Tanzania Fertilizer Regulatory Authority	415.88	(82.57)

S/N	Public Entity	2020/21 (TZS million)	2021/22 (TZS million)
14	National Economic Empowerment Council	135.07	(59.09)
15	Tanzania Dairy Board	25.70	(51.79)
16	Corporative Audit and Supervision Corporation	287.97	(30.82)

Source: Audited Entities Financial Statements for the financial year 2021/22

I also found several Public Authorities and other bodies (PA & oBs) that experienced weaknesses in their operations that led to under performance of investments and business operations, resulting in reported losses or deficits. The reasons for some entities were as follows:

- (i) Air Tanzania Company Limited has experienced successive losses over the past five years. Despite receiving government grants of TZS 30.63 billion during the financial year 2021/22, the company still reported a loss of TZS 35.23 billion. If the government had not provided the grant, the potential loss could have been approximately to TZS 65.86 billion. This highlights the difficulties that ATCL is currently facing in the market. Therefore, ATCL needs to reconsider its approach on operations and strategy to decrease costs and raise revenue.
- (ii) The National Health Insurance Fund reported a loss of TZS 204.65 billion due to an increase in benefit expenses and member service expenses that were not matched with increased revenue.
- (iii) The University of Dar es Salaam reported a loss of TZS 15.32 billion due to a decrease in revenue from donor research fund and consultancy income.
- (iv) TANOIL reported underperformance due to a lack of capital attributed to non-payment of share capital by parent company (TPDC); absence of a governing board to facilitate decision making process and challenges in sourcing large amount of USD within a short period of time to open LCs for oil importation leading to payment of huge penalties to

Petroleum Bulk Procurement Agency and holding charge to supplier. For instance, in 2021/22, the company paid USD 771,603 as penalty and holding charges to suppliers.

- (v) Muhimbili National Hospital had a deficit of TZS 45.44 billion due to an increase in total expenditure that did not match increased revenue that includes exemption granted TZS 19.15 billion and rejections of medical insurance claims of TZS 1.99 billion.
- (vi) The Petroleum Upstream Regulatory Authority reported a significant decrease in revenue in the form of subvention received from the Government and donor grants which lead to deficit of TZS 355.95 million; and
- (vii) The Tanzania Commission for Universities had a deficit of TZS 68.01 million due to an increase in wage bills and unsettled tax penalties. The Tanzania Telecommunication Corporation reported losses due to underperformance of several of its products. Cashewnut Board of Tanzania had a loss due to a decrease in revenue from Government subsidies and contributions from farmers. Bukoba Urban Water & Sanitation Authority had a deficit due to a decrease in revenue and an increase in total expenditure.

I recommend that:

- a) Public entities focus on improving their operational efficiency to increase revenue collection and implement effective cost-cutting measures. Additionally, the entities need to develop turnaround strategies for non-performing investments and business operations to support sustainable return on investment and generation of revenue.
- b) The Government ensure that corporations are run by employees with required level of skills and competence, thereby enhancing the efficiency of the business. These employees may either be sourced from the private sector or within the Government.

- c) The Government strengthen institutional oversight by appointing board members with expertise and knowledge in the sector and business skills, and if necessary, board member positions should be advertised and interested parties should submit specific applications.
- d) The Government establish a performance-based incentive system which will be proportional to the efficiency and profits generated by these corporations.

4.2 Public entities with negative equity

I have reviewed the financial performance of public entities and found that 10 entities (**Table 8**) had negative equity in the current financial year. Out of these 10 entities, six were CPSEs and four were NCPSEs. The reasons for negative equity were mainly accumulated losses over time and excessive debts incurred by the entities to finance their operations.

Table 8: Entities with negative equity

S/N	Entity	Total Assets (TZS million)	Total Liabilities (TZS million)	Equity (TZS million)
Commercial Public Sector Entities (CPSE)				
1	Air Tanzania Company Ltd	330,927.28	488,643.99	(157,716.72)
2	STAMIGOLD Company	58,207.90	69,882.52	(11,674.62)
3	Dar es Salaam University Press	34.29	1,677.80	(1,643.51)
4	TIB Rasilimali Limited	1,483.08	1,852.43	(369.35)
5	University of Dar es Salaam Computing Centre	1,165.38	1,329.51	(164.14)
6	Dar es Salaam Institute of Technology Company Ltd	1,563.50	1,602.20	(38.70)
Non-commercial Public Sector Entities (NCPSE)				
7	Cotton Development Trust Fund	109,019.13	131,294.07	(22,274.94)
8	Tanzania Pyrethrum Board	605.59	1,940.62	(1,335.03)
9	Tanzania Dairy Board	64.15	166.16	(102.01)
10	Tanzania Sisal Board	1,117.46	1,191.31	(73.85)

Source: Financial statements for the period 2021/22

For instance, Cotton Development Trust Fund reported an increase of 525% in accumulated losses from TZS 3.70 billion in the financial year 2020/21 to TZS 23.10 billion in the financial year 2021/22 mainly due to an increase in operating expenses and provision for bad debts. STAMIGOLD had an accumulated loss of TZS 58.44 billion as at 30 June 2022, which significantly reduced the total equity. The loss was mainly due to a decrease in ore production caused by a shortage of mining equipment from the engaged contractor.

The recorded negative equity casts doubt on whether these entities will be able to sustain their services and discharge their mandates in the foreseeable future.

I recommend that (a) PA & oBs conduct a comprehensive analysis of their financial position, identify the root causes of negative equity and develop a robust plan to address them. This could include measures to reduce costs, improve efficiency, increase revenues, restructure debt, or divest non-core assets; and (b) the reported PA & oBs seek Government support to either inject additional capital or have new investments in order to generate enough revenue.

4.3 Public entities incapable of paying off short-term obligations

My review of PA & oBs financial position for the period found 45 entities with more current liabilities than current assets, 15 were CPSEs, while 30 were Non-Commercial Public Sector Entities. This is a setback compared to six CPSEs reported in my previous report 2020/21.

I found that the current ratio (total current assets/total current liabilities) of these entities ranged from 0.02 to 0.99 (Table 9). This implies that in short term; these entities cannot meet their financial obligations when they fall due. The liquidity problem of these entities was mainly attributed to the increase in cost of borrowing, unutilized deferred income during the period and debts due to financial constraints to meet matured obligation on time.

Table 9: Entities with current ratios below one

S/N	Entity	Total current assets (TZS million)	Total current liability (TZS million)	Current ratio
Commercial Public Sector Entities (CPSE)				
1	Dar es Salaam University Press	34.28	1,677.80	0.02
2	Air Tanzania Company Limited	116,651.65	364,819.96	0.32
3	National Development Corporation	51,802.03	121,477.35	0.43
4	TANESCO	1,351,523.00	3,144,357.00	0.43
5	STAMIGOLD Company Ltd	24,356.11	51,469.58	0.47
6	Tanzania Postal Corporation	35,203.51	69,089.83	0.51
7	Tanzania Biotech Products Ltd	2,156.40	4,014.26	0.54
8	University of Dar es Salaam Computing Centrer	726.75	1,313.05	0.55
9	Tanzania Telecommunications Corporation (TTCL)	186,436.00	300,879.00	0.62
10	TIB RASILIMALI Ltd	1,190.77	1,852.43	0.64
11	National Ranching Company Ltd	9,285.04	11,194.02	0.83
12	Tanzania Standard (Newspaper) Ltd	20,176.23	22,509.51	0.90
13	Tanzania Fertilizer Company	14,703.58	15,922.01	0.92
14	Dar es Salaam Institute of Technology Company Ltd	1,558.95	1,602.20	0.97
15	Gas Company (Tanzania) Ltd	23,728.00	24,359.00	0.97
Non-commercial Public Sector Entities (NCPSE)				
16	Tanzania Pyrethrum Board	117.90	1,940.62	0.06
17	Tanzania Diary Board	13.14	166.16	0.08
18	National Arts Council	58.29	492.94	0.12
19	Tanzania National Business Council	68.11	404.14	0.17
20	Tanzania Sisal Board	207.73	1,189.61	0.17
21	MNH - Mloganzila	5,988.71	19,024.42	0.31
22	Fair Competition Tribunal	24.91	69.20	0.36
23	Muhimbili Orthopaedic Institute	12,936.21	34,631.47	0.37
24	Export Processing Zone Authority	3,030.27	7,623.84	0.40
25	Shinyanga Urban Water Supply and Sanitation Authority	1,983.66	3,964.75	0.50
26	Kigoma/Ujiji Urban Water Supply and Sanitation Authority	1,956.24	3,860.79	0.51
27	NZEGA Water Supply and Sanitation Authority	838.34	1,434.63	0.58
28	Tanzania Cotton Board	2,787.32	4,741.98	0.59
29	Marine Parks and Reserves Unit	616.52	989.44	0.62

S/N	Entity	Total current assets (TZS million)	Total current liability (TZS million)	Current ratio
30	Lindi Urban Water Supply and Sanitation Authority	916.71	1,460.65	0.63
31	Tax Revenue Appeals Tribunal	42.87	62.46	0.69
32	Muhimbili National Hospital	60,883.82	83,895.90	0.73
33	Tanzania Fisheries Research Institute	1,356.17	1,770.75	0.77
34	National Economic Empowerment Council	288.58	373.02	0.77
35	Tanzania Library Services Board	5,577.04	6,956.61	0.80
36	Cotton Development Trust Fund	108,393.53	131,294.07	0.83
37	TANTRADE	4,671.88	5,565.09	0.84
38	Cashewnut Board of Tanzania	14,085.72	16,775.61	0.84
39	Tanzania Engineering and Manufacturing Design Organization	1,980.38	2,175.65	0.91
40	State Mining Corporation	26,330.00	28,874.00	0.91
41	National Environmental Management Council	5,441.10	5,964.46	0.91
42	Dar es Salaam Water and Sewerage Authority	182,462.95	196,862.52	0.93
43	Makambako Urban Water Supply and Sanitation Authority	137.45	146.32	0.94
44	Tanzania Tobacco Board	471.83	501.94	0.94
45	Institute of Adult Education	3,329.11	3,359.84	0.99

Source: Financial Statements 2021/22

I recommend that PA and oBs (a) focus on increasing their revenue streams and utilizing all available sources to monitor their cash flow, and (b) negotiate with their creditors to establish favourable terms of debt payment that align with their expected cash flows in order to prevent incurring interest and penalties on overdue debts.

4.4 Public entities financed by debts

The use of debt financing by public entities is a common practice, but it can also increase their financial risk. The gearing ratio, or debt to equity ratio, is a key metric used to measure the degree to which a company relies on debt financing versus equity financing. A high gearing ratio, or a value above 100%, indicates that the entity is highly leveraged and may be vulnerable to

financial stress during economic downturns or changes in the business cycle.

From the review of PA & oBs during the year 2021/22, I found 24 public entities had unfavourable gearing ratio (total debts/total equity) above 100%, indicating that they rely largely on debts to finance their operations which are considered more susceptible to financial risk emanating from high cost of debts. This was attributed to several factors, such as unutilized deferred capital grants; additional loans and increase in borrowing cost due to delay in payment of overdue principals' amount and interests. The entities with more debts than equities are presented in Table 10.

Table 10: Public entities with more debts than equity

S/N	Public entity	Amount (TZS million)		Gearing Ratio (Debt to Equity ratio %)
		Total debt	Equity	
Commercial Public Sector Entities (CSPE)				
1	Tanzania Railway Corporation	9,243,214.61	392,416.12	2355.46
2	MCB Company Ltd	1,986.47	427.19	465.01
3	Tanzania Electric Supply Company Limited	15,614,463.00	3,949,106.00	395.39
4	Watumishi Housing Investment Limited	5,434.46	1,495.34	363.43
5	Tanzania Fertilizer Company	21,326.30	12,852.48	165.93
6	Electrical Transmission and Distribution Construction and Maintenance Company Limited	42,989.24	26,466.62	162.43
7	Tanzania Standard (Newspapers) Ltd	24,673.91	15,306.41	161.2
8	Tanzania Telecommunications Corporation	349,920.00	227,884.00	153.55
9	Tanzania Ports Authority	2,055,327.40	1,492,921.84	137.67
10	National Development Corporation	123,007.91	94,101.93	130.72
11	Arusha Technical College - Production Consultancy Bureau	721.08	562.76	128.13
Non-commercial Public Sector Entities (NCPSE)				
12	Tanzania Fisheries Research Institute	23,161.58	1,883.44	1229.75
13	Tanzania Petroleum Development Corporation	3,837,157.00	360,599.00	1064.11
14	Arusha Urban Water Supply and Sanitation Authority	418,653.34	56,609.50	739.55
15	Tanzania Tobacco Board	601.94	81.97	734.34

S/N	Public entity	Amount (TZS million)		Gearing Ratio (Debt to Equity ratio %)
		Total debt	Equity	
16	Fair Competition Tribunal	69.14	15.85	436.21
17	National Bureau of Statistics	101,820.14	25,306.75	402.34
18	Tax Revenue Appeals Board	268.06	90.86	295.03
19	Mwalimu Julius Nyerere University of Agriculture and Technology	17,812.70	7,593.46	234.58
20	Copyrights Society of Tanzania	543	239.89	226.35
21	Muhimbili Orthopaedic Institute	42,894.95	20,380.00	210.48
22	TCRA Consumer Consultative Council	114.37	63.84	179.15
23	Medical Stores Department	497,304.81	367,366.93	135.37
24	Muhimbili National Hospital	84,545.03	64,344.30	131.39

Source: *Financial Statements 2021/22*

To improve the financial health of these PA and oBs with more Debts than equity I recommend that (a) it is important for these entities to regularly monitor their financial performance and assess the potential impact of any changes in the market or economy on its ability to service its debts; (b) seek Government assistance to infuse additional capital into new investments, enabling them to generate sufficient revenue to pay off all outstanding debts, and (c) reassess their capital structures and loan repayments to prevent interest from accruing due to payment delays.

4.5 Non - payment and decline in dividend pay-out by public entities

My review of 24 Commercial Public Sector Entities found 12 entities that made profit during the year 2021/22. Among the profitable entities, only six contributed and paid dividends to the Government, totalling TZS 6.8 billion.

The remaining six profitable entities did not pay dividends to the Government that include four Government banks which made a profit, however they could not pay dividend due to inadequacy capital for expansion of business operations. Two of the profitable entities (Kilimanjaro Airports Development Company and Tanzania Agriculture Development Bank) proposed dividends but were awaiting shareholder approval at the AGM. Two other entities

(State Mining Corporation and UTT- AMIS) paid lesser amounts than what were declared. The 12 entities that reported losses during the period were unable to pay dividends. Compared to the previous year, the dividend pay-out ratio of profitable entities had decreased by 64%. (Refer to Appendix III).

I recommend that profitable entities strike a balance between reinvesting profits for growth and rewarding shareholders through payment of dividends. The Government Commercial Banks should focus on improving their capital adequacy to ensure future profitability.

4.6 Deficiencies found in payment of 15% contribution to consolidated fund account by public entities

During my audit, I found inconsistencies and deficiencies in the payment of the 15% of gross revenue as contribution to the Consolidated Fund Account by public entities. Of the 54 entities (Appendix IV) reviewed, only six contributed above the required amount, while 48 entities contributed below the required amount. Additionally, five Commercial Public Sector Entities that were required to declare and pay dividends to their shareholders contributed to the Consolidated Fund Account, contrary to section 12(3) of the Public Finance Act, Cap 348.

Further review of 58 public entities (Appendix V) and other bodies revealed that 29 of them had not contributed to the Consolidated Fund for two consecutive periods, which is a violation of Section 12(3) of the Public Finance Act Cap, 348. Failure to remit these contributions deprives the Government of the much-needed revenue for the provision of public services. These findings indicate a lack of proper monitoring and enforcement of the Public Finance Act Cap, 348.

I recommend that (a) the relevant authorities strengthen monitoring and enforcement mechanisms to ensure compliance with the Act, including imposing penalties for non-compliance by public entities, (b) a review of the criteria for determining entities that are exempted from making contributions to the

Consolidated Fund Account may be necessary to promote transparency and accountability in the management of public funds, and (c) the contribution rate of 15% set by the Public Finance Act may be too high, leading to financial challenges for most public entities. A review of the contribution rate may be necessary to ensure financial sustainability while still meeting the Government's revenue needs.



CHAPTER FIVE



EFFICIENCY OF PUBLIC ENTITIES IN ENHANCING BUSINESS ENVIRONMENT

5.0 Introduction

Over the years, the Government of Tanzania has taken significant steps to develop its infrastructure, implementing numerous projects aimed at driving economic growth and improving the quality of life for its citizens.

Furthermore, this chapter identifies areas for operational improvement in seven strategic public entities, namely Air Tanzania Company Limited, Tanzania Electric Supply Company, Tanzania Railway Corporation, Tanzania Telecommunication Company Limited, Tanzania Ports Authority, Small Industries Development Organization, and National Housing Corporation. These inefficiencies range from delays in project completion, inadequate monitoring of energy losses, underutilization of resources, and other challenges that need to be addressed for optimal performance.

5.1 Air Tanzania Company Limited

During my review of the operational efficiency of Air Tanzania Company Limited (ATCL), I identified the following weaknesses:

5.1.1 Grounded aircraft incurring fixed cost of TZS 5.27 billion and loss of potential revenue TZS 20.35 billion

I found three Aircrafts i.e., Airbus A220-300 (5H-TCH & 5H-TCI) and Bombardier Q400 were grounded for periods ranging from 2 to 220 days from 1 July 2021 to 30 June 2022 due to low

performance maturity for Airbus A 220-300 and weak after sale support services as services on the manufactured engines.

The financial analysis of the entity showed that because of the grounding of the aircraft, ATCL incurred a fixed cost of TZS 5.27 billion in terms of lease and insurance and failure to realise revenue of TZS 20.35 billion which would be earned had the aircraft been operating for one year from 1 July 2021 to 30 June 2022. This had a negative impact on position of the company's liquidity and reputation due to frequent cancellation of flight schedules that led to a loss of confidence by customers over the reliability of air transportation by ATCL.

I recommend that the Government increase the capacity through redesigning the current operations of ATCL in carrying out regular maintenance and checks of the aircrafts to avoid grounding for a long period of time.

5.1.2 Underutilization of Boeing 787-8 Dreamliner leading to operational loss of TZS 24.9 billion and fixed maintenance cost of TZS 5.06 billion

During my review of performance and utilization of aircraft I found that Boeing 787-8 aircraft generated a total revenue of TZS 45.67 billion and incurred a total direct cost of TZS 70.57 billion resulted to total operational loss of TZS 24.9 billion. The underperformance was due to low load factors and few cycles because of few international destinations. The aircraft conducted 9 out of 18 international destinations following the suspension of some international routes due to control restrictions of COVID-19.

I found that the aircraft accumulated fixed maintenance costs of TZS 5.06 billion that were not covered by the corresponding revenue because of failure to attain the minimum chargeable flight hours. This has increased the company's liabilities, thereby negatively impacting its liquidity position.

I recommend that Air Tanzania Company Limited develop a suitable comprehensive marketing campaign to stabilize their business in all underperforming routes, including both national and international routes.

5.1.3 Additional cost of TZS 19.11 billion incurred by ATCL due to non-implementation of contractual obligations by TGFA

During financial year 2021/22, ATCL had leased 11 aircraft from the Tanzania Government Flight Agency (TGFA). As per the contract, TGFA charged ATCL monthly maintenance reserves of USD 496 per flight hours towards engines performance restoration and USD 360 per flight cycles engine life in which for 2021/22 total charges amounted to TZS 25.39 billion (2020/21: TZS 18.56 billion). The amounts are intended for maintenance of the aircrafts when they breakdown, and the invoices were based on the condition of the contract. In my review of the operations cost, I found that ATCL incurred a total cost of TZS 19.11 billion on maintenance of the aircraft during the year, which was supposed to be covered by maintenance reserves under the TGFA.

Of this cost, TZS 17.51 billion was spent on internal maintenance conducted by ATCL, using its knowledge and skillset. While the remaining cost of TZS 1.60 billion was spent on maintenance that was done under the agreement of PW1524G Engine Fleet Management Program. Both costs were part of the maintenance reserves under the contract of TGFA.

I consider that in the absence of double recognition of costs (i.e., TZS 19.11 billion to service providers and TZS 25.39 billion to TGFA) the loss reported during the year under review would have been reduced from TZS 35.24 billion to TZS 9.85 billion (i.e., excluding payment to TGFA).

I recommend that the Ministry of Works and Transport fast-track the review of the agreement between ATCL and TGFA to clarify the dilemma of double payment for maintenance services, which increases costs and liabilities to ATCL.

5.1.4 Significant delays in departure of aircrafts by 25%

The ATCL strategic plan includes a goal of achieving a 92% timely departure rate by 2021/22, allowing for an accepted delay rate of 8%. However, my review of the strategic plan implementation report revealed that technical issues, safety requirements based on the 2019 operational and maintenance manual, and a limited number of aircraft in the flight schedule resulted in significant delays in 25% of the total cycles (3,990/15,820) within the year. These delays ranged from 11 minutes to 4 hours and 33 minutes.

I consider that ineffective management of these delays may result in a loss of customers and increased operating costs inform of incentives for delays and refunds to customers.

I recommend that ATCL improve their logistical operations to ensure aircraft take off as scheduled and minimize delays on departure to an acceptable level.

5.1.5 Substantial voided tickets by agents by 96%

A voided ticket is a ticket issued by travel agent or airline that has been cancelled and rendered invalid. When a ticket is voided, the transaction is cancelled, and any payment made for the ticket is refunded to the passenger. This can occur for various reasons, including cancellation requests by passenger, errors in the process of booking, flight schedule or route changes, non-payment for the ticket, or incorrect passenger name.

I found a total of 38,455 voided tickets during the financial year 2021/22, with 4% voided by Air Tanzania and 96% by agents. Additionally, I identified 479 voided tickets beyond the ticketing day, which is against the Manual of International Air Transport Association (IATA).

I consider that the significant voiding of tickets, result in loss of revenue, as customers may not be able to obtain tickets due to challenges of the system indicating that flights are fully booked

when they are not. This problem is being caused by agents, due to absence of voiding ticket limit that could worsen the situation.

I recommend that Air Tanzania Company Limited strengthen controls on voiding tickets, which may include improving the internal control system and implementing charges and limits on voiding tickets by agents.

5.2 Tanzania Electric Supply Company (TANESCO)

During my review of TANESCO's operating efficiency, I identified the following weaknesses:

5.2.1 Ineffective mechanism to monitor energy losses

Meters are devices which are used to measure the power distributed from the substation i.e., the location where electricity is received from the production plant and feeder is network of lines transferring the energy from sources to distribution. My review of meter feeders found issues detailed below:

Out of 1,803 substation meters feeders located in 29 regions, 1,638 (90.8%) had no readings reflected in the Automatic Meter Reading (AMR) system for the entire year, affecting the monitoring of the energy transmitted, and 52 meters had only imported energy readings, while 80 meters had only exported energy readings i.e. incomplete data. This, anomaly goes against Rule No. 45(1) of the Electricity (Supply Services) Rules, 2019.

Furthermore, I found that tracing meter readings for incoming, boundaries, and distribution of energy (including for large power users) substations/feeders was impossible due to insufficient feeder or substation descriptions in the AMR system.

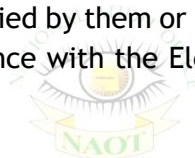
Management explained that the main reasons for these weaknesses were issues related to network and faulty meters at substations. In noticed, the installation of meters feeders did not achieve value for money, and it is possible that some substation meters or feeders are tampered with or manipulated, leading to

theft of energy by customers (especially large power users) in conspiracy with unscrupulous staff.

I recommend that TANESCO assesses the Automatic Meter Reading system and the installed meters/feeders to align with the current operational environment to prevent energy losses.

5.2.2 Non-verification of 874,019 meters by Weights and Measures Agency

In the financial year 2021/22, TANESCO purchased 874,019 meters worth TZS 115.80 billion which were not verified and sealed by the Weights and Measures Agency (WMA), that could result in potential losses to either customers or TANESCO. This is in violation of Regulation 22(1) of the Weights and Measures Regulations 2019, which states that no meter can be used by a contractor or purchaser to obtain a basis for a charge for electricity or gas supplied by them or to them unless it is verified and sealed in accordance with the Electricity Act No.10 of 2008 (Cap 131).



I recommend that TANESCO comply with the requirements of the Weights and Measures Regulations, 2019, such that meters are tested and verified by the WMA before acceptance and installation for customers.

5.2.3 Payments for upkeep of Kihansi spray toads in America zoo TZS 612 million

In 2000, Tanzania transferred 500 Kihansi spray toads to Bronx and Toledo Zoos in the United States of America to prevent the risk of the toads disappearing after the implementation of the Lower Kihansi Hydro Power Project in 1994. While it is unable to determine the exact current number of the spray toads managed in United States, TANESCO has incurred an annual cost of USD 130,000 for the upkeep of the toads with the approximated total accumulated cost of USD 2.86 million over the whole period of 22 years. In the financial year 2020/21 and 2021/22, a total of TZS 611.92 million (equivalent to USD 260,000) was paid.

During my review, I found that the contract between Tanzania and the American zoos expired in June 2020 but was extended for two years until June 2022. However, there was no clear plan for returning the toads to Tanzania, considering that it has been 22 years since the transfer of the 500 toads to American Zoos in 2000.

I recommend that TANESCO, through the Ministry of Energy and the Ministry of Tourism, prepare a clear action plan and strategies for the return of the Kihansi spray toads to avoid TANESCO incurring endless costs.

5.2.4 Accumulated interests cost on delayed payments to PAET claims amounting to TZS 113.84 billion

TANESCO purchases gas from Pan African Energy Tanzania Limited (PAET) which is used for power generation at Ubungo I, Ubungo III and Tegeta. According to the Gas Sales Agreement between TANESCO and PAET dated 17 June 2011 that ends in June 2023, interest will accrue at a rate of 4% per annum above LIBOR if TANESCO fails to make payments to PAET for the amount due.

During my review of TANESCO's creditors, I noted outstanding PAET invoices for ten years (from 2012/13 to 2021/22) amounting to TZS 246.74 billion, which includes interest on the delayed payment of TZS 113.84 billion. This is due to insufficient funds to cover payments to suppliers, which has resulted in increasing costs for the entity.

I recommend that TANESCO liaise with the Ministry of Energy on alternative financing arrangements to ensure timely payments of monthly invoices. Additionally, TANESCO to negotiate with PAET to propose the suspension of interest charges for future payments.

5.2.5 IPTL delayed the payment of contractual obligation after court ruling in favour of Government USD 148.4 million

In 1995, Independent Power Tanzania Limited (IPTL) and TANESCO entered into a Power Purchase Agreement for the construction of an electricity facility. The main shareholders of IPTL include PAP and VIP Engineering.

During the supply of electricity, a tariff dispute arose, which led to the creation of the Escrow Account in 2006 to secure payments. In 2012, TANESCO and IPTL settled the tariff dispute, and the funds from the Escrow Account were transferred to Pan African Power Solutions Tanzania Ltd (PAP), one of the shareholders of IPTL. The Government released the funds after signing a Deed of Indemnity dated 27 October 2013 with PAP that safeguards it against any third-party claims that may arise after releasing escrow account funds.

IPTL had a loan with Standard Chartered Bank Hong Kong (SCBHK) who claim that PAP used some of the funds from the Escrow Account for its own use and to pay VIP shareholding in IPTL instead of fulfilling TANESCO's payment obligations under PAP and paying off the loan. In 2016, the International Centre for Settlement Investment Disputes (ICSID) ruled that TANESCO must pay SCBHK USD 148.4 million plus interest. Following the ruling, in 2018 the Government initiated a civil case at the High Court of Tanzania against IPTL to enforce the Deed of Indemnity which was signed on 27 October 2013 to safeguard the Government against any third-party claim that may arise after releasing escrow account fund. The judgment issued on 1 March 2021 was in favour of the Government, and IPTL agreed to pay the Government USD 148.4 million by 01 March 2021. However, as of time of my audit in December 2022, IPTL had not settled the amount due.

Given the delay by IPTL to settle the amount due, if the Government pays SCBHK claims following the ICSID judgment without recovering the same from IPTL, it will result in double payment considering that the charges of electricity were

already made to the escrow account, and IPTL made a commitment through the Deed of Indemnity that relieved the Government from any claims by SCBHK. My concern is that the delay made by IPTL to settle its obligation leads to a delay in the Government securing other funds to settle payments due to SCBHK. This, in turn, continues to increase the loan because of accrued interest, tarnishing the national reputation in the international arena.

I recommend that the Government, in collaboration with TANESCO, take appropriate actions to ensure that IPTL settles the pending payments to avoid further accumulation of interest charges.

5.2.6 Financing Deficit Affecting Implementation of Ngozi Project under TGDC

TGDC is implementing the Ngozi Geothermal Project located within the Rungwe Volcanic Province (RVP), Southwest Tanzania. The project second component of resource confirmation is co-financed by Geothermal Risk Mitigation Fund (GRMF) and GOT. The component began on 05 July 2019 with estimated cost of TZS 17.03 billion whereas GRMF committed to contribute TZS 6.11 billion (USD 2.6 million) and the Government of Tanzania/TANESCO contributed TZS 3.49 billion out of required contribution of TZS 10.92 billion resulting into finance deficit of TZS 7.43 billion on the ongoing project. I am of the view that the Company is at the risk of having insufficient funds to finance project activities that might affect timely implementation of the project and achievement of the component's objectives.

I recommend that TGDC liaise with Parent Company (TANESCO) in seeking funds from internal or external source of financing to finalize the project and avoid additional costs that may arise due to time overrun and interest from contractors/consultant.

5.3 Tanzania Railway Corporation (TRC)

During my review of TRC operating efficiency, I identified the following weaknesses:

5.3.1 Incidents of accidents that affect the railway transport

Continuous deterioration of the meter gauge railway infrastructure has led to occurrence of major accidents. The Corporation accidents reports from 2019/20 to 2021/22 include a total of 795 major accidents that attributed to natural calamities such as heavy rains; and delay in conducting major rehabilitation of railway infrastructure.

I found from the reported accidents, the Corporation incurred cost of TZS 1.70 billion in the rehabilitation process after the accidents, and loss of potential revenue of TZS 4.36 billion since the operations had to be suspended for approximately 18,221.8 hours as reported in Corporation Accident Reports. Train cancellations causes inconvenience to passengers and can damage the reputations of TRC.

I recommend that TRC enhance safety measures for the operation of fleet of train and conduct the routine rehabilitation and maintenance of the infrastructure to avoid future accidents.

5.3.2 Delay in commencement of construction of the southern railway line project by TRC

Among the goals of the National Development Vision 2025 includes Tanzania becoming a middle-income country with continued transformation of becoming an industrial country achieving sustainable human development or a high standard of living. The Third National Five-Year Development Plan 2021/22-2025/26 provides construction of the Southern Railway Line as a Flagship project that aims at opening the Southern corridor by accelerating exports and promoting economic growth.

Tanzania Railways Corporation being an implementing agent of the project, engaged a consultant through the contract number PA/003/2013-13/C/15 for the feasibility study and preliminary design for construction of Mtwara - Songea - Mbambabay line with spurs to Liganga and Mchuchuma railway line. The feasibility study and preliminary design were completed in January 2016, which shows the length of the route of 997km of the project with an estimated construction cost of USD 4.74 billion. However, since 2016 the construction of the project was not commenced due to lack of funds to finance the project. There were only three years remaining before the end of the Third National Five-Year Development Plan.

I recommend that TRC liaise with the Ministry of Works and Transport and the Ministry of Finance and Planning to come up with the financing arrangement for the Southern Railway Line project to achieve cost-effective railway line and promoting sustainable mobility along the Mtwara corridor.

5.4 Tanzania Telecommunication Company Limited (TTCL)

During my review of TTCL's operating efficiency, I identified the following weaknesses:

5.4.1 Challenges on implementation of TTCL's strategic goals

TTCL has faced several challenges in achieving its strategic goals. The corporation failed to acquire the targeted customer base in Dar es salaam central zone of 112,324 equivalents to 73 % of the targeted customer of 152,950 due to financial constraints.

In addition, TTCL has lagged behind other mobile operators in meeting key performance indicators. TTCL managed only to perform 44 Key performance Indicators equivalent to 62.9% against the average performance for industry of 70 (100%) and in attending to the complaints by of customer by most of 405 days against the set target of 7 days, which could lead to customer dissatisfaction and loss. These issues stem from insufficient

efforts in revamping the TTCL business for customer growth and retention.

Further, the review of TTCL's eight products revealed that only four products generated profits, while the other four incurred losses, resulting in a net profit margin of 4 % below the target of 5.1%. This outcome is attributed to low market share, fixed costs, and inadequate funds to adapt to the changing telecommunication business environment.

I recommend that TTCL focus on improving customer acquisition and retention strategies by allocating adequate resources to revamp the business. The company should also implement effective business impact analysis to improve its KPI scores and timely address customer complaints.

5.5 Tanzania Ports Authority

5.5.1 Unfavourable berth occupancy rate, ship turnaround and cargo dwell time at Dar es Salaam Port

In my previous report, I highlighted the TPA failure to reduce turnaround and cargo dwell time. The 2021/22 audit, I found that TPA's performance in berth occupancy, ship turnaround time, and cargo dwell time remained unfavourable. Cargo dwell time exceeded the target by 1.58 days, ship turnaround time was almost double the target, while berth occupancy rate for oil terminals was slightly above the target, indicating congestion, and general cargo was below 50%.

The observed inefficiencies are attributed to several factors including the longer duration of strategic project cargo clearance such as different permit required for removal of cargo from different Government agencies like TRA and TBS and thus leading to overstay of cargo, business practices by large customers in delaying of clearance cargos, and longer grace periods granted to some countries affecting container dwell time. Frequent breakdowns of equipment, especially the Gottwald and spreader

due to old age and lack of regular maintenance, have also increased port costs for shipping lines and customers.

I recommend that TPA takes appropriate measures such as improving port operating equipment, promoting competition, and operationalizing Kwana Dry Port to reduce congestion at the Port of Dar es Salaam.

5.5.2 Non-operationalization of Nyamirembe port project TZS 4.13 billion

My review of projects undertaken by TPA at Lake Victoria ports, noted completion of construction of jetty, cargo shed, passengers lounge, wall and gate fence with other facilities at Nyamirembe Port on 29 November 2019 located in Geita Region under contract No. AE/016/2017-18/CTB/W/19 dated 24 August 2018 at the contract sum of TZS 4.13 billion VAT inclusive.

However, during the physical verification made on 03 August 2022 I found that there were no business activities carried on at Nyamirembe Port. The port has not been utilized after commissioning of the project mainly because no detailed feasibility study was conducted before the implementation of the project.

I recommend that TPA (a) ensure thorough analysis and feasibility studies are carried out before initiation of any project; and (b) develop strategies to ensure Nyamirembe Port is fully operational.

5.5.3 Delay in Implementation of Single Receiving Terminal project

The Single Receiving Terminal (SRT) project was launched to address the challenges faced by the petroleum industry, such as high demurrage costs and delays in unloading fuel. The project was recommended by stakeholders in the sector to reduce costs, improve accountability, and reduce losses and fraud associated with petroleum import and distribution. The Single Receiving Terminal project aims to build 15 tank farms with a combined

storage capacity of 600,000 cubic meters, at an estimated cost of TZS 177.47 billion. Additionally, a Warf/piers and supporting infrastructure will be constructed at Mbwamaji Kigamboni, at an estimated cost of TZS 140.36 billion.

As of June 2022, my assessment of the project's progress found that it was still in early stages, focusing on acquiring land and conducting feasibility studies. This is despite the plan of establishing the Single Receiving Terminal was initiated by TPA in 2018, making four years since the agreement was made. This has been attributed to delay in acquiring of the land of the project since up to the time of audit in November 2022 the land was not yet acquired. Thus, lack of land impedes the implementation other project activities.

The delayed establishment of the Single Receiving Terminal (SRT) has resulted in failure to address challenges of demurrage charges, this has led to rising in fuel costs and subsequently, the cost of living.



I recommend that TPA liaise with Ministry of Land to ensure the land is acquired without further delay to achieve intended objectives.

5.6 Small Industries Development Organization

My review of Small Industries Development Organization (SIDO) found the following deficiencies:

5.6.1 Inadequate rehabilitations of 467 SIDO industrial buildings and infrastructures

During my audit, I found that 467 SIDO industrial buildings are dilapidated and in severe state of disrepair with 443 in operation. The management managed to rehabilitate only three of four planned buildings costing TZS 730.48 million in 2021/22. Due to insufficient funds 24 buildings are not in operation causing the Organisation to lose TZS 118.64 million from the potential rent annually.

5.6.2 Insufficient disbursement of loan funds to micro, small and medium enterprises by 43%

During my audit of the financial year ended 30 June 2022, I found SIDO responded to 57% of the 4,745 credit applications from small industrialists and small entrepreneurs, amounting to TZS 6.41 billion, leaving 43% unattended as of June 2022. The situation was caused by increase in demand for loans by small entrepreneurs compared to the capacity of the fund.

5.6.3 Inadequate renovation of technological development centres

SIDO management report for the period 2021/22 indicates that SIDO plans to revamp Technological Development Centres (TDC) in every region to promote technology and industrial development. However, as of 30 June 2022, SIDO had only seven operating TDCs in seven regions, leaving 19 regions with dormant centres due to demand for machines not achieved; obsolete production machinery, shortage of human resources, and working capital limiting production of new products and creation of new production processes.

I recommend that SIDO prepare fund mobilisation strategy include liaising with Government through Ministry of Investment, Industry and Trade for rehabilitation of the existing industrial buildings and infrastructures estimated to cost TZS 25.50 billion; to serve many MSMEs with credit facilities; and revamp the existing Technological Development Centers (TDCs) in the remaining 19 regions.

5.7 National Housing Corporation

5.7.1 Inadequate management of Joint Venture Agreement with M/s Al-Karimo Investment Limited by NHC

In 2004, NHC entered into a joint ownership agreement with M/S Al-Karimo Investment Limited to construct a ten-storey commercial/residential building in Dar es Salaam on two NHC plots for commercial gain and other purposes agreed upon with the partner responsible for financing the project. However,

during an audit, several deficiencies were found including: the project not completed for over 17 years; JV Partner included his own plot without the consent of NHC's, and the construction was done on all three plots and; the partner used his plot to take a mortgage loan with International Commercial Bank (ICB) for construction of the project but defaulted, owing to USD 2.35 million (approximately TZS 5.47 billion).

I recommend NHC (a) ensure adequate monitoring and supervision on all JV investments is performed on regular basis, and (b) seek legal advice from the Attorney General's Office on the noted deficiencies to agree on the future of the JV agreement for public interest.



CHAPTER SIX

REVENUE AND CASH MANAGEMENT



6.0 Introduction

Revenue and cash management is an important aspect for Public Authorities and other bodies to achieve their goals and objectives. It involves all the necessary procedures to plan and account for income effectively. Good revenue management through proper planning of future income is crucial for Public Authorities and other bodies as it ensures sufficient collections of cash to meet both short-term and long-term financial obligations.

In this chapter, I examine various aspects of revenue management in different Public Authorities and other bodies. The chapter focuses on the deficiencies in revenue management, including inadequate policies for financial management systems, and ineffective revenue collections processes.

6.1 Deficiencies in management of revenue collection

Management of revenue collection comprises of compliances with the underlying controls and collection procedures. My review found deficiencies in management and collections of revenue in the following Public Authority and other Bodies (PA & oBs):

6.1.1 Rental income raised out of TPA billing systems TZS 13.5 billion

TPA uses billing systems from Terminal Operating System (TOS) and Port Operations Application System (POAs) to generate invoices for marine and payments for cargo services, however invoices for rental income are prepared through Excel, and systems

are not linked with TRA for VAT claims and returns. During the year under review, TPA reported TZS 13.5 billion being rental income, whose invoices were manually generated. My discussion with management revealed that the systems were configured for operational income only, and not for any other income.

I consider that, there is risk of errors and omission during preparation of manual invoice that lead to loss of revenue.

I recommend that TPA ensure invoices for other operating incomes are integrated in the TPA billing system, and create interface with TRA systems.

6.1.2 Drilling services not supported by detailed certificates of works TZS 13.30 billion

For the financial year 2021/22 STAMICO drilling machines generated revenue of TZS 30.85 billion (41%) of the company's total revenue of TZS 75.35 billion.

My review of revenue generated from drilling services found that, STAMICO offered drilling services to Geita Gold Mine at the total cost of TZS 22.30 billion, whereby drilling services amounting to TZS 13.30 billion were only supported by invoices and EFD receipts, however, there were no Certificate of works with detailed information for the work performed which is contrary to requirement of Clause 29 of the contract that requires supporting documents to be detailed and sufficient to permit verification and payments.

I consider there are weak controls of accounting the works done against the issued bills due to the absence of detailed certificates of works.

I recommend that STAMICO strengthen controls over drilling services that will ensure invoices are raised after verification of work performed together with a detailed certified certificate of work being counter-signed by both parties to the contract.

6.1.3 Revenue collection outside the GePG system TZS 3.32 billion

Treasury Circular No. 3 of 2017, together with Government Electronic Payment Gateway (GePG) Standard Operating Procedures (SOP) version 1.1 of November 2019, issued by the Ministry of Finance and Planning (MoFP), requires all public moneys to be collected through GePG system.

From the review of controls and management of revenue collection, I found five entities listed in **Table 11** that collected revenue amounting to TZS 3.32 billion outside the GePG contrary to Treasury Circular No. 3 of 2017.

Table 11: List of entities collected revenue outside the GePG

S/N	Entities	Revenue Collection TZS (million)
1	DIT - Institute Consultancy Bureau	2,870.00
2	National Institute for Medical Research	232.16
3	Kyela Water Supply and Sanitation Authority	183.22
4	Cashewnut Board of Tanzania	33.71
5	Tanzania Smallholders Tea Development Agency	2.27
Total		3,321.36

Source: management letters for Financial Year 2021/22

Further review found that, Kyela Water Supply and Sanitation Authority requested opening of collection accounts at NMB and CRDB on 29 December, 2021. The request narrates that such accounts could facilitate collection of revenue through GePG. However, up to the time of audit in February 2023 such accounts were not opened. Hence, revenue collection was done outside the GePG system.

I consider that failure to collect revenue through the Tanzania Government electronic Payment Gateway (GePG) has significant consequences, including legal implications, inefficiencies, revenue loss, lack of transparency, and security risks. Therefore, all Government institutions and businesses need to comply with the GePG requirements to ensure a secure, efficient, and transparent process of revenue collection.

I recommend that the identified public entities ensure all revenues are collected through the GePG system.

6.1.4 Non-review and approval of rental charges to customers

During my audit of the National Housing Corporation (NHC), Tanzania Railways Corporation (TRC), and Tanzania Telecommunications Corporation (TTCL), I found that these organizations did not conduct regular market surveys to update their rental rates. As a result, they have been charging rent below the current market rates, which resulted in a loss of revenue.

Specifically, the current NHC rates in use were approved in 2011 and have not been updated to reflect changes in inflation rates and market conditions over the past ten years.

Similarly, I found that TRC recognized a total rental income of TZS 1.4 billion for the financial year 2021/22. Out of which a rental income of 783 million (56%) was collected without adequate policies on the pricing of rentals.

In the case of TTCL, I found that the rates charged in financial year 2021/22 differed from the rates charged in 2020/21. However, there were no board approvals for the changes of the rates.

I recommend that NHC, TRC, and TTCL conduct independent market surveys to determine the current market rental rates for their tenants. Additionally, they should obtain board approval before applying the new rates to avoid charging rent below the current market rates and reduce the income of the corporations.

6.2 Management of cash and cash equivalent

Management of cash and cash equivalent, comprises of compliances with underlying controls, collection procedures and reconciliation of bank accounts. My review in this area established the following:

6.2.1 Idle funds in banks TZS 7.35 billion at MSD

During the financial year ended 30 June 2022, I found that MSD had three bank accounts held at NMB, and two accounts at TCB deposited with cash to facilitate arrangements of payment through letters of credits to various suppliers of medical items from abroad as required by procurement contracts.

I also found that TZS 7.35 billion of the contracts entered between MSD and different medical suppliers expired for more than two years (2019/20 to 2021/22) while letter of credits amounting to TZS 2.52 billion and TZS 4.83 billion at NMB and TCB respectively, were still held in the bank without being used by MSD.

I am of the view that, there is inadequate control over cash management, since idle funds in banks limits MSD from undertaking other urgently needed activities, including for procurement of medical drugs and equipment.

I recommend that MSD withdraw all idle funds from Banks and use them to facilitate other MSD activities including for procurement of medical drugs and equipment.

6.2.2 Dormant bank accounts with cash balances TZS 20.65 billion

My review of Management of Bank accounts found four public entities with dormant account with cash balance (Table 12).

Table 12: Dormant account maintained by public entities

S/N	Public Entity	Number of Accounts	Amount TZS (million)	Inactive since the financial year
1	Tanzania Ports Authority	10	20,208	2020/21
2	Dar es salaam Water Supply and Sanitation Authority	4	417.76	2020/21
3	Air Tanzania Company Limited	1	23.26	2019/20
4	Arusha Urban Water Supply and Sanitation Authority	7	1.16	2020/21
	Total		20,650.18	

Source: Entities Management Letter financial year 2021/22

Further, TPA had one account at CRDB Bank No. 0250800929000 with a balance of USD 20.05 million in Burundi, which was not used in the first quarter of 2021/22 due to a lack of signatories. The other accounts which were not used were Eco bank accounts in Congo, Zambia, and Rwanda. I am of the view that, when the accounts are not operating and still active can be used for illegal transactions/fraudulent activities, while such idle funds in banks could be used to finance other operations of the Authority.

I recommend that identified PA & oBs ensure all dormant bank accounts are closed without further delays to avoid risk of funds being misused and unnecessary bank charges.

6.2.3 Transferred staff remained as signatories of TPA bank accounts

As of 30 June 2022, TPA had signatories for 12 of its bank accounts who were no longer TPA staff as they were transferred to other entities.

I am of the view that the weakness is attributed to lack of management initiatives to update signatories of accounts in a timely manner, which increase the risk of non TPA staff withdrawing funds without the Authority's knowledge and approval.

I recommend that TPA ensure all banks are updated with approved signatories who are TPA staff, and notify banks immediately when there are changes relating with signatories of bank accounts.

6.3 Management of trade and other receivables

Management of receivables comprises of compliances with underlying controls and collection procedures and agreements with respective debtors. My reviews noted the following deficiencies regarding management of receivables by PA & oBs:

6.3.1 Unsupported and unrecoverable receivables TZS 7.51 billion at TTCL

I found that TTCL had long outstanding balance of receivable of TZS 21 billion, which management could not identify the respective customers. Out of this balance TTCL was unable to reconcile and support a receivable balance of TZS 7.51 billion and proposed to write off after concluding that the balance could not be collectable as the customers could not be traced.

I consider that, there is a possibility of non-existence of unsupported debtors, hence fictitious receivable balance maintained in the books of account.

I recommend that TTCL seek approval from the Treasury Registrar and the Ministry of Finance and Planning to write off receivables proved to be uncollectable.

6.3.2 Issuance of academic certificates and transcripts to 423 students with outstanding debts TZS 456.50 million

During my audit, I found that the University of Dodoma (UDOM) issued academic certificates and transcript to 423 students who were still indebted by TZS 456.50 million to the University contrary to Regulation 20.3 of the UDOM Regulation for Undergraduate Programmes which require the relevant office responsible for the Senate and examinations to issue certificates and transcripts to applicants upon submission of the student financial statements verified by the University accountant to support payment of all prescribed University dues.

I recommend that UDOM ensure (a) data of all students in the student record management system are integrated with the financial system to ensure there is no loophole for the students to get the certificates without clearing all financial dues; and (b) make follow up in order to recover all amounts from students issued with certificates and transcripts while indebted.

6.3.3 Long outstanding receivables amounting to TZS 3.58 trillion

I reviewed trade receivables for the year ended 30 June 2022 in 206 PA& oBs. I observed that 97 public entities had significant receivables amounting to TZS 3.58 trillion, relating to services rendered to customers (**Appendix VI**). I reported the similar issue in the previous report 2020/21, whereby 93 PA & oBs had inadequate collection of trade receivables amounting to TZS 3.71 trillion. The trade receivables continued to affect entities' cash flows and the ability to carry out planned activities.

- (i) I found a significant amount of TPDC's long overdue receivables of TZS 378.09 billion being unpaid gas sales to TANESCO, which is TZS 354.99 billion equivalent to 94% of the total overdue debt. The trend indicates a consistent increase in the TANESCO outstanding balance over the years. I am of the view that the long overdue claims are caused by TANESCO's failure to pay invoices on time, have resulted in a lack of funds for TPDC to invest in petroleum and gas development.
- (ii) At Higher Education Students Loans Board, the matured loan not collected as at 30 June 2022 is TZS 611 billion. The matured loans had not been collected due to inadequate collection caused by a lack of system integration with strategic stakeholders such as RITA, NIDA, TRA, BRELA and NSSF.
- (iii) At MSD, my review of the outstanding receivable balance of TZS 375.11 billion found that TZS 255.66 billion related to the Government Institutions has remained uncovered for four years. These funds would have been used to procure medical facilities to facilitate the provision of health services.
- (iv) At National Housing Corporation, I found that amounting to TZS 19.92 out of TZS 22.62 billion resulted from ex-tenants has been outstanding for long period.

I found that long outstanding receivables were mainly due to inadequate efforts in debt collection, untraceable receivables, unsupported receivables, and non-payment of receivables by Government entities.

I recommend that identified PA& oBs (a) strengthen internal controls over debtors' collections, including taking legal measures against such all debtors to settle their balances without further delays; and (b) liaise with the Paymaster General regarding the long outstanding receivables by Government entities.





7.0 Introduction

Expenditures in Public Authorities and Other Bodies (PA & oBs) are mostly guided by annual budgets, internal and external policies, circulars, laws and regulations. Predominantly the expenditures incurred account for utilization of financial resources entrusted to PA & oBs to finance their recurrent and development activities according to their mandates.

The recurrent expenditures mainly include employees' salaries, wages, allowances and other benefits; as well as use of goods, consumables and services to cater for operating and administrative activities. The development expenditures mainly include acquisition of non-current assets like intangible assets; and property, plant and equipment.

My audit in the management of expenditures in PA & oBs involves assessment to whether the expenditures are incurred according to the approved budgets, policies, circulars, laws and regulations

During the year ended 30 June 2022 I found the following weaknesses and provided recommendations on actions to be taken for improvement as detailed below:

7.1 Nugatory expenditures TZS 63.77 billion

I found that during normal and special audits, 12 PA & oBs incurred expenses of TZS 63.77 billion that did not generate economic benefits to them or to the Government. Most of the

expenses were interests and penalties on delayed payments to contractors' claims for supplied goods, works, and services, breach of contracts, litigations ruled against the entities, and inadequate scrutiny of claims to ensure the agreed deductions such as recovery of advance payments are recovered before honouring the claims. Some entities also entered into contracts with unrealistic terms of which Accounting Officers of PA& oBs failed to comply. This results in a waste of public resources and undermined the effectiveness and efficiency of the entities in fulfilling their mandates. The list of entities with nugatory expenditure is given in **Table 13**.

Table 13: Entities incurred nugatory expenditures

SN	Entity	Description	Amount (TZS million)
1	Tanzania Electric Supply Company Limited	Interests, penalties and other additional cost	37,318.77
2	Tanzania Ports Authority	Court charges and interest on delayed payments	20,100.00
3	Medical Stores Department	Payment for unprocured items and unnecessary travel and accommodation expenses in search for defaulted supplier	2,022.66
4	TANOIL Investment Limited	Penalties and storage charges due to delayed clearance of Letters of Credits	1,777.92
5	Dar es Salaam Water Supply and Sanitation Authority	Penalty on delayed payments of claims to contractors and suppliers	1,773.68
6	Tanzania Telecommunications Corporation Limited	Unrecovered payment on terminated contract	345.65
7	Mkulazi Holding Company Limited	Interest on delayed rental payments	151.48
8	National Social Security Fund	Interest on delayed land rents	132.56
9	Kilimanjaro International Leather Industry Company Limited	Demurrage charges on delayed return of containers	117.5
10	Mwanza Urban Water Supply and Sanitation Authority	Interest on delayed payment of creditors' claims	21.01
11	State Mining Corporation	Interest on delayed rental payments for areas covered by prospecting licences	11.96
12	National Construction Council	Interest on delayed payment of land rent	0.83
Total			63,774.02

Source: Entity's management letters

I recommend that respective PA & oBs adequately scrutinise the terms and conditions of the contracts and involve the

office of the Attorney General for advice on legal binding matters; prepare and implement realistic cash flow management strategies to settle obligations when they fall due; and enable those charged with governance to increase oversight on payments to avoid nugatory expenditures.

7.2 Ineligible expenditures TZS 77.75 billion

I have identified 21 entities during statutory and special audits with ineligible expenditures amounting to TZS 77.75 billion which include allowances to unentitled personnel, unauthorized benefits, over payments to creditors, and expenses incurred without proper documentation. The entities with ineligible expenditures are shown in **Table 14**.

Table 14: List of entities incurred ineligible expenditures

S N	Entity	Description	Amount (TZS million)
1.	Medical Stores Department	Advance paid without binding contract and payments with missing supporting documents	65,337.16
2.	Tanzania Bureau of Standards	Payment of unapproved risk allowances and overpaid interim payment certificates	8,598.58
3.	Tanzania Standard Newspaper	Unsupported payables	2,426.41
4.	Tanzania Insurance Regulatory Authority	Payment of salary increments contrary to approved TIRA staff regulations, improper employees transfer allowances; and retirement of imprests without supporting documents (Special Audit)	489.63
5.	Cereals and other Produce Board	Unsupported payments	237.75
6.	National Housing Corporation	Electricity and housing allowances paid to 19 unentitled staff in acting position	150.30
7.	University of Dar es Salaam	Unsupported expenses revealed on special audit for period from 2015/16 to 2019/20	111.25
8.	National Social Security Fund	Payment of land rents for the period the land was not owned by NSSF	59.33
9.	Cotton Development Trust Fund	Unsupported payments - no payment vouchers	50.00
10.	Tanzania Electric Supply Company Limited	Payment of unapproved insurance cover for the board of directors	48.59
11.	Institute of Accountancy Arusha	Overpaid amount above contract sum	41.10
12.	Dar es Salaam Institute of Technology	Unsupported imprests	32.00

S N	Entity	Description	Amount (TZS million)
13.	Mwanza Urban Water Supply and Sanitation Authority	Payment of acting allowances to unentitled staff	56.78
14.	Tanzania Meat Board	Unsupported payments	29.40
15.	Tabora Urban Water Supply and Sanitation Authority	Unsupported payments	23.12
16.	Engineers Registration Board	Unsupported payments	15.93
17.	Small Industries Development Organization	Unsupported payables	11.79
18.	University of Dodoma	Overpaid salary allowances for 2021/22	11.52
19.	Dar es Salaam Water Supply and Sanitation Authority	Overpayment to creditor	6.07
20.	Centre for Foreign Relationship	Imprests retirement without supporting documents	5.50
21.	Tanzania Fertilizer Company Limited	Allowance paid at higher rate than approved rate	4.80
Total			77,747.01

Source: Entity's management letters

I recommend that respective PA & oBs ensure incurred ineligible expenses are recovered and strengthen controls to ensure compliance with guidelines, policies, regulations and laws when incurring expenditures. Also, those charged with governance need to exercise close oversight and to hold responsible and accountable all the respective Accounting Officers.

7.3 Outstanding payables TZS 7.65 trillion

Payables represents the amount of money that an entity owes to its creditors mainly for goods supplied, works or services rendered, but are not paid for. Failure to pay accounts payable on time can lead to penalties, interest charges, and damaged relationships with suppliers.

My audit found 99 PA & oBs reported outstanding payables as at 30 June 2022 amounting to TZS 7.65 trillion. The details are provided in **Appendix VII**.

Some of these entities have liquidity constraints due to insufficient and delayed funding from the Government, underperformance of their businesses or inadequate cash flow

management strategies to ensure obligations are timely settled as they become due.

Delays in settlement of obligations when they fall due; may impair the reputation of PA & oBs and the Government. Also, suppliers may refrain from providing goods and services on credit to PA & oBs, thus affecting their operations. In addition, lengthy delay in payment to creditors attracts interests and penalties leading to incurring nugatory expenditures.

I recommend that respective PA&OBs (a) establish and implement effective cash flow management strategies and action plans to ensure the reported outstanding payables are settled as soon as possible and in future, creditors' claims should be settled with immediate effect as they fall due; and (b) for claims requiring Government funding, the Government ensure funds are timely remitted to the respective entities.

7.4 Long outstanding staff imprests TZS 3.51 billion

Regulation 96-103 of the Public Finance Regulations, GN/ No.132/2001 provides guidelines on imprests management which are reflected in respective PA & oBs financial regulations such that issued imprest is retired within 7 to 14 days after completion of the corresponding activity, and not to be issued with another imprest before retiring the previous one. In case, retirement is delayed then recovery of outstanding imprest has to be deducted from salary.

From the audit of imprest management for the financial year 2021/22, I found 31 PA & oBs had staff imprests amounting to TZS 3.51 billion outstanding for periods ranging from one month to over a year. **Table 15** list the entities with long outstanding imprests.

I learned that, these entities had not instituted stringent recovery measures, including recovering imprest from staff salaries.

Table 15: Entities with long outstanding imprest

SN	Entity with imprest beyond one month	Amount TZS (Million)
1	Tanzania Standard Newspaper	844.68
2	Vocational Education and Training Authority	543.47
3	Tanzania Insurance Regulatory Authority	332.64
4	Medical Stores Department	273.75
5	Tanzania Forestry Research Institute	256.18
6	Tanzania Posts Corporation	126.05
7	Tanzania Broadcasting Corporation	107.9
8	Small Industries Development Organization	104.72
9	Mzumbe University	92.06
10	National Sugar Institute	85.71
11	National Institute for Medical Research	84.79
12	University of Dar es Salaam Computing Centre	68.63
13	Songea Urban Water Supply and Sanitation Authority	62.83
14	Open University of Tanzania	57.58
15	Mkulazi Holding Company Limited	57.02
16	Mwalimu Nyerere Memorial Academy	56.39
17	College of African Wildlife Management	45.61
18	Tanzania Smallholders Tea Development Agency	43.35
19	Marine Parks and Reserves Unit	41.7
20	Tanzania Coffee Board	35.53
21	Tanzania Electric Supply Company Limited	32.8
22	Tanzania Bureau of Standards	30.43
23	Centre for Foreign Relations	27.31
24	Watumishi Housing Investments Limited	22.44
25	Tabora Urban Water Supply and Sanitation Authority	18.59
26	Tanzania Atomic Energy Commission	16.41
27	Tanzania Pyrethrum Board	15.32
28	Tanzania Meat Board	12.73
29	Shinyanga Urban Water Supply and Sanitation Authority	6.38
30	Institute of Adult Education	4.66
31	Tax Revenue Appeals Tribunal	2.40
Total		3,510.06

Source: Entities management letter

Outstanding imprests might result in loss of public funds, and it may distort the financial information presented in the financial statements as receivables while understating expenses in case the activities for which imprests were issued have already been completed.

I recommend that PA & oBs (a) properly manage the outstanding staff imprest by strictly implementing the controls to ensure they are retired on time; and (b) ensure imprests

recovery measures are instituted, in case retirement is not affected within specified time, including deducting the outstanding imprests from the respective staff's salary.

7.5 Delayed remittance of statutory contributions TZS 131.80 billion

This section explains on delayed remittance of statutory contributions by PA & oBs to Public Services Social Security Fund (PSSSF), Workers Compensation Fund (WCF) and National Health Insurance fund (NHIF) which are required to be remitted within one month after the last day of the contribution month to which it relates.

My audit revealed that 11 PA & oBs had delayed remittance of their monthly contributions to PSSSF, WCF and NHIF amounting to TZS 131.80 billion for a period ranging from one month to over a year. The details are given in **Table 16**.

Table 16: Delayed remittance of statutory deductions

SN	Entity	Description	Amount (TZS Million)	Delayed Months
1	Tanzania Railways Corporation	Delayed PSSSF and WCF contributions	127,800.00	Beyond 1 month
2	Muhimbili National Hospital	Delayed PSSSF and NHIF contributions	2,639.03	Beyond 1 month
3	Tabora Urban Water Supply and Sanitation Authority	Delayed PSSSF, WCF, and NHIF contributions	708.00	1 to 84 months
4	Mtwara Urban Water Supply and Sanitation Authority	Delayed HESLB deductions and PSSSF contributions	203.36	Beyond 1 month
5	Kilimanjaro International Leather Industry Company Limited	Delayed contribution PSSSF	132.81	1 to 3 months
6	Vocational Education and Training Authority	Delayed contributions PSSSF	129.69	1 to 15 months
7	University of Dar es Salaam Computing Centre	Delayed contributions PSSSF	80.33	1 to 7 months
8	Mkulazi Holding Company Limited	Delayed PSSSF and WCF contributions	75.58	1 to 5 months
9	National Institute of Transport	Delayed contribution PSSSF	32.15	Beyond 12 months
10	Arusha Technical College	Delayed payment of pension contributions to PSSSF	1.90	1 to 2 months
11	Tanzania Fisheries Research Institute	Delayed contributions PSSSF	1.74	1 to 11 months
	Total		131,804.59	

Source: Entity's management letters

The delay in remitting statutory deductions is mainly due to insufficient funds to settle these obligations, and management reluctance to observe the statutory requirements.

Non-compliance with these statutory requirements attract interests and penalties leading to nugatory expenses, and impairs the entity's reputation and image. In addition, delayed contributions for a long period limits coverage of the intended benefits to employees of these PA & oBs.

I recommend that the respective entities ensure compliance with WCF, NHIF, and PSSF laws including timely remittance of the statutory contributions to the respective authorities.

7.6 Inappropriate utilisation of Railway Infrastructures Fund TZS 195.99 billion

Section 68 (9) of the Railways Act, Cap 170 provides that, expenditure from the Railway Infrastructure Fund shall be limited to administrative overheads directly attributable to its operation and management, and the funding of the renewal and development of existing and the provision of new rail infrastructures.

Further, Section 3 (1) of the Railways Act, Cap 170 defines, "rail infrastructure" means the facilities that are used to operate a rail and includes, but is not limited to, railway track, associated track structures and works (such as cuttings, tunnels, bridges, stations, platforms, excavations, land fill, track support, earthworks and drainage works) over track structures, under-track structures, service roads, signalling systems, rolling stock control system, communications systems notices and signs, electrical power supply systems and associated buildings, workshops, depots, yard, plants, machinery and equipment, but does not include rolling stock or wagon ferries."

From the review of utilization of the funds collected under the Railway Infrastructure Fund, I found that TRC was given approval by the Ministry of Finance and Planning through the Ministry of

Works and Transport to purchase rolling stock (Wagons and Coaches) and their associated spare parts worth TZS 195.99 billion. However, these items do not form part of rail infrastructures as defined under Section 3 (1) read with Section 68 (9) of the Railway Act, Cap 170.

I recommend that TRC propose amendment of the Railway Act, Cap 170 if there is a need to include other components of railway business to be financed under the railway infrastructure funds, to enhance proper management of the objective of the Fund.

7.7 Unauthenticated payments made by TANAPA TZS 1.99 billion

My special audit at Tanzania National Parks (TANAPA) found the following weakness

(i) Validity and correctness of the total payment of TZS 1.95 billion made could not be established

My audit revealed that TANAPA specified the implementation of various tasks and payments totalling TZS 1.95 billion to be made through 40 payment vouchers, but the accuracy and legitimacy of these payments could not be verified due to the lack of proper supporting documents, despite listing the names of various payees. In addition to the unverified execution of these tasks, a total of TZS 1.34 billion was shown to have been received by various employees through signed payment documents, while a total of TZS 611.55 million could not be verified as having been received by the respective employees. TANAPA has incurred a loss of TZS 1.95 billion in payments whose utilization could not be confirmed.

I recommend that TANAPA ensure recovery of this amount.

(ii) Allowances paid over and above the approved rates TZS 38.72 million

I noted that TANAPA had put in use Guidelines with Ref. No. BE.38/340/01/01 and Ref. No. BE.38/340/01/02 for honoraria allowance and Work Allowance Guidelines effective from 1 May 2017 and 9 July 2018, respectively. Despite the issuance of these

guidelines, I found that TANAPA paid various employees' allowances totaling TZS 38.72 million above the rates specified in the guidelines. I also found that these payments were made to various employee in cash instead of bank accounts during the financial years 2019/20 and 2020/21.

I recommend that TANAPA ensure control of payments based on actual rates and as determined in the guidelines.



CHAPTER EIGHT

BUDGET MANAGEMENT IN PUBLIC ENTITIES



8.0 Introduction

Budget management is the tool for financial management in making sure Public Authorities and Other Bodies (PA & oBs) allocate and utilize financial resources effectively and efficiently. The ultimate objective of budget management is to support the implementation of planned activities and achieve the goals and objectives outlined in the National Five-Year Development Plan III 2021/22 to 2025/26.

This chapter emphasizes on the importance of effective practices of budget management, including stakeholder engagement, timely release of budgeted funds, and accurate reporting of budget information, to ensure that financial resources are used efficiently and effectively to achieve the intended goals and objectives.

8.1 Inadequate funding by the Government TZS 161.88 billion

My review of the reports on performance of the budget for PA & oBs that received Government subvention, found that, 18 out of 184 entities (excluding Government Business Entities) received a total of TZS 382.43 billion, which represents 70% of the allocated budget of TZS 544.31 billion. This indicates under-release of TZS 161.88 billion equivalent to 30% of the budgeted funds for the year ended 30 June 2022. Detailed in (Table 17).

Inadequate funding may hinder these entities from carrying out their operations effectively and efficiently, which result to inadequate of service delivery to the public. Also, the under-release of funds could result in delayed or incomplete projects hence non-attainment of the organizational objectives.

Table 17: Government budget releases vs approved budget

S/n	Public entity	Approved Budget	Actual release	Budget deficit TZS (Million)	Deficit in %
		TZS (Million)	TZS (Million)		
1	Singida Urban Water and Sanitation Authority	2,000	153	1,847	92%
2	Kahama Shinyanga Water Supply and Sanitation Authority	2,516	400	2,116	84%
3	Dar es Salaam Maritime Institute	9,131	2,426	6,705	73%
4	Ardhi University	51,401	16,907	34,494	67%
5	Mtwara Urban Water Supply and Sanitation Authority	8,782	3,152	5,630	64%
6	Shinyanga Urban Water Supply and Sanitation Authority	2,470	1,078	1,392	56%
7	Tanzania Bureau of Standards	31,348	14,332	17,016	54%
8	National Institute of Transport	34,201	17856	16,345	47%
9	National Bureau of Statistics	226	127	99	44%
10	National Sports Council	1,427	856	571	40%
11	Muhimbili University of Health & Allied Services	85,559	52,260	33,299	39%
12	Muhimbili National Hospital-Mloganzila	21,402	14,660	6,742	32%
13	Engineers Registration Board	1,172	860	312	27%
14	Capital market & Security Authority	708	532	176	25%
15	Architects and Quantity Surveyors Registration Board	1,879	1,463	416	22%
16	Tanzania Broadcasting Corporation	24,288	19,397	4,891	20%
17	Dar es salaam University College of Education	19,874	17,565	2,309	12%
18	Tanzania National Parks	245,925	218,405	27,520	11%
	Total	544,309	382,429	161,880	

Source: Entities audit reports 2021/22

I recommend that Government ensures full release of budgeted funds to enhance implementation of PA & oBs planned activities to attain organizational objectives.

8.2 Under-collection of funds from own source TZS 174.63 billion

Public entities receive revenue from various sources such as fees, sales, investment income, and other sources, which are used for both recurrent and capital expenditures. This revenue is classified as their own source revenue.

After reviewing budget performance reports for the year ended 30 June 2022, I found that, out of 184 entities, 50 had a total budgeted amount of TZS 539.12 billion, but only TZS 364.49 billion (68%) was collected, resulting in a shortfall of TZS 174.63 billion (32%) (**Appendix VIII**).

The under collection of revenue was mainly due to the failure of collecting revenue for services rendered. For instance; urban water supply and sanitation authorities are facing difficulties in collecting debts from their customers after rendering the service, particularly Government institutions, caused by lack of prepaid water meters. Also, there was inadequate mechanisms for regulators to collect annual fees from stakeholders. Uncollected revenue leads to shortage of funds that were planned to undertake certain activities which adversely impact the attainment of the intended objectives.

I recommend that PA & oBs conduct a comprehensive review of their revenue collection processes and systems. The review should identify areas of weakness and develop strategies to improve revenue collection.

8.3 Deficiencies in use of PlanRep system used for budget management process by public entities

I conducted an audit for the financial year and found that 13 of 206 Public Authorities (PA) and Other Bodies (oBs) did not use the PlanRep system adequately or did not use it at all, contrary to the requirement outlined in Para 163 & 166 of the Guidelines for Preparation of Plans and Budgets of 2021/22 (**Table 18**). This system was developed as a planning, budgeting, and reporting tool for all Public Authorities, aimed at assisting them in budgeting, projecting revenue, and tracking funds received versus actual implementation.

I found inadequate use of the PlanRep system is caused by two main reasons: Firstly, there is absence integration between the system and the PA & oBs accounting systems. This is because the Government Finance Statistics (GFS) code used for monitoring and controlling the budget is different from the codes used in these accounting systems. Secondly, there is absence of basic knowledge on the use of the system, which further contributes to its inadequate use.

Table 18: List of Public authorities with deficiencies in usage of PlanRep

S/n	Public Entities	Status
1.	Air Tanzania Company Ltd	Not in use
2.	Babati Urban Water Supply and Sanitation Authority	Not in use
3.	Dar es Salaam Water Supply and Sanitation Authority	Inadequate
4.	Deposit Insurance Board	Not in use
5.	Mbeya University of Science and Technology	Inadequate
6.	Mkulazi Holding Company Limited	Not in use
7.	Muhimbili Orthopedic Institute	Inadequate
8.	National Board of Accountancy and Auditors	Inadequate
9.	National Housing corporation	Inadequate
10.	Public Service Social Security Fund	Inadequate
11.	Tanzania Electric Supply Company	Not in use
12.	Tanzania Telecommunications Corporation	Inadequate
13.	Workers Compensation Fund	Inadequate

Source: Management letters of 2021/22

Absence of integration between the system and the accounting systems can lead to discrepancies in financial reporting, which may undermine the accuracy and reliability of the financial data. This may also result in difficulties in monitoring and controlling the budget, which may cause serious implications for the effective allocation of resources.

For instance, due to the absence of integration and inadequate use of PlanRep DAWASA had overspent TZS 1.46 billion from the approved budget.

I recommend that PA & oBs (a) liaise with the Ministry of Finance and Planning to ensure their accounting systems are fully integrated with PlanRep for budget control purposes; and (b) ensure the respective staff involved with the system obtain sufficient training for the functionality of the system.

8.4 Absence or underperforming budget committees

Budget Committee is responsible for evaluation of budget performance and allocation of resources based on priorities of strategic plan and National priorities as stipulated under Regulation 17(3) of Budget Regulations 2015. As stipulated in Para 138 of Guidelines for preparation of plans and budgets 2021/22, inactive participation of budget committee in the preparation and implementation of the budget is among the major challenges addressed in the guidelines for preparation of plans and budgets of 2019/20.

During the audit, I found challenges in the performance of the budget committee for 13 PA & oBs whereby in some extreme cases the budget committees were not established as summarized in the **Table 19**. Inactive participation of the Budget Committees is attributed to absence of accountability measures in involving or not involving budget committee in budget decisions or processes.

Table 19: Status and anomalies on budget committee function

S/n	List of entity	Issue noted
1.	Muhimbili Orthopedic Institute	The committee met only twice a year and there was no review of quarterly budget implementation reports
2.	STAMIGOLD Company Limited	No budget committee
3.	Vocational Education Training Authority	No budget committee
4.	Tanzania Geothermal Development Company Limited	No budget committee
5.	Tanzania Concrete Poles Manufacturing Company Limited	No budget committee
6.	Centre for foreign relation	The committee did not meet throughout the year of review
7.	Dar es salaam Institute of Technology	No budget committee
8.	Institute of Accountancy Arusha	Budget committee met only once a year and there was no review of quarterly budget implementation reports
9.	Njombe Urban water Supply & Sanitation Authority	The committee did not meet throughout the year of review
10.	Tanzania Engineering and Manufacturing Design Organization	The committee did not meet throughout the year of review
11.	Tanzania Tourist Board	No budget committee
12.	Bariadi Urban Water Supply & Sanitation Authority	No budget committee
13.	Tanzania Biotech Products Limited	No budget committee

Source: Management letters of 2021/22

I am concerned about the ineffectiveness of the budget committees in the budget process results in the failure to achieve the expected benefits, particularly in the evaluation of the performance of the budget.

I recommend that PA & oBs ensure that budget committees are accountable for discharging or not discharging their responsibilities.

8.5 Expenditure incurred above approved budget by public entities TZS 118.04 billion without approval

I found Seven PA & oBs incurred expenditures amounting to TZS 118.04 billion in excess of the approved budget without approval. This was attributed to weakness in controls to enforce compliance with the approved budget such as the deficiencies in system developed to monitor and control utilization of budgeted funds which lead to overspending by utilizing funds that could be used for other budgeted activities.

Expenditures incurred in excess of the budgeted amount hinder full implementation of other planned activities for the year under review.

Table 20: List of PA & oBs incurred expenditure above approved budget / Line items

S/ N	Name of the entity	Approved Budget estimates TZS (Million)	Actual expenditure TZS (Million)	Over expenditure TZS (Million)
1	Tanzania Electric Supply Company (TANESCO) (Fuel Budget for Generation plants)	490,537.30	594,755.00	104,218.70
2	Muhimbili National Hospital	143,992.94	152,625.00	8,632.06
3	Dar es Sala am Water Supply and Sanitation Authority	138,451.32	139,911.00	1,460.68
4	MNH Mloganzila (Administration Expenses)	1,945.75	3,182.36	1,236.61
5	Tanzania Postal Corporation	3,746	4,961.00	1,214.58

	(Administration Expenses)			
6	Tanzania Ports Authority (Hire of contracted Labour cargo)	903.01	1997.59	1,094.58
7	Nzega Urban water supply & sanitation Authority	1116.82	1299.42	182.60
	TOTAL	780,693.14	898,731.37	118,038.23

Source: Management letters of 2021/22

I recommend that PA & oBs institute controls that will ensure compliance with the budget & budget requirements including the establishment of clear financial policies and procedures, regular monitoring and reporting of expenditures, and robust oversight mechanisms to enforce compliance with the approved budgets.



CHAPTER NINE

PROCUREMENT AND CONTRACT MANAGEMENT



9.0 Introduction

The Public Procurement Act, 2011 Cap 410 and its Regulations provides requirements which Public Authorities and other Bodies (PA & oBs) are required to observe while undertaking procurement and activities in contract management

To ensure public procurements and contract management are conducted effectively and comply with the established procurement laws and its regulations, the Government decided to establish the Public Procurement Regulatory Authority (PPRA) and gave it the mandate to monitor, oversee and regulate procurements activities to enhance economy and efficiency in the use of public funds, equality, fairness and transparency and the need to obtain the best value for money. To ensure transparency in procurements, PPRA introduced Tanzanian National e-Procurement System (TANePS) where the PA & oBs procurement processes are required to be undertaken through the TANePS.

I conducted compliance audit on procurement processes of works, goods, and services in PA & oBs and issued conclusions on compliance audits. The following are details of weaknesses observed and recommendations made:

9.1 Ineffective management of contract milestones

My review of management of contracts found the following weaknesses:

a) Delays in completion of projects TZS 8.23 billion

I reviewed five projects of TZS 8.23 billion and found delays in their completion ranging from three month to five years as shown in **Table 21**. The delays were attributed to shortage of funds, inadequate contract monitoring, and delays in issuing approvals.

Table 21: List of entities with delays in completion of projects

Entity Name	Project Name	Contract sum TZS (Million)	Completion Date	Delayed period status
Centre for Foreign Relations	Construction of lecture theatres	3,379.06	30-Dec-20	17 Months
Tanzania Bureau of Standards	construction of back office and motor vehicle inspection shade	1,609.83	14-Nov-21	7 Months
Tanzania National Parks	Rehabilitate 70 km road from Naabi-Ndutu-Kusini and 40km road from Duma Ranger Post-Vilima Rasta in Serengeti National Park	1,520.83	24-Jul-22	3 Months
Medical Store Department	Expansion of power master plan	1,074.61	24-Jun-16	5 years
Kilimanjaro Airport Development Company Limited	Supply, Installation and Commissioning of Car Parking System	647.75	16-Nov-21	11 Months
Total		8,232.08		

Source: Management letter of 2021/22

I consider that the delay in completion of projects imply that the intended outcome could not be attained timely, and also there are other risks associated with the delays such as possible disputes with the contractors, damaging reputation and cost overruns.

b) Delays in delivery of goods procured TZS 18.09 billion

My review of contracts for supply of goods and services procured during the year under review, found that suppliers delayed the delivery of goods and services worth TZS 18.09 billion in 12 PA & oBs for periods ranging from 22 days to 16 months. Such delay is contrary to Regulation 114 (b) of Public Procurement Regulations, 2013 and the delivery period agreed in signed contracts. The details are given in **Table 22**.

Table 22: Entities with delays in delivery of goods

Sn	Entity Name	Number of Contracts	Contract sum TZS (Million)	Completion Date	Delayed period
1	Sokoine University of Agriculture	4	54.99	04-Feb-2021 to 30-Apr-2022	2 to 16 Months
2	Tanzania Electric Supply Company Limited	9	2,534.47	24-May-22	7 Months
3	Muhimbili National Hospital	1	7,948.64	15-April-2022	6 Months
4	Vocational Education and Training Authority	2	154.53	30-Jun-22	4 Months
5	University of Dodoma	3	71.80	23-Jan-2022	4 Months
6	Tanzania Concrete Poles Manufacturing Company	4	13.84	17-Mar-22	3 Months
7	Muhimbili University of Health and Allied Sciences	4	289.01	30-Jun-21	1 Month
8	Mbeya Urban Water Supply and Sanitation Authority	2	1,961.18	18-Apr-22	93 Days
9	Tanzania Telecommunications Corporation	5	497.79	22-March-2022	56 Days
10	Tanzania Posts Corporation	10	2,349.48	05- Jun-2022	48 Days
11	Mzumbe University	11	2,186.15	02-Nov-2021	42 Days
12	Tanzania Geothermal Development Company Limited	1	23.82	28-Mar-22	22 Days
	Total	56	18,085.70		

Source: Management letter of 2021/22

I am of the view that the prolonged delivery of goods and services delays the achievements of the objectives or needs from the procured items.

Also, I found that PA & oBs do not take or initiate measures such as charging liquidated damage against suppliers to correct

deviations for non-compliance with contract terms and conditions.

I recommend that PA & oBs take measures that will enhance implemented projects to be completed and procured goods and services to be delivered and rendered in a timely manner.

9.2 Engagement in contract without having required specialist that led to termination of contract TZS 1.10 billion

Muhimbili National Hospital (MNH) awarded a contract No. PA/009/2021-22/HQ/W/54 to Shivani Scientific Industries Ltd for establishment of Invitro Fertilization (IVF) on 16 March 2022 at an agreed amount of TZS 1.10 billion for the period from 15 March 2022 to 10 August 2022.

The supplier was granted an extension of time for 21 weeks from 11 August 2022 to 31 December 2022, despite the extension, the IVF project was not implemented. The Management terminated the contract before implementation of works due to non-availability of fund and the specialist to run the equipment.

I consider that expected benefit of the project to enhance capacity of MNH to deliver the service are delayed, but also MNH incurred loss in term of cost involved in the process of acquiring the supplier. The delays in the delivery of the project highlights inadequate planning on the need for the specialist which was overlooked prior to entering into the contract and allocation of funds.

I recommend that MNH re-plan the project by ensuring the specialist is acquired first and allocate funds for the activity to meet the required objectives.

9.3 Delays in delivery of procured motor vehicles by GPSA TZS 4.2 billion

I assessed procurements of motor vehicles in 14 entities and found that public entities paid a total of TZS 4.2 billion to Government Procurement Services Agency (GPSA) for purchasing

motor vehicles that were agreed to be delivered within the periods ranging from four to six months. However, at the end of my audit (December 2022), there had been delays of ranging from one month to 28 months since the payments were made. The list of public entities with unreceived motor vehicles is in **Table 23**.

Table 23: List of procured motor vehicles not delivered

SN	Entity Name	Quantity	Amount TZS (Million)	Delays Months
1	Tanzania Shipping Agencies Corporation	5	461.73	28
2	Vocational Education and Training Authority	3	464.6	12
3	Export Processing Zone Authority	1	162.93	11
4	National Environment Management Council	2	406.03	8
5	Tanzania Bureau of Standards	2	962.49	5
6	Mzumbe University	3	277.04	5
7	Public Service Social Security Fund	1	162.93	5
8	Institute of Rural Development Planning	2	242.8	4
9	Ocean Road Cancer Institute	2	186.69	3
10	Tanzania Atomic Energy Commission	1	92.35	3
11	Workers Compensation Fund	1	267.66	2
12	Engineers Registration Board	2	252.74	2
13	Open University of Tanzania	1	162.93	1
14	Architects and Quantity Surveyors Registration Board	1	92.35	1
	Total	27	4,195.27	

Source: Management letter of 2021/22

In additional, I found Tanzania Shipping Agencies Corporation ordered five Toyota Hilux Pickup D/Cabin and paid 13 March 2020 but the motor vehicles were not delivered while GPSA was delivering the same model of motor vehicles ordered to other entities. This shows that GPSA does not have mechanism in handling orders from procuring entities.

I consider that GPSA did not observe terms and conditions of the agreement between the procuring entities and GPSA as a result the entities activities will be negatively impacted if the concerned motor vehicles are not delivered.

I recommend that (a) respective entities make follow up with GPSA for the delivery of paid for motor vehicles and (b) GPSA improve its procurements processes and mechanism to enhance timely delivery of the ordered vehicles.

9.4 Contracts awarded to unregistered contractor worth TZS 12.78 billion

I conducted special audit at University of Dar es Salaam (UDSM) and found that Bureau for Industrial Cooperation (BICO) was established under the faculty of engineering in the year 1990, was registered as a local engineering consulting firm on 15 June 1999 and by the Engineer Registration Board and the Engineering Material Testing Laboratory on 26 February 2016. However, I found that BICO implemented a total of 98 projects from 2017/18 to 2019/20 for renovation and rehabilitation of the University Infrastructure for TZS 12.87 billion, although BICO was not registered as a contractor with Contractors Registration Board contrary to Section 10 of Contractors Registration Act, 1997 as amended by Section 9 and 10 of the Contractors Registration (Amendment) Act, 2008. Additionally, in all undertaken works there were no interim certificates for payments to certify the work done.

I recommend that the University of Dar es Salaam (a) register BICO with the Contractors Registration Board to operate as a contractor, and (b) ensure projects are being provided to the contractors who are registered, and all works done are being measured, inspected, and certified for quality assurance.

9.5 Contracts signed without being vetted by the Attorney General or Legal Officer TZS 45.71 billion and USD 7.75 million

Regulations 59 and 60 of the Public Procurement Regulations 2013 as amended by regulation 2 and 3 of the Public Procurement (Amendment) Regulations, 2016 stipulates that any formal contract whose value is above one billion shillings and that is procured through international competitive tendering shall be vetted by the Attorney-General before the contract is signed by

the parties. Tenders not vetted by the Attorney General are void and the tender whose value is below one billion shillings has to be vetted by a Legal Officer of a procuring entity.

My review of the process for awarding tender and management of the contracts during the financial year under review 2021/22, found eight PA & oBs signed contracts of TZS 45.71 billion and USD 7.75 million without being vetted by AG or Legal Officers as shown in **Table 24**.

There is an increasing case of non-vetted signed contracts which is risky as it exposes the PA & oBs to legal disputes that might negatively affect management of the contracts.

Table 24: Contracts signed without being vetted

Name of Entity	Number of Contracts	Amount TZS (million)
Cotton Development Trust Fund	2	21000.00
Medical Store Department	6	11,725.81
National Housing Corporation	1	9,630.40
Muhimbili National Hospital	1	1069.20
Tanga Water Supply and Sanitation Authority	1	1,013.23
Cotton Development Trust Fund	2	624.82
Vocational Education and Training Authority -MTWARA RVTC	14	328.27
NZEGA Water Supply and Sanitation Authority	2	314.52
Total		45,706.25
Name of Entity	Number of Contracts	Amount USD (Million)
Medical Store Department	2	7.75

Source: Management letter of 2021/22

In addition, I learnt that the Tanzania Ports Authority and Tanga Urban water Supply and Sanitation Authority had vetted contracts amounting to TZS 1.16 billion and TZS 121.82 million respectively, but they did not incorporate legal advice, highlighting the management reluctance to observe the procurement laws.

I recommend that, (a) respective PA & oBs ensure contracts are vetted and the provision of legal advice is incorporated into the contracts to avoid possible legal disputes and losses; and (b) PPRA take appropriate measure against the respective PA & oBs for signing high value contracts without being vetted.

9.6 Weakness in handling advances payments and performance securities

a) Advance payment made without guarantee or with expired one

I reviewed contracts in 10 PA & oBs and found deficiencies in advance payments amounting to TZS 3.17 billion that were made during implementation of the contract. In most cases, the entities made advance payments without suppliers submitting the required security for advance payment. In other cases, the submitted security for advance payment expired before the end of its requirement, which is contrary to the clauses of the respective contracts. Details are shown in Table 25.

Table 25: Entities with deficiencies on advance payment

S/N	Name of entity	Amount TZS (million)	Deficiencies on advance payment
1	University of Dar es Salaam	1,423.41	Expired
2	Tanga Water Supply and Sanitation Authority	464.31	Expired
3	Mwanza Urban Water Supply and Sanitation Authority	361.08	Not guaranteed
4	Vocational Education and Training Authority	284.85	Not guaranteed
5	Tanzania Institute of Education	244.20	No guaranteed
6	Stamigold Company Limited	164.26	Advance before delivery
7	Tanzania Bureau of Standards	160.98	Expired
8	National Bureau of Statistics	36.00	Not guaranteed
9	Sokoine University of Agriculture	15.67	Not guaranteed
10	Moshi Co-operative University	10.91	Not guaranteed
	Total	3,165.66	

Source: Management letter of 2021/22

I consider that the absence and expired advance guarantees before full recovery of the advance paid exposed the PA & oBs to the risk of loss of public funds once the contractor defaults. Additionally, there was ineffective monitoring performance of contracts by the responsible Project Managers, which further increased the risk. It also means that the public entities irregularly finance the suppliers who are not financially capable to supply the goods or services.

I recommend that PA & oBs seek extension for all expired guarantees and all non-submitted ones are submitted to reduce the risk of loss of public funds in case the respective supplier's default.

b) Contracts implemented without performance security TZS 46.16 billion

I found eight PA & oBs that did not demand performance securities for 77 executed contracts amounting to TZS 46.16 billion from successful tenderers contrary to Regulation 29 of the Public Procurement Regulations, 2013 which require the successful tenderer to submit a performance security, and Paragraph 11.2 of PPRA Guideline for securities of February 2022 required performance securities to be submitted prior to the signing of the contract and a person within a Procuring Entity who contravenes the requirement, shall be liable to a penalty in accordance with Section 104 of Public Procurement Act, Cap 410. A list of PA & oBs with inadequate contracts performance securities is shown on **Table 26**.

Table 26: Entities with procurement without performance securities

S/No	Entity Name	Number of Contracts	Amount (TZS) (million)
1	Medical Stores Department	63	42,029.00
2	State Mining Corporation	5	2,640.05
3	Tanzania Institute of Education	1	406.99
4	Centre for Foreign Relations	1	334.29
5	Tanzania Broadcasting Corporation	3	268.36

6	Muhimbili University of Health and Allied Sciences	1	209.55
7	Institute of Adult Education	2	169.98
8	Tanzania Petroleum Development Corporation	1	106.24
Total		77	46,164.46

Source: Management letter of 2021/22 and special audit report

I also found that, Tanzania Electric Supply Company Limited (TANESCO), Tanzania Bureau of Standards (TBS) and National Social Security Fund (NSSF) had expired performance securities worth TZS 2.50 billion while the contracts were under implementation. Furthermore, I found that, four entities (Babati Urban Water Supply and Sanitation Authority, Tanga Water Supply and Sanitation Authority, Institute of Rural Development Planning and Vocational Education Training Authority) obtained performance securities amounting to TZS 6.46 billion from 20 contracts but did not authenticate them to confirm the reputation of the providers.

In the absence of performance bond, PA & oBs are exposed to a risk of losing resources for on-going projects in case of default by the contractor or the supplier.

I recommend that the respective PA & oBs ensure all contracts are properly secured to protect the interest of public entities and avoid potential financial losses.

9.7 Violation of procurement laws in undertaking procurements TZS 7.49 billion and USD 48,480

I reviewed Local Purchase Orders (LPO) at Tanzania Standards Newspaper (TSN) and found 13 LPOs amounting to TZS 7.49 billion and one LPO amounting to USD 48,480 that were issued to M/s Muhammad Jahangir freight service LLC without following proper procurement processes contrary to Section 4A (1) of the Public Procurement Act, Cap 410. The quotations were obtained from only one supplier contrary to Regulation 164(1) of the Public Procurement Regulations 2013, indicating non-competitive tendering or single-source procurement, which increases the risk

of inflated costs, poor quality and violates basic principles and standards for fair competition.

I recommend that TSN observe the requirements of public procurement laws to enhance integrity, competition, accountability, economy, efficiency, transparency and achieves value for money.

9.8 Procurement without formal contract TZS 23.41 billion and USD 79,219.13

Medical Stores Department (MSD) and National Sugar Institute (NSI) conducted 36 procurements amounting to TZS 23.41 billion and three procurements amounting to USD 79,219.13 without signing formal contracts. This is contrary to Regulation 233(1) (2) of the Public Procurement Regulations, 2013, as amended by Regulation 75 of the Public Procurement (Amendment) Regulations, 2016.

Instead, MSD and NSI used letters signed by the Accounting Officer to order and make full payments of goods before delivery. Management cited urgent needs as pretext for the failure to abide by the procurement legislation requirement for the contract agreement.

In the absence of formal contract, procuring entities face the risk of losses due to lack of terms and conditions covering prepayments, non-delivery of goods, and disputes that may arise during execution.

I recommend that MSD and NSI ensure in future all procurements have formal contracts in the prescribed form and are duly signed by both parties.

9.9 Override of control set in procurement process at MSD TZS 10.89 billion

Medical Stores Department (MSD) made procurement of medical supplies from Egypt amounting to TZS 10.89 billion under Contract No. IE-009/2021/2022/HQ/50/02. However, in the process the

Procurement Management Unit (PMU) did not submit documents such as the tender documents, invitations to tender, the tender specification and evaluation report to the Tender Board for its approval contrary to Regulation 55 of the Public Procurement Regulations, 2013, and the evaluation team was not appointed by the Accounting Officer. Additionally, the negotiation for the contract and the process of awarding did not involve the Tender Board, and management bypassed requirement of the process on the pretext of the urgent need for the ordered goods.

In my view, there was possibility of engaging incapable suppliers due to non-compliance with procurement laws, leading to the supply of substandard goods and incurring higher costs for goods which do not reflect the value for money.

I recommend that MSD comply with procurement controls set in procurement laws to ensure achievement of transparency, economy, efficiency and value for money.

9.10 Illegal arrangements on contract implementation and loss of USD 821, 958.36 realized at MSD equivalent to TZS 1.89 billion

The contract No IE-009/2021-2022/G/50/1 between MSD and M/s. AL Handasiya was signed on 12 October 2021, with a total value of USD 3.01 million.

I found that, MSD had already provided an advance payment of USD 1.51 million (equivalent to TZS 3.46 billion) to M/s. AL Handasiya on 11 October 2021 before signing of the contract on 12 October 2021. Further, I noted, the advance payment was not secured by a bank guarantee and M/s. AL Handasiya failed to deliver the pharmaceutical supplies that were ordered by MSD.

In circumstances which were not clear to me as there was no any known procurement process, I found that the M/s Egyptian International Pharmaceutical Industries Company (EIPICO) through a letter dated 24 November 2021 contacted MSD explaining the concern over the M/s. AL Handasiya failure to fulfil its order of pharmaceuticals supplies to MSD. Then, EIPICO promised to cover

the quantity of medical supplies which M/s. AL Handasiya failed to supply.

I further found there were neither contractual arrangement between the two suppliers nor with MSD regarding EIPICO taking over the responsibility of M/s. AL Handasiya.

Also, I assessed the supplies delivered by EIPICO and found medical items worth USD 1.51 million but if they were supplied by M/s. AL Handasiya they would cost only USD 683,891.64. By accepting the offer from EIPICO, MSD suffered a loss of USD 821,958.36 as the prices were different.

In addition, I noted MSD incurred TZS 111.12 million on per-diems and travel expenses for two staff who went to Egypt to search for M/s. AL Handasiya who failed to deliver after being paid an advance payment. Further, MSD was unable to provide any evidence to confirm whether the team managed to find the Supplier.

I am of the view that due diligence process to assess the capabilities of the supplier was not carried out.

I recommend that MSD conduct post-qualification to supplier before awarding contracts for international suppliers using our ambassadors in different countries to avoid losses. Additionally, the business relationship between the two suppliers should be investigated and appropriate measure be taken by Authorities.

9.11 Delay in performance of due diligence resulting in significant price increase of USD 3.22 million equivalent to TZS 7.41 billion

On 8 June 2020 Tanzania Electric Supply Company Limited (TANESCO) approved negotiations report and on 23 June 2020 issued letter of acceptance to M/s TBEA Company Limited for a power transmission line project at the negotiated price USD 9.19 million. However, I found that due diligence was not performed during evaluation. In May 2021, TANESCO requested the Embassy of the United Republic of Tanzania in China to conduct due

diligence, which demonstrate the legality, capability and experience of M/s TBEA Company Limited to enter into contract.

Due to a delay in signing the contract, M/s TBEA Company Limited submitted a request for the adjustment of the price of the bid and amendments to the contract in July 2021. The request was made due to unexpected rise in the price of materials, resulted in increase in the price by USD 3.22 million equivalent to 35% of the original price, making a total of USD 12.41 million.

I further found that although the contract was signed in September 2021, it was not implemented due to budget constraints in 2021/22 and it has been budgeted for implementation in 2022/23.

I am on the view that delays may result in additional cost due to price adjustments. TANESCO attributed this to laxity in performing due diligence on time and insufficient budget to execute the signed contract.

I recommend that TANESCO observe procurement procedures to avoid unnecessary price variations; and the contract is implemented with immediate effect to avoid further delays and increase in cost.

9.12 **Procurements exceeded budget and Annual Procurement Plan (APP) TZS 96.06 billion**

Regulation 69 (3)(7) of Public Procurement Regulations 2013 require procuring entity to forecast its requirements for goods, services and works as accurately as is practicable in reference to services or activities planned in the annual work plan and included in the annual estimates and should draw up procurement plans for those requirements for which sufficient funds have been included in the approved budget in the current financial year or if payment will be due in subsequent financial year, such payment have been budgeted for.

I found 30 contracts were signed and implemented in 10 PA & oBs compared to seven entities in the financial year 2020/21. However, the contract sum exceeded the approved amounts in the

Annual Procurement Plan by TZS 4.62 billion (Table 27). The budgeting and forecasting process did not consider markets prices and the needs of the entity.

Table 27: Procurement with amounts exceeding approved budget

S/N	Entity Name	No. of Tender	Budgeted Amount TZS (million)	Contract Amount (TZS) (million)	Variance (TZS) (million)
1	Stamigold Company Limited	7	12,720.00	14,721.07	2,001.07
2	Tanzania Atomic Energy Commission	1	2,000.00	3,033.65	1,033.65
3	Tanzania Institute of Education	8	6,147.68	6,869.86	722.18
4	Open University of Tanzania	5	1,309.62	1,777.18	467.56
5	Tanzania Electric Supply Company Limited	1	78.00	190.02	112.02
6	Self-Microfinance Fund	1	86.00	186.43	100.43
7	Tanzania Post Corporation	2	2,387.45	2,449.09	61.64
8	Nzega Water Supply And Sanitation Authority	1	1,526.39	1,586.92	60.53
9	Mkulazi Holding Company Limited	1	175.56	223.54	47.98
10	Njombe Urban Water Supplies and Sanitation Authority	3	65.95	78.89	12.94
	Total	30	26,496.65	31,116.65	4,620.00

Source: Management letter of 2021/22

Further, I found that MSD executed four tenders amounting to TZS 96.06 billion that were neither budgeted for nor included in the Annual Procurement Plan (APP). This deficiency was largely attributed to the unplanned urgent requirement and non-compliance with budgetary controls.

I recommend that the respective PA & oBs, ensure that all procurements made are in line with the approved APP in reflection of actual prices to avoid unplanned expenditures and enhance achievement of procurement objectives.

9.13 Delayed payments of contractor and supplier claims TZS 1.99 billion and GBP 39,387.20

My review found delays in payments to contractors and suppliers by six PA & oBs. The delay ranged from 90 to 227 days with total outstanding amount of TZS 1.99 billion and GBP 39,387.20 (Table 28). Most of these institutions attributed the delays to financial constraints.

Table 28: List of PA & oBs delay to make payments

S/N	Entity name	Number of Contracts	Amount (million)	Period Delay
Amount in TZS				
1	Tanga Water Supply and Sanitation Authority	1	1,064.28	101 days
2	Tanzania National Parks	2	590.34	90 Days
3	Mzumbe University	2	206.17	102 Days
4	Institute Of Accountancy Arusha	2	126.47	227 Days
5	National Development Corporation	1	9.63	153 Days
Total (TZS)			1,996.89	
Amount in GBP				
6	National Examination Council of Tanzania	1	39,387.20	130 Days

Source: Management letter of 2021/22

Delay in payments result in delaying the projects and prevent timely provision of services to beneficiaries, leading to additional costs for entities due to interests and penalties from the unpaid invoices.

I recommend that respective PA & oBs make payments on time as per the agreed contractual terms and conditions to avoid payment of additional costs.

9.14 Procurement conducted outside TANEPS TZS 80.53 billion, USD 51.49 million and Euro 11.54 million

Public Procurement Regulatory Authority (PPRA) introduced Tanzania National e-Procurement System (TANEPS) for online submission of procurement plans, tender invitations and contract awards. During the year under review, I found 21 PA & oBs

conducted procurement processes outside TANEPS, which is contrary to Regulation 342 of Public Procurement Regulations, 2013 and Circular No. 4 of 2019 with Reference No. EB/AG/485/01/Vol. XII/26 of 23 November 2019, issued by the Treasury. **Table 29** provides detail of entities.

Table 29: Procurement made outside TANEPS

S/n	Entity name	Number of contracts	Amount
Sum in TZS (Million)			
1	Tanzania Electric Supply Company Limited	1	39,118.70
2	Medical Store Department	8	20,444.49
3	National Housing Corporation	6	9,044.49
4	Muhimbili Orthopaedic Institute	17	2,870.24
5	Tanzania Tourist Board	44	1,870.00
6	Vocational Education and Training Authority - Tabora, Dar es Salaam and Kipawa	58	1,523.06
7	Ardhi University	9	1,108.56
8	National Sugar Institute	152	888.00
9	Institute of Finance Management	15	750.02
10	Cashewnut Board of Tanzania	6	690.17
11	Mbeya University of Science and Technology	5	531.49
12	Shinyanga Urban Water Supply and Sanitation Authority	24	491.80
13	University of Dodoma	2	345.11
14	Karatu Urban Water Supply and Sanitation Authority	30	282.87
15	Same Mwanga Water Supply and Sanitation Authority	2	148.32
16	Korogwe Water Supply and Sanitation Authority	8	137.20
17	Cotton Development Trust Fund	1	71.06
18	Kariakoo Market Corporation	10	65.27
19	Tropical Pesticides Research Institute	5	64.65
20	Tanzania Food and Nutrition Centre	1	55.00
21	National Board of Accountants and Auditors	1	27.38
	Total		80,527.88
SUM in USD (Million)			
	Tanzania Electric Supply Company Limited	1	51.49
SUM in EURO (Million)			
	Tanzania Electric Supply Company Limited	1	11.54

Source: Management Letter of 2021/22

Moreover, it is crucial to note that five entities, namely National Housing Corporation (NHC), National Board of Accountants and Auditors (NBAA), Medical Stores Department (MSD), Muhimbili Orthopaedic Institute (MOI), and Vocational Education and Training Authority (VETA) have exhibited the same weakness as

reported in my previous year's report. This implies management reluctance in complying with requirement of law and regulations.

I consider that the procurement conducted outside TANePS limit transparency and prevent the Government from achieving its objective in implementing the procurement system.

At PPRA, I found deficiencies in TANePS that made the appearance of some tenders either not finalized on time or unknowingly cancelled, which caused complains to be raised by three procuring entities regarding defects of the system defects. I consider that the system malfunctioning affects procurements to be done as planned by entities.

I recommend that (a) all PA & oBs ensure full compliance with the requirement to use TANePS in accordance with the laws, (b) The Public Procurement Regulatory Authority make follow ups to enhance compliance, and (c) PPRA to assess the system, rectify the defects such that it works without hindrance to achieve intended objectives.

9.15 Weaknesses noted in projects management at TTCL and TANESCO

I identified weaknesses in project management at two entities: Tanzania Telecommunications Corporation (TTCL) and Tanzania Electric Supply Company Limited (TANESCO). At TTCL, there were 464 completed projects worth TZS 10.33 billion that were not closed due to delayed submission of necessary documents by project manager and inadequate monitoring. This poses a risk of misappropriation of funds due to the possibility of expenditure on the non-existing projects. At TANESCO, there were 167 projects worth TZS 39.7 billion without any sign of progress during the year under review. No reasons have been provided for lack of movement in terms of costs or not being closed, indicating a lack of monitoring and risk of misstatement in financial statements in case those projects were completed and are in use without being closed and depreciated.

I recommend that TTCL and TANESCO implement proper mechanisms for monitoring and timely closure of projects to mitigate these risks.

9.16 Advance payment to suppliers without terms and condition at MSD and MNH-Mloganzila TZS 61.99 billion

During my inspection at Medical Stores Department (MSD), I found that 22 suppliers received advance payments amounting to TZS 61.81 billion in the financial year 2021/22 without binding contracts that stipulate the terms of the advance payment, in violation of Regulation 164 of MSD's Financial Regulations, 2011.

Additionally, I found that Muhimbili National Hospital - Mloganzila made advance payments to suppliers between July 2021 and June 2022, amounting to TZS 178.21 million, without binding contracts.

This deficiency might potentially lead to MSD and MNH-Mloganzila providing soft loans to suppliers who may not have the capacity to supply the products, resulting in a loss of benefits from the funds that have been locked as advances to suppliers.

I recommend that MSD & MNH-Mloganzila strengthen controls and ensure that no advance payment is made to suppliers without having binding contract that stipulates the terms of the advance payments.

9.17 The contractor commenced implementation of the construction of the three-star hotel project before completion of the procurement process

On my special audit of TANAPA, I have reviewed the procurement procedures and implementation of the Three-Star Hotel Construction Project at Rubambangwe-Chato. Based on my review, I have identified several areas of concern. On 5 July 2019, TANAPA signed a Memorandum of Understanding (MoU) with SUMA JKT Company for the construction of a Three-Star Hotel in the Rubambagwe-Chato area, so that the Contractor could be handed over the Project site before the Contract was signed. The MoU specified estimated project costs of TZS 1 billion since the actual

project costs were not established at the time. Prior to the Project commencement on 28 October 2019, TANAPA made an advance payment of TZS 500 million to SUMA JKT on 2 August 2019, and later on 17 February 2020 made another payment of TZS 500 million making a sum of TZS 1 billion.

TANAPA commenced procurement for the Contractor processes on 11 July 2019 through Procurement Form No. 2, where the Tender Board changed the procurement method from national competitive bidding to a non-competitive single-source method. The evaluation of the Contractor showed that SUMAJKT had less than five years of experience and lacked an average annual construction turnover of TZS 1 billion as required by the Instructions to Bidders (ITB).

Despite these shortcomings, on 26 March 2020, the TANAPA Board of Trustees entered into Contract No. PA/037/2019-20/W/HQ/139 worth TZS 11.0 billion with SUMA JKT Company for the implementation of the Project for 12 months starting from 14 April 2020.

The Project implementation report showed that as of 31 October 2021, TANAPA had paid a total of TZS 4.1 billion (37% of the project cost) with the implementation of 40%, unprogressively remained the same to the time of this special audit on 20 December 2021.

I recommend that TANAPA adhere to the laws, regulations, and public procurement procedures during the implementation of future projects.

CHAPTER TEN

EVALUATION OF INTERNAL CONTROL, HUMAN RESOURCES AND GOVERNANCE SYSTEM



10.0 Introduction

The Government has established a system of internal controls for its institutions to ensure proper management of risks and effective attainment of organizational goals. The system of internal controls supported by competent and skilled employees and a clear governance structure with clear directives. However, there are challenges faced during the implementation of the internal controls system, human resource management and governance systems, such as lack of boards of directors for public authorities, public officers in acting positions for more than six months, and shortage of staff.

This chapter highlights the issues observed during the review of internal controls, human resources, governance systems of public authorities and other bodies, and recommends measures to be taken for improvement.

10.1 Public authorities without boards of directors

Board of Directors play a crucial role in overseeing the performance of public entities in the interest of the public. The boards are responsible for making decisions that prioritize the public interest, including managing financial decisions and reviewing business plans. The number of public authorities and organizations without a Board of Directors has decreased from 31 in 2020/21 to 13 in 2021/22, but this is still a concern when the tenure of a Board has expired and there is no prompt appointment of a new Board. The oversight function is important

to ensure that the operations of these entities are guided in the best interest of the public. **Table 30** indicates number of public entities with no board of directors;

Table 30: Public authorities without boards of directors

S/n	Entity	Expired date	Months without board up to Feb 2023
Absence of board for more than a year			
1	Mwalimu Julius K. Nyerere University of Agriculture and Technology	July 2015	92
2	Tanzania Insurance Regulatory Authority	October 2019	42
3	Gas Company Limited	July 2019	36
4	TANOIL Investments Limited	July 2019	36
5	Copyright Society of Tanzania	December 2020	26
6	National Sugar Institute	August 2020	31
7	Same Mwangi Urban Water Supply and Sanitation Authority	August 2020	31
8	National Kiswahili Council	January 2021	26
9	Muhimbili Orthopaedic Institute	October 2021	17
10	Tanzania Biotech Products Limited Company	September 2021	17
11	Tanzania Communication Regulatory Authority-Consumer Consultative Council	November 2021	15
Absence of the board for less than a year			
12	Tanzania Tourist Board	23 April 2022	10
13	Iringa Urban Water and Sanitation Authority	January 2023	1

Source: Audit reports & management letters of 2021/22

I have also found that the Muhimbili Orthopaedic Institute and Mwalimu Julius K. Nyerere University of Agriculture and Technology have Board and Council Chairpersons respectively, but members have not yet been appointed

I am of the view that absence of effective Board or council undermines the internal control mechanisms and delays key strategic decisions, leading to negative impacts on operations and financial outcomes.

I recommend that the appointing authorities consider early identification of Board Members and commence the appointment process in advance to mitigate these challenges.

10.2 Challenges faced by PA & oBs in the use of MUSE

Treasury circular No.5 of 2019 requires all Accounting Officers to apply electronic systems for accounting and financial management, and the directive from the Permanent Secretary, Ministry of Finance and Planning issued in April 2020, requires Government institutions to apply MUSE.

In my review of the compliance with the requirement of using MUSE in PA & oBs, I found that out 206 PA & oBs, 36 entities have been exempted from compliance while 174 are required to use MUSE. However, out of the 174 entities, 100 entities (57%) are not using MUSE due to various reasons, including the complexity of business operations. Out of the 74 PA & oBs which are using MUSE, 42 entities (56%) have reported various challenges in using MUSE. **Appendix IX** for details of entities.

The challenges include slow or shut down of the system, the system developers make updates without informing users and do not provide adequate support to users who encounter difficulties, missing modules in the system, double posting of expenses in MUSE and discrepancies in the Charts of Accounts. Additionally, there is a lack of reporting line items for standalone projects, some revenue transactions are not reflected in the bank statements and some budget item codes in PLANREP are not reflected in MUSE.

I am concerned about challenges in using MUSE have resulted in manual reconciliation, which is prone to errors and do not only affect financial reporting process but also affects entities' operations in financial management.

I recommend that the Government direct MUSE experts in liaison with PA & oBs, to ensure all MUSE challenges are resolved in full for smooth use of the system to achieve its intended objectives.

10.3 Ineffective use of strategic plan as a tool for governing operations of PA & oBs

Paragraph 7.4 of Five-Year's Development Plan 2021/22-2025/26 (FYDP III) addresses the responsibility of public institutions in implementation of FYDP III through sectorial strategic plan for effective implementation, coordination and monitoring.

From the review of the operational performance, I found 15 PA& oBs had irregularities that signify ineffectiveness on management and implementation of their strategic planning. These deficiencies included lack of strategic plan, expired strategic plan, insufficient monitoring and evaluation, or unimplemented activities (**Table 31**).

This is attributed to the absence of oversight organs to approve the strategic plan, insufficient funds to implement strategic planned targets and ineffective review of the strategic plan and monitoring process.

Table 31: List of PA & oBs with ineffective use of Strategic plan

S/N	Name of the entity	Anomalies noted
1.	Deposit Insurance Board	Strategic Plan (SP) expired on 30 June 2021, Currently, the new SP is awaiting for Board approval
2.	Muhimbili National Hospital	Under implementation of strategic activities; 12 (out of 93) Medical equipment items were procured for care centres for the expired Strategic plan 2016/17-2021/22
3.	Tanzania Electric Supply Company Limited	Interim Corporate Strategic Plan (ICSP) 2021/22 - 2022/23 is not aligned with the budget
4.	National Housing Corporation	Strategic plan 2015/16 -2024/25 does not indicate the timeframe for measurement and evaluation of the respective objectives
5.	University of Dodoma	Non-attainment of the goal to establish and put into operation the Research and Consultancy Bureau effectively from January 2022
6.	Medical Stores Department	Partial implementation of targets for the year 2021/22 below 50%
7.	Tanzania Railway Corporation	Neither monitoring of the plan nor review of the milestone has been conducted in three years existence of the strategic plan (2019/20 to 2023/24)

S/N	Name of the entity	Anomalies noted
8.	TTCL Pesa Limited	Strategic plan (SP) expired on 30 June 2020, Current the new SP under review
9.	Arusha Technical college	6 Planned activities were not implemented under expired SP 2017/18-2021/22
10.	Dar es salaam Institute of Technology	Delay in implementation of new Strategic plan 2020/21-2024/25. The Strategic Plan was still under review
11.	Dar es salaam Institute of Technology Company	No Strategic Plan
12.	Institute of Adult Education	Non-performance of end year monitoring and evaluation of strategic plan as per IAE SP
13.	Tanzania Tobacco Board	Strategic Plan 2019-2024 has not been evaluated since its inception.
14.	Mzumbe University	Partial implementation for the year 2021/22. Out of 111 targets, 23 were not fully implemented
15.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	No Strategic Plan

Source: Entity's Management letters of 2021/22

I am of the view that without a strategic plan and lack of monitoring and evaluation of Strategic Plan causes PA and oBs to operate without clear vision, direction, and focus on their activities, and exposing them to wastage of resources with no assurance on attainment of important goals.

I recommend that identified PA & oBs (a) allocate sufficient funds to implement the planned activities in the strategic plan; (b) expedite the review process of expired strategic plan; and (c) enhance monitoring and evaluation for proper implementation of strategic planned targets.

10.4 Inadequate assessment of risks to public entities

Good Governance, Risk Management, and Internal Controls have a crucial objective of identifying and mitigating risk in PA & oBs. To accomplish this goal, management creates clear policies, systems, and procedures to govern risk identification process and risk response management. Implementing these policies enhance the effectiveness of the organization in identifying, tracking, and mitigating potential risks which contribute to smooth operation of PA & oBs.

During the current audit 2021/22, I found that nine PA & oBs lacked sufficient measures, such as the documented risk procedures to identify and mitigate risks as summarized in **Table 32** below;

Table 32: List of PA & oBs with inadequate risk procedures

S/N	Name of the entity	Issue noted
1.	Tanzania Dairy Board	Lack of risk management policy
2.	Mzumbe university	Non-conducting of risk assessment and non-updating of risk register
3.	Tanzania Concrete Poles Manufacturing Company Limited	Lack of risk management policy
4.	Land Transport Regulatory Authority	Lack of risk assessment on Standard Gauge Railway (SGR)
5.	Centre for Agricultural Mechanization and Rural Technology	Lack of risk registers
6.	Energy and Water Utilities Regulatory Authority-Consumer Consultative Council	Maintain risk management policy but no risk registers
7.	Cooperative Audit and Supervision Corporation	Lacks an adequate Risk Management system
8.	Mkulazi Holding Company	Lack of risk management policy
9.	Petroleum Upstream Regulatory Authority	Lack of risk management policy

Source: Entity's Management letters of 2021/22

Risk may materialize and affect the entity's operations and fraudulent transactions could occur without being detected by the management.

I recommend that the identified PA & oBs ensure adequate assessment of risk with tools and mechanisms for detection and response.

10.5 Anomalies relating to internal controls in public entities

10.5.1 PA & oBs with inadequate managerial instruments

My review of management of operations of the entities found that 25 PA & oBs lacked sufficient operational tools to support their activities (**Table 33**). Some entities had no tools at all since their establishment, while others had outdated tools. I also found other entities using the revised working tools without approval from the President Office - Public Service Management and Good

Governance contrary to Para 4.2(e) of the Circular No.1 of the Public Service 2017, while tools for other entities are pending approval.

This is attributed to lack of oversight bodies to approve the working tools for further approval processes; prolong review by management on outdated working tools; and non-submission of working tools to the President's Office - Public Service Management and Good Governance for approval.

Table 33: List of entities with inadequate managerial instruments

S/n	Name of the entity	Anomalies noted
1.	Centre for Foreign Relation	Unapproved financial regulations by President Office - Public Service Management and Good Governance
2.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	Lack of working tools, financial regulations and accounting manuals
3.	Tanzania Industrial Research and Development Organization	Unapproved financial regulations by President Office - Public Service Management and Good Governance
4.	Tanzania Forestry Research Institute (TAFORI)	Outdated working tools (Outdated TAFORI establishment Act No. 5 of 1980, Staff Rules and Regulations, Accounting Manual, Financial Regulations, Scheme of Service and Salary Structure
5.	Tanzania Tourist Board	Outdated financial regulations
6.	National Economic Empowerment Council	Unapproved financial regulations by President Office - Public Service Management and Good Governance
7.	Deposit Insurance Board	No standard Operation Procedure
8.	Ngorongoro Conservation Area Authority	No standard Operation Procedure
9.	Ardhi University	Outdated Financial Regulations and Accounting Manual
10.	Tanzania Commission for Science and Technology (COSTECH)	COSTECH Rules and Regulations had not been established as of November 2021.
11.	MCB Company	Unapproved Company's financial regulations, staff rules and regulations by President Office - Public Service Management and Good Governance
12.	Institute of Rural Development Planning	Financial and Staff Regulations not approved by President Office - Public Service Management and Good Governance
13.	Contractors Registration Board	Outdated Scheme of service, Staff regulations, financial regulations
14.	Iringa Urban Water Supply and Sanitation Authority	Outdated Financial Regulations

S/n	Name of the entity	Anomalies noted
15.	Tanzania Trade Development Authority	Outdated Financial Regulations
16.	Tanzania Food and Nutrition Centre	unapproved staff regulation by President Office - Public Service Management and Good Governance
17.	Tanzania Wildlife Research Institute	Outdated Financial Regulations
18.	Copyright Society of Tanzania	Outdated Financial Regulations
19.	Dar es Salaam Maritime Institute	Unapproved Financial Regulations by President Office - Public Service Management and Good Governance
20.	National Board of Accountants and Auditors	Outdated Financial Regulations
21.	National Museum of Tanzania	Unapproved Financial regulations President Office - Public Service Management and Good Governance
22.	National Sugar Institute	Outdated Financial Regulations and accounting manuals
23.	Export Processing Zone Authority	Outdated Accounting Manual and Financial Regulations
24.	Fair Competition Tribunal	Outdated Financial Regulations
25.	Small Industries Development Organization (SIDO)	Non-review of SIDO Act, 1973 and absence of its Regulations

Source: Management letters of 2021/22

Lack of working tools can have significant negative consequences for an institution including compromised quality services delivered, inadequate risk management, lack of accountability and reduced productivity in terms of efficiency and effective operations in the delivery of services.

I recommend that PA & oBs (a) liaise with appointing authority on appointing the board of directors or council; (b) expedite the review process of outdated working tools without further delay, and (c) submit the updated /revised working tools to the President's Office - Public Service Management and Good Governance for approval.

10.5.2 Non-submission of financial statements and annual returns to the Controller & Auditor General and BRELA respectively

(i) Uncertainty on accountability on affairs of Sports Development Funds (SDF) by National Sports Council

The Council did not prepare and submit for audit, the SDF financial statements for the year ended 30 June 2022 despite the Fund being in operation since October 2021 with a total subvention from the Government of TZS 1.69 billion.

This is not only against its establishment Act but it also limits my ability to ascertain whether the affairs of the SDF are managed in the best interest of the public and that the funds are not misappropriated.

I recommend that the National Sports Council take actions and ensure that, through the Secretary General of the Council, prepare and submit the financial statements of the Fund for audit of the affairs of SDF.

(ii) Non-Submission of the annual returns to Business Registrations and Licensing Agency (BRELA)

I found that, for the last four financial years, Tanzania Petroleum Development Corporation's subsidiary companies (Gas Company LTD & TANOIL Investment Ltd) had not submitted the Annual Returns to BRELA, as required by Section 128 of the Companies Act, Cap 212. This was due to lack of the Governing Board. Non-compliance with the mentioned provision attracts penalty and fines, as prescribed by the above provision, leading to nugatory expenditure to the company.

I recommend that the Tanzania Petroleum Development Corporation ensure that the governing board of GASCO and TANOIL are appointed without further delays.

10.6 Public officers in acting Positions for more than six months

I found 14 PA & oBs had 109 officers who were serving in an acting capacity for a period of more than six months up to seven years, contrary to Order D.24 (3) of the Public Service Standing Orders,

2009, as indicated in Table 34. This is a recurring problem that was previously reported in 2019/20 and 2020/21, whereby 33 PA & oBs had 175 officers and 22 PA & oBs had 155 officers acting for more than six months, respectively.

This problem has been attributed to delay in approval processes by the President's Office of Public Services Management and Good Governance for the individuals nominated for the position.

Table 34: List of entities and number of public officers in acting positions for more than six months

S/n	Name of the entity	Number of acting officers	Period in acting position from 6 months up to
1	Njombe Urban Water Supply and Sanitation Authority	5	7 Years
2	Air Tanzania Company Ltd	9	5 Years
3	Vocational Education Training Authority	13	5 Years
4	Tanzania Broadcasting Corporation	4	5 Years
5	National Bureau of Statistics	9	4 Years
6	Tanzania Ports Authority	16	4 Years
7	Jakaya Kikwete Cardiac Institute	6	4 Years
8	Muhimbili University of Health Allied Science	6	3 Years
9	Mzumbe University	13	3 Years
10	Tanzania Wildlife Research Institute	7	2 Years
11	Land Transport Regulatory Authority	7	2 Years
12	Tanzania Telecommunications Corporation	5	1 Year
13	Institute of Adult Education	7	1 Year
14	Tanzania Industrial Research and Development Organization	2	1 Year
		109	

Source: Management letters of 2021/22

I found serious cases at Njombe Urban Water Supply and Sanitation Authority (NJUWASA) and Air Tanzania Company Limited with acting staff for a period ranging from six months up to seven.

For ATCL, nine acting staff were not even approved by Permanent secretary (Establishment) to act on a position. While

NJUWASA most of heads of departments and units acting on various post had no key qualifications as required.

I am of the view that officers who have been serving in acting positions for a long period may become demotivated and lose morale and confidence in their ability to make decisions, which in turn, may adversely impact the operations of the institutions.

I recommend that the identified PA & oBs, in collaboration with the appointing authorities expedite the approval process and, or appoint qualified employees to enhance PA & oBs to have employees with full mandates and eliminate the problem of having employees acting in positions for a long time.

10.7 Shortage of 4,547 staff in 12 PA & oBs

During the financial year 2021/22, I found that 12 PA & oBs with **4,547** shortage of staff equivalents to 43% of the proposed staff level (**Table 35**). This was also reported in my previous reports of 2019/20 and 2020 /21, where there was a total shortage of 4,592 staff for 23 PA & oBs and 8,356 staff for 29 PA & oBs, respectively.

Table 35:List of PA& oBs with shortage of staff

S/N	Name of the entity	Proposed staff level	Available staff	Vacant
1.	Muhimbili National Hospital	4930	2734	2196
2.	Vocational Education Training Authority	2827	1378	1,449
3.	Mzumbe University	926	619	307
4.	National Institute Medical Research	648	405	243
5.	Tanzania Medicine & Medical Devices Authority	381	302	79
6.	Tanzania National Parks - Katavi	160	82	78
7.	College of African Wildlife Management, Mweka	163	99	64
8.	Shinyanga Urban Water Supply and Sanitation Authority	150	87	63
9.	National Bureau of Statistics	242	206	36

10.	Kigoma/Ujiji Urban Water Supply and Sanitation Authority	27	7	20
11.	Energy and Water Utilities Regulatory Authority (EWURA), Zonal offices	79	70	9
12.	Tanzania Communication Regulatory Authority-Consumers Consultative Council	7	4	3
		10,540	5,993	4,547

Source: Entity's Management letters of 2021/22

The shortage of staff is attributed to delays in obtaining recruitment permits from the President's Office, Public Service Management, and Good Governance. This situation affects entities' ability to provide quality services and achieve their planned targets.

I recommend that the Government ensure the President's Office, Public Service Management and Good Governance (PO-PSMGG) expedites the process of issuing employment permits as appropriate as possible.

10.8 Anomalies found in the review of organization structure & scheme of service in PA & oBs

During an audit, I found anomalies in the organization structure and its scheme of service for eight PA and oBs.

- (i) **At the Vocational Education and Training Authority**, the approval of the new organizational structure requested in April 2018, had not yet been granted as of October 2022, which hindered the management from updating the scheme of services.
- (ii) **At the National Bureau of Statistics**, an approved organizational structure of 2018 had not been implemented despite the approval of the scheme of service in March 2022.
- (iii) **At Mwanza Urban Water Supply & Sanitation Authority**, I found the amended scheme of service and incentive schemes implemented without the approval of the Permanent Secretary (Establishment).

- (iv) While, **MCB Company** operates without Company's scheme of service, and **College of African Wildlife Management** has outdated organization structure, and the new structure is pending approval from the Permanent Secretary (Establishment).
- (v) **Babati Urban Water Supply and Sanitation Authority** use the Scheme of Service of July 2019, and the Incentive Scheme of July 2021, which have not been approved by Permanent Secretary (Establishment).
- (vi) **Tanzania Biotech Products Limited Company**, has no scheme of service since its establishment in 2017.
- (vii) **Mkulazi Holding Company Limited (MHCL)** has a scheme of service which does not align with the requirements of the Public Service Standing Order 2009. MHCL employed 46 staff under permanent terms and changed six staff employment terms from contract to permanent terms without obtaining recruitment permits from the President's Office, Public Service Management and Good Governance (PO PSMGG) contrary to Paragraph D.4 (2) & (3) of the standing Orders.

This is attributed to the reluctance of the management in ensuring that proper authorized documents are in place to guide operations of their entities, and delayed approvals from approving authorities.

I am of the view that non-implementation of the approved organization structure and scheme of services could lead to inefficiency and ineffectiveness in the operation of the entity; reliability of payments and benefits accrued from unapproved schemes cannot be authenticated;

I recommend that PA & oBs (a) liaise with approving authorities to ensure the organization structure and other schemes are approved; (b) ensure approved organization structure are implemented without further delays; and (c) I recommend that the management of **Mkulazi Holding Company limited (MHCL)** comply with recruitment procedures as per the directives from President's Office, Public Service Management and Good Governance (PO PSMGG).

10.9 Anomalies found on management of staff loans in PA & oBs

10.9.1 Significant amount tied up in National Housing Insurance Fund staff loans TZS 41.42 billion without establishing the revolving fund

My review of management of staff loans at National Health Insurance Fund (NHIF), I found that as at 30 June 2022, NHIF had a cumulative outstanding balance of staff loans of TZS 41.42 billion. Of this amount, TZS 11.18 billion were new staff loans issued during the year 2021/22 staff loans without considering the requirement of Clause 1.4 of the NHIF Staff Loan Policy which requires loans to be issued under the approach of revolving fund. Further, despite decline in liquidity of the fund I found NHIF raised the limit of the staff loan.

This is attributed to management's failure to enforce the requirement of staff loan policy on the establishment of the revolving fund, which led to significant amount of funds being tied up in staff loans that attain small returns which affect Fund's liquidity.

I recommend that NHIF comply with the Staff Loan Policy by establishing the revolving fund for staff loans to avoid committing operational funds to finance staff loans which affect the liquidity of the Fund.

10.9.2 Unrecovered staff loans at Tanzania Education Authority - TZS 167 million

I found that 10 staff of Tanzania Education Authority (TEA) had outstanding loans totaling to TZS 167 million, being overdue for a period ranging from one to 10 years, with no appropriate actions taken to recover them.

The amount of the loan has remained outstanding due to termination of employees for various reasons, such as transfers and end of the employments. The management addressed that stiff measures are planned to recover the outstanding loan,

including taking legal actions. I am concerned that, if the loans are not recovered timely, the Authority will incur losses.

I recommend that the Tanzania Education Authority (TEA) take enforcement measures, in order to recover the outstanding staff loans.

10.10 Non-payment of subsidiaries share capital by Tanzania Petroleum Development Corporation (TPDC)

My audit of subsidiaries under the Tanzania Petroleum Development Corporation (TPDC) for the financial year 2021/22, found Gas Company (GASCO) has 1,500 authorized ordinary shares worth TZS 1,000,000, each with a total value of TZS 1.5 billion. Of these, 100% held by TPDC while TANOIL Investment Limited has 50,000,000 ordinary shares of TZS 100 each worth TZS 5.00 billion, 100% owned by TPDC. As at 30 June 2022, the unpaid share capital amounted to TZS 1.5 billion for GASCO and TZS 5 billion for TANOIL by TPDC due to lack of subsidiaries governing bodies of the companies and inadequate follow-ups by subsidiaries management on unpaid share capital. Unpaid share capital limits funds that can be used to finance subsidiary's working capital.

I recommend that Tanzania Petroleum Development Corporation (TPDC) and the Board of Directors re-evaluate the objective of establishing its subsidiary companies to finalize payment of share capital in its subsidiaries.

10.11 Weakness noted in public entities in maintaining non-current asset register in a centralized system (GAMIS)

The Ministry of Finance and Planning issued a circular requiring all public organizations to upload their asset data into the Government Assets Management System (GAMIS) by 31 August 2021. However, during the review, I found that 28 PA & oBs (**Table 36**) were not maintaining their assets in the GAMIS system, contrary to the directives issued by the Ministry of Finance and Planning. Additionally, some entities that were using the GAMIS system were only partially using it due to lack of asset codes and failure to conduct asset

verification. Most of the PA & oBs attributed the non-compliance to lack of awareness and training on updating fixed assets in the system.

Table 36: List of entities which do not use Government Assets Management System (GAMIS)

S/N	Name of the entity
1	Babati Urban Water Supply and Sanitation Authority
2	EWURA Consumer Consultative Council
3	Export Processing Zone Authority
4	Institute of Finance Management
5	Karatu Urban Water Supply and Sanitation Authority
6	Kariakoo Market Corporation
7	Korogwe Urban Water Supply and Sanitation Authority
8	Kyela Urban Water Supply and Sanitation Authority
9	LATRA Consumer Consultative Council
10	Muhimbili National Hospital
11	Muhimbili National Hospital - Mloganzila
12	Muhimbili University of Health and Allied Sciences
13	Muleba Urban Water Supply and Sanitation Authority
14	Mwanza Urban Water Supply and Sanitation Authority
15	National Health Insurance Fund
16	Ngara Urban Water Supply and Sanitation Authority
17	Nzega Water Supply and Sanitation Authority
18	Sumbawanga Urban Water Supply and Sanitation Authority
19	Tabora Urban Water Supply and Sanitation Authority
20	Tanzania Commission for Universities
21	Tanzania Cotton Board
22	Tanzania Fertilizer Company
23	Tanzania Shipping Agencies Corporation
24	Tanzania Small Holders Tea Development Agency
25	Tanzania Tobacco Board
26	Tropical Pesticides Research Institute
27	Ubungu Plaza Limited
28	University of Dar es Salaam and Its Subsidiaries

Source: Entity's Management letter

I am of the view that optimal utilization of GAMIS as a tool for maintaining fixed assets has significant impact on providing reliable information for public assets management from acquisition to disposal.

In this case, non-compliance and incomplete records of assets in the GAMIS hinder the Government in attaining the objectives of maintaining records on assets for all public institutions.

I recommend that all PA & oBs that do not use GAMIS comply with the directives of the Government to ensure that the reported figures of Property Plant and Equipment in the financial statements are supported by data from GAMIS. Also, I urge the Paymaster General to provide support and training to ensure the intended objectives are met.



TAX COMPLIANCES IN PUBLIC ENTITIES



11.0 Introduction

The Tanzania Revenue Authority (TRA) is responsible for administering and enforcing tax laws, including the Income Tax Act Cap 332, Value Added Tax Act Cap 148, and Tax Administration Act, Cap 438. This includes ensuring that public authorities and other bodies (PA & oBs) comply with these tax laws by assessing, collecting, and accounting for all revenue to which these laws apply. In case disputes or appeals related to tax laws, the Tanzania Revenue Appeal Board (TRAB) and the Tanzania Revenue Appeal Tribunal (TRAT) are mandated to hear and determine the appeal. Therefore, the relationship between TRA and public sector entities paying tax is one of regulatory oversight and compliance, with TRA enforcing tax laws and providing avenues for appeals or dispute resolution through TRAB and TRAT.

This chapter highlights compliance with tax laws and deficiencies in management of tax litigations as follows: -

11.1 Interest and penalties charged due to non-compliance with tax laws TZS 123.32 billion

Six PA & oBs were charged interest and penalties due to failure to file returns and pay tax on due dates as indicated in Table 37. The delays were mainly attributed to snags in cash flow, highlighting the importance of managing finances and ensuring sufficient funds are available to meet tax obligations on time.

Table 37: Interest and penalty payable by PA & oBs

	Entity Name	Date Assessment Served to Entity	Financial period	Interest/Penalty Amount TZS (million)
1	Tanzania Telecommunication Company Limited	20-May-22	2018-2020	1,547.71
		7-Aug-22	2014-2015	170.10
2	Public Service Social Security Fund	5-May-22	2016-2018	19,634.70
		5-May-22	2015-2018	24,291.36
		24-May-22	2019-2021	77,053.16
3	Sokoine University of Agriculture	2020/21	2018-19 & 2019/20	20.63
4	National Development Corporation	16 Mar 2022	Feb 2021 to May 2022	22.21
5	Dar es Salaam Water Supply and Sanitation Authority	2021/22	2021/22	515.98
6	University of Dodoma	2021/22	2021/22	68.6
Total				123,324.45

Source: Management letters of PA & oBs

Delay in payment of tax denies timely collection of Government revenue and could result in nugatory expenditures to public entities due to payment of interests and penalties.

I recommend that the identified PA & oBs (a) properly forecast the cash flow in order to meet the obligations and strengthen the internal controls to ensure that all due claims are paid on time. They need also to observe laws and regulations in decision making.

11.2 Unremitted taxes to TRA TZS 46.83 billion

During the audit of tax compliances, I found that 13 PA & oBs did not submit various taxes totalling TZS 46.83 billion to TRA for period ranging from 56 days to 9 years contrary to Section 84 (1) of Income Tax Act Cap 332 which requires withholding tax to be submitted within seven days. **Table 38** shows the breakdown of the various taxes not submitted to TRA, which include Gratuity Tax, VAT, Withholding Tax, PAYE, and SDL.

Table 38: Various taxes not submitted to TRA from 56 days to 9 years

S/N	Name of Entity	Gratuity-Tax	VAT	Withholding Tax	PAYE	SDL	Total
TZS (million)							
1.	Tanzania Railway Corporation			611	22,100	15,600	38,311
2.	Muhimbili National Hospital				6,409		6,409
3.	Tanzania Ports Authority				891		891
4.	Marine Service Company Limited			16.85	532.76	190	739.61
5.	Tabora Urban Water Supply & Sanitation Authority			22	170		192
6.	DIT-Institute Consulting Bureau		77.3				77.3
7.	Tanzania Electric supply Company Limited			73.86			73.86
8.	Tanzania Medicines and Medical Devices Authority	24.94			48		72.94
9.	Ubungu Plaza LTD				25		25
10.	Standard Gauge Railway Project (SGR)				18.76	2.8	21.56
11.	National Sugar Institute				6.73		6.73
12.	Tanzania Trade Development Authority			5.24			5.24
13.	Mzumbe University		2.6	1.44			4.04
	TOTAL	24.94	79.9	730.39	30201.25	15,792.8	46,829.28

Source: Management letters of PA & oBs

The non-remittance of taxes was mainly caused by cash flow problems in the identified entities. Non-remittance of taxes, could increase the cost to PA & oBs due to possible future penalties by TRA.

I recommend that the identified PA & oBs comply with tax laws and ensure they pay respective taxes to TRA.

11.3 Delayed taxes remittance to TRA TZS 5.09 billion

I found that 18 public authorities and other bodies (PA & oBs) delayed submission of tax deductions totalling TZS 5.09 billion to TRA, contrary to Section 84(1) of the Income Tax Act Cap 332. The Income Tax Act requires every withholding agent to pay to the Commissioner within seven days after the end of each calendar month any income tax that has been withheld during the month. The delay in submitting was mainly due to failure of the respective management to either comply with tax laws and or diverting the funds to other activities.

Table 39 shows the breakdown of the delayed tax deductions, which ranged from one to 1095 days.

Table 39: Delayed taxes remitted to TRA

S/N	Name of Entity	Statutory Deductions	Days Delayed	Amount (TZS) (million)
1.	Tanzania Fertilizer Company	PAYE	365-1095	285.88
2.	Tanzania Electrical Company Limited	Withholding tax	63 - 727	391.73
3.	Tanzania Fisheries Research Institute	PAYE	30-364	0.10
4.	National Institute of Transport	Withholding tax	131-343	143.76
5.	Mkwawa University College of Education	PAYE	81-324	4.74
6.	Tanzania Cotton Board	Withholding tax	7-240	16.64
7.	Energy and Water Utilities Regulatory Authority-CCC	PAYE & SDL	24-115	54.09
8.	Arusha Technical College	PAYE	4-91	1.73
9.	Tanzania Medicines and Medical Devices Authority	PAYE	5-81	54.29
10.	Moshi Co-Operative University	PAYE	28-57	20.92
11.	Mkulazi Holding Co. Ltd	SDL	21-52	27.06
12.	National Bureau of Statistics	Withholding tax	3-52	9.89
13.	Kibaha Education Centre	Withholding tax	26-36	26.93
14.	Standard Gauge Railway Project	Withholding tax	8 - 32	3,932.13

S/N	Name of Entity	Statutory Deductions	Days Delayed	Amount (TZS) (million)
15.	College of African Wildlife Management, Mweka	PAYE	16-18	7.35
16.	Small Industrial Development Organisation	PAYE	1-15	0.45
17.	Muhimbili University Of Health & Allied Science	Withholding tax	4-12	113.25
18.	Tanzania Post Corporation	Provisional Tax	2-8	0.44
	Total			5,091.34

Delay in submission of taxes to TRA exposes the PA & oBs to the risk of penalties and denies the Government its revenue on time.

I recommend that PA & oBs ensure timely remittance of taxes to TRA to avoid penalties and fines.

11.4 Disputed taxes in public entities TZS 126.95 billion

During my review of tax administration in PA & oBs for the financial year 2021/22, PA & oBs were disputing tax liabilities totalling TZS 126.95 billion at the Tanzania Revenue Appeals Board (TRAB), Tanzania Revenue Appeals Tribunal (TRAT) and to the Minister for Works and Transport as indicated in Table 40.

Table 40: Tax in dispute with TRA

S/n	Entity Name	Claim	Amount in TZS in Billion
1	National Social Security Fund	Tax Appeal No. 313/2018 at Tanzania Revenue Appeals Board (TRAB) in Dar es Salaam. NSSF has filed appeal against tax decision that imposed tax liability to the Fund for the financial year 2015/16	53.56
		Tax Appeal No. 314/2018 at TRAB in Dar es Salaam. NSSF has filed appeal against tax decision that imposed tax liability to the Fund for the financial year 2016/17	9.90
		Tax Appeal No. 73/2022 at TRAB at Dar es Salaam. NSSF has filed appeal against tax decision that imposed tax liability to the Fund as the shareholder of Ms. Katani Limited for the failure of Ms Katani Ltd	33.22

S/n	Entity Name	Claim	Amount in TZS in Billion
		and its subsidiaries to pay the said tax liability.	
2	Tanzania Shipping Agencies Corporation	The dispute was tabled to the Minister for Works and Transport in compliance with Sect. 59 of the Tanzania Shipping Agencies Act, Cap 415. TASAC has uncollected revenue from clearing and forwarding fees as a result of dispute by customers. Thus, there was uncollected VAT payable to TRA.	26.63
3	Arusha Urban Water Supply and Sanitation Authority	The Authority has contingent liability as a result of assessment made by TRA from 2012/13-2015/16 on VAT and SDL which is still in dispute. The Commissioner General has appealed to TRAT against judgement of TRAB	2.36
4	Electrical Transmission and Distribution Construction and Maintenance Company	Appeal No. 376 of 2021 Company objected the result of tax audit by TRA	0.03
5	Tanga Water Supply and Sanitation Authority	Application No. 15 of 2021 to the board on 31 December 2021. Authority objected the result of tax audit by TRA	1.25
Total			126.95

Source: Audit reports and ML of PA & oBs

Further, I found appeals by NSSF were withdrawn from TRAB on 25 March 2020 by the order from the Attorney General who directed that public institutions should not initiate legal proceedings against each other in judicial and quasi-judicial organs without approval of the Attorney General. Currently, the matters related to the appeals of NSSF are being handled by the Office of Solicitor General and Attorney General for mediation purposes.

I recommend that the Office of Solicitor General and Attorney General intervene and expedite resolutions to settle disputes involving identified public institutions.

11.5 PAYE and withholding taxes amounting to TZS 4.12 billion not deducted from various payments

Section 7 of the Income Tax Act Cap 332 requires taxation of all allowances and other payment made in respect to employment including benefits in kind.

During my review of compliance with tax laws I found that 16 PA & oBs did not charge taxes on payments made to employees and service providers amounting to TZS 4.12 billion as indicated in **Table 41**. The non-deduction of taxes is mostly attributed to management failure to abide by the tax laws.

Table 41: Payments not subjected to taxes

S/No	Name of the Entity	Type of Taxes	Amount TZS Million
1.	Self Microfinance Fund	Unpaid Tax liability	3,139.61
2.	National Ranching Company Limited	Withholding Tax on payment to suppliers of cattle	555.55
3.	Tanzania Post Corporation	PAYE on extra duty allowance	172.39
4.	Land Transport Regulatory Authority	Allowance and awards	91.48
5.	Institute of Finance Management	Withholding tax on allowance	25.9
6.	Babati Urban Water Supply and Sanitation Authority	Withholding tax	23.71
7.	Cereals and Other Produce Board of Tanzania	Withholding tax on services	21.16
8.	National Development Corporation	Payment on professional services	19.8
9.	Mzumbe University	Withholding tax	19.64
10.	Tanzania Coffee Board	Withholding tax	16.47
11.	National Environment Management Council	PAYE & withholding Tax	13.13
12.	Bukoba Water and Sanitation Authority	PAYE & SDL	9.17
13.	Tanzania Forest Research Institute	Withholding tax from fees paid to non-full time Directors	5.33
14.	Tanzania Tropical Research Institute	Withholding tax	2.68
15.	Cotton Development Trust Fund	Withholding tax on payment of goods and services	0.67
16.	Tanzania Fisheries Research Institute	Withholding tax	0.18
	TOTAL		4,116.87

Source: Management letters of PA & oBs for financial year 2021/22

Non-deduction of taxes could lead to imposition of penalties to PA & oBs and denies the Government its revenues.

I recommend that PA & oBs deduct taxes on payments made to employees and service providers to abide to tax laws.

11.6 Deficiencies and inconsistencies in computation of VAT

The net amount of Value Added Tax is the difference between the output tax (tax on sales) and input Tax (Tax on purchases).

(i) Inconsistence of revenue used in computation of VAT return TZS 401.54 billion

During my review of output tax for the financial year 2021/22 in three PA & oBs, I found that revenue reported in VAT return were less than the revenue reported in the financial statements by TZS 401.54 billion. (Table 42).

Table 42: Mismatch of revenue reported in VAT returns and financial statements

Name of the Entity	Description	Revenue as per Leger/financial statement TZS (billion)	Revenue as per Returns TZS (billion)	Variance TZS (billion)
TPDC	Revenue	1,194.06	840.76	353.30
STAMICO	Revenue	38.14	11.97	26.17
ETDCO	Revenue	48.74	26.67	22.07
Total		1,280.94	879.4	401.54

Source: VAT returns, ledgers and financial statement of entities

At TPDC I found that the credit notes during the year and revenue related to the profit-sharing agreement was excluded from the VAT returns. The mismatch of revenues could result in loss of Government funds, it could also attract penalties against identified public entities in case the declared revenues were under reported.

I recommend that identified public entities comply with tax laws and ensure the reported revenue in VAT returns are correctly stated.

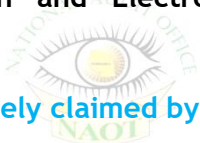
(ii) **Inconsistence in reported VAT output tax TZS 3.52 billion**

I found that output tax reported in financial statements of TTCL and VAT returns (TZS 36.82 billion) differed with output tax in Government system (Electronic Revenue Collection System) used to capture revenue related to Telecom Industry (TZS 33.30 billion) by TZS 3.52 billion.

The inconsistence is attributed to delays in reconciliation of VAT output reported in financial records with VAT output in the records of the Electronic Revenue Collection System.

The non-reconciliation of VAT output tax could result in misstatements of the VAT information reported in the VAT Returns and impose interests, unless it is done on time.

I recommend that TTCL timely reconcile the output tax between VAT Return and Electronic revenue collection system.



11.7 VAT and taxes not timely claimed by public entities

11.7.1 Long outstanding VAT receivables TZS 6.49 billion at PSSSF

Section 71 (1) & (2) of the Tax Administration Act Cap 438 provides that a person may apply to the Commissioner General for a refund of tax paid in excess by indicating the correct tax calculation and supporting evidence to support the claims.

During my assessment of tax, I found that PSSSF had a VAT receivable balance of TZS 6.49 billion as at 30 June 2022, from which the Fund had requested refund of TZS 1.38 billion and remaining balance of TZS 5.11 billion was not requested for refund since the ex-PPF did not intend to get a refund instead to utilize the receivable balance with future VAT payments until the balance is cleared. The Fund engaged TRA on the request to grant VAT credit that can be carried forward and utilized in current and future returns.

Given that the merging of pension funds was done in 2018, the Fund may lose the receivable balance if not utilised since the balance has remained outstanding for four years from merging up to June 2022.

I recommend that PSSSF make a close follow-up on VAT balances to ensure long-term receivables are utilised without further delays.

11.7.2 Unclaimed input tax TZS 1.48 billion

Section 69 (1) of the Value Added Tax Act Cap 148 on timing of input tax credits requires that where a taxable person is allowed an input tax credit, the tax period in which the credit may be included in the calculations shall be any one of the six succeeding tax periods.

I found out unclaimed input tax at TTCL, as of June 2022 was TZS 6.43 billion, but the unclaimed input tax in within six-months period was TZS 6.05 billion, hence resulted in a difference of TZS 375.22 million which was beyond six succeeding months. I attribute the anomaly to non-recording of transactions on the date of occurrence and delays in declaring VAT returns. Unclaimed input tax denies the Company the right of input tax claim and reduction in tax liability.

Likewise, TANOIL Investment Ltd had taxable purchases amounting to TZS 6 billion, but had filed taxable purchase amounting to TZS 4.9 billion. TANOIL Investment Ltd might fail to claim VAT for TZS 1.1 billion that was not filed with respect to the financial year 2021/22.

I recommend that PA & oBs ensure timely reporting of input tax resulting from purchases during the period in the VAT Control Account and declared in the VAT Returns as well.

11.8 Under estimation of tax payable TZS 1.82 billion

At Tanzania Post Corporation (TPC) I found that there was underestimation of tax payable by TZS 1.82 billion, whereby tax

payable based on return of income was TZS 1.85 billion while tax payable based on instalments during the financial year 2021/22 was TZS 30 million.

The underestimation of tax leads to loss of Government-revenue. TRA had charged TPC interests to the tune of TZS 120.44 million for underestimation of tax payables by TZS 1.82 billion as required by Section 75 of Tax Administration Act. Cap 418.

I recommend that TPC accurately estimate provisional tax paid in instalments.

11.9 Non charging of property tax on 6,188 post-paid customers and 356,286 LUKU customers

Tanzania Revenue Authority (TRA) established a mechanism to collect the property tax through Tanzania Electric Supply Company Limited (TANESCO) by configuring the charges of property tax in the meter account of the customer such that when the customer purchase electricity on monthly basis then TZS 1,000 and TZS 5,000 are charged to customer with ordinary building and for each storey in a storey building respectively.

Based on the sample of customers from 23 regions, I found that 6,188 post-paid customers were not charged with property tax for the year 2021/22 because the billing system is not configured to charge property tax and 356,286 LUKU customers (equivalent to 14% of the total customers in 23 regions) were also not charged with the property tax.

The Government loses revenue for not charging property tax to all customers.

I recommend that Tanzania Electric Supply Company Limited ensures all eligible customers including both post-paid and prepaid customers are charged with the property tax by configuring charges into the account.

11.10 Tanzania Concrete Poles Manufacturing Company Limited (TCPM) not registered for VAT

Registration for VAT is mandatory to every person upon attaining the registration threshold of TZS 100 million in the period of twelve months and above or TZS 50 million in period of six months ending at the end of the previous months.

During the year 2021/22 Tanzania Concrete Poles Manufacturing Company Limited (TCPM) earned revenue of TZS 645 million, hence attained the threshold for registration for VAT. Despite attaining the threshold, TCPM was not registered for VAT. The company cannot claim input tax amounting to TZS 109.03 million incurred in purchase of goods worth TZS 605.70 million which are VAT inclusive, thus, VAT paid becomes part of company's costs. In addition, the Company cannot pay VAT to TRA.

I recommend that Tanzania Concrete Poles Manufacturing Company Limited make follow-up on VAT registration at TRA.

11.11 Delayed and non-filing of VAT returns to TRA

Section 66(1) of the Value Added Tax Act Cap 148 provides that, a taxable person shall lodge a value added tax return on the 20th day of a month after the end of the tax period to which it relates.

Section 84 of Income Tax Act Cap 332 requires every withholding agent to file with the Commissioner, within seven days of the month following the month to which the tax relates, a withholding tax statement for the calendar month.

During my review of tax compliance, I found that four PA & oBs delayed in filling returns for a period ranging from 1 to 435 days as indicated in **Table 43**.

For Electrical Transmission and Distribution Construction and Maintenance Company delays were attributed to TRA's system failure thus the Authority granted extension from 20 June 2022 to 28 July 2022. Despite the extension granted, the company delayed in filling returns. Late filing of VAT returns attracts

interest for delay in payment of taxes and penalty for non-compliance.

Table 43: Delay and non-filing of returns

S/N	Name of the entity	Type of Tax	No. of Days Delayed	Amount TZS (Million)
1	Tanzania Standard (Newspaper) Limited	VAT	101-435	838.03
2	Tanzania Medicines and Medical Devices Authority	PAYE & VAT	Non-Filing	120.69
3	Tanzania Post Corporation	PAYE	1-61	27.14
		VAT	1-21	5.45
4	Electrical Transmission and Distribution Construction and Maintenance Company	VAT	2	20.10
Total				1,011.41

Source: TRA Filled Returns

I recommend that PA & oBs ensure filing returns is done on or before the statutory due dates to avoid unnecessary penalties and interests.

11.12 Revenue and payments not supported by EFD receipts TZS 556.83 million

Regulation 28 of the Income Tax Electronic Fiscal Device Regulations, 2012 requires every purchaser to demand and retain the fiscal receipt or invoice in his possession. Further, Regulation 21-25 of the same Regulation provides that any person who fails to demand, retain or issue a fiscal receipt or fiscal invoice commits an offence and upon conviction is liable for payment of twice of the amount of the tax evaded or not remitted.

My review found payments made for goods and services by 11 PA & oBs TZS 556.83 million were not supported with EFD receipts (Table 44).

Table 44: Payment not supported with EFD

S/No	Name of the Entity	Amount TZS (Million)
1.	National Institute of Transport	139.59
2.	Cashewnut Board of Tanzania	78.61
3.	Cereals and Other Produce Board of Tanzania	68.12
4.	National Institute for Medical Research	67.42
5.	Small Industrial Development Organisation	57.43

6.	Tanzania Fisheries Research Institute	53.77
7.	Tanzania Tropical Research Institute	46.78
8.	Engineers Registration Board	15.93
9.	National Sugar Institute	11.6
10.	Tanzania Sisal Board	10.32
11.	Tanzania Forest Research Institute	7.26
	Total	556.83

At National Construction Council I found that the Council billed TZS 720.16 million to customers without using EFD machine.

Furthermore, at Mwalimu Nyerere Memorial Academy I found EFD receipt in respect to payments of TZS 51.79 million made to suppliers were missing the name of the purchaser and purchaser's Taxpayer Identification Number (TIN). Hence, the EFD receipts did not comply with the second schedule, Part I, paragraph (1) of EFD Regulations 2012.

Penalties might be imposed on PA & oBs for failure to demand and retain the fiscal receipt or invoice in their possession and input tax cannot be claimed without EFD receipt thus, cost to the respective entities. Further, the Government loses revenue that could have been received if EFD receipts were issued.

I recommend that PA & oBs comply with the tax administration Act and Regulations requirements on demanding and retaining fiscal receipts.

CHAPTER TWELVE

PERFORMANCE OF GOVERNMENT BANKS AND OTHER FINANCIAL INSTITUTIONS



12.0 Introduction

I have reviewed the operations of Government-owned banks, Social Security Schemes, and Institutions dealing in Capital markets and securities in Tanzania. In my assessment, I have identified several areas where these institutions fall short and improvements are necessary to ensure optimal performance.

In terms of Government-owned banks, I have identified deficiencies in loan management, insufficient liquidity, declining profitability, inadequate appraisal and due diligence performed on collaterals, inadequate resilience systems for controlling operating expenses, and noncompliance with regulatory requirements. The mentioned shortcomings must be addressed to ensure that the banks remain viable and continue to contribute to the economy's development.

My assessment on pension Funds has identified inadequate management of investments, improper management of loans issued to Government and Government Institutions, low level awareness and sensitization to stakeholders. These issues must be addressed to ensure that the funds can provide adequate service to their members and contribute to society's overall well-being.

Overall, it is essential that the Government-owned banks and Pension Funds in Tanzania address the identified deficiencies to ensure optimal performance and remain sustainable in the long run. Improving management practices, ensuring compliance with regulatory requirements, and enhancing transparency and accountability are imperative in achieving this goal.

12.1 Concerns over the performance of government banks on loans, non-performing loans, liquidity, and capital adequacy ratio

I have reviewed the performance of four government commercial banks TIB Development Bank, Azania Bank, Tanzania Commercial Bank (TCB), and Tanzania Agricultural Development Bank and identified several striking issues as follows:

TIB Development Bank continued making a loss before tax, in 2022 the loss amounted to TZS 131.07 billion (2021: TZS 10.57 billion). The loss is mainly attributed to impairment of non-performing loans. On the other hand, TADB made a profit before tax of TZS 15.64 billion in 2022 compared to TZS 16.03 billion recorded in 2021, a decrease of TZS 390 million.

Further, from the review of Non-Performing Loans (NPL) on the three government commercial banks namely, TIB Development Bank, Tanzania Agricultural Development Bank and Azania Bank I noted that the NPL ratio as at 31 December 2022 ranged from 5.86% to 20.32%, while for Tanzania Commercial Bank the NPL ratio as at 31 December 2021 was 9.87% which is higher than the acceptable level of BOT which is 5%.

In 2022 TIB Development Bank, TADB and Azania Bank all together had reported NPL of TZS 278.93 billion compared to TZS 430.61 billion in 2021. The decrease in NPL was attributed to charging off NPL that were classified either as substandard, doubtful or loss amounting to TZS 357.80 billion for the three aforementioned banks. While TCB had recorded NPL of TZS 70.06 billion in 2021.

Furthermore, in 2022 the TIB Development Bank core and total capital ratios to risk weighted assets were the same i.e. 1.4% (2021: 4.4%) as compared to the required minimum capital ratio of 13% for core capital and 15% for total capital. I also noted that the assets of the bank fall to TZS 431.13 billion in 2022 compared to TZS 629.08 billion in 2021, a decrease of TZS 197.95 billion (31.46%) mainly due to decrease in loans and advances. The bank had accumulated losses of TZS 212.27 billion (2021: TZS 141.88 billion).

I recommend that the Government take prompt measures to address issues facing these banks, including injecting additional capital, improving expenditure controls, and reducing the Non-Performing Loans ratio to an acceptable level.

12.2 Deficiencies in loans and collateral management at Tanzania Agriculture Development Bank and Tanzania Commercial Bank

I have identified several deficiencies in the management of loans and collaterals at the Tanzania Agricultural Development Bank (TADB) and Tanzania Commercial Bank (TCB), which could result into increased credit risks and non-compliance with regulatory requirements.

- (i) **Inadequate management of collaterals:** At TADB, collaterals were mismanaged coupled with lack of tracking outdated valuation reports and incomplete collateral registers. For instance, I found three collaterals belonging to customers were valued at TZS 3.91 billion and were outdated for a period of one to two years up to December 2021. Also, I found that a collateral valued at TZS 1.13 billion was issued by a valuer who lacked the approval of the Bank of Tanzania. Improper handling of valuation could result into losses for the bank in case of default. I recommend that TADB institute mechanisms for accurate and up-to-date valuations, and maintain complete and up-to-date registers on collateral.
- (ii) **Inadequate management of credit appraisal and monitoring process:** TADB's credit appraisal and monitoring process did not cover key aspects such as internal risk rating and provisioning, minimum internal rate of return for projects, and monitoring of project performance indicators. This could expose the bank to higher credit risk and losses. I recommend that TADB improve its credit appraisal and monitoring system to encompass these key aspects.

(iii) Irregular assessment of existing loans: TADB did not have documented evidence of conducting assessments on borrowers' project status, which is required for proper classification of credit accommodations. This could deny the bank informed information for proper decision making on loans management. I **recommend that TADB include in its credit policy the key factors for assessing borrowers' project status to enhance accountability.**

(iv) Deficiencies in loan management at TCB: TCB did not comply with banking regulations regarding; interest rates for exited staff loans involved TZS 57.2 million the interest charge continued to be charged at staff rate instead commercial rate, non-suspension of interest for non-performing loans, and non-charging off loans in the loss category amounting to TZS 15.62 billion. The deficiencies might expose the bank to risks and losses. I **recommend that TCB institute mechanisms to capture data on exited staff loans, suspend interest for non-performing loans, and charge off loans in the loss category as required by regulations.**

12.3 Deficiencies in Deposit Insurance Board's Performance in protecting depositors' interests

My review of the Deposit Insurance Board's (DIB) operational performance in protecting depositors' interests revealed several deficiencies.

- DIB is operating below the required ratio of 20% of fund size to the total value of insured deposits, which compromises the contributions of DIB to financial stability and public confidence. DIB must ensure compliance with the agreed criteria by 2025 to adequately protect depositors in case of bank liquidation.
- DIB lacks a loan recovery plan, which has resulted in low recovery rates and huge outstanding loan receivables from seven liquidated banks. For the past five years period of (2017 to 2022) DIB as liquidator managed to collect only TZS 47.12 billion out of TZS 206.59 billion expected to be collected from the Bank's

representing 23% of the total amount. This deficiency limits DIB's ability to evaluate and monitor the performance of post-liquidation activities. **Therefore, I recommend that DIB establish a loans recovery action plan to define targets and monitoring tools for efficient loan recoveries and disposal of other assets.**

- Significant liquidation expenses of TZS 5.12 billion incurred by DIB raise concerns over claimant's interests not being adequately protected when expenditures is almost equal to recoveries made TZS 5.30 billion. DIB must manage and reduce liquidation costs to acceptable lower levels and consider engaging debt collectors who will be paid based on performance rather than employing permanent staff who are paid remunerations without considering their performance.

In summary, DIB must take immediate action to address these deficiencies and ensure depositors' interests are adequately protected.



12.4 Inadequate management and performance of loans at SELF Microfinance Fund

I reviewed the performance of SELF Microfinance Fund (SELF MF) and noted inadequate management and performance in the loans, specifically non-performing loans amounting to TZS 5 billion. The non-performing loans exceeded the limit set by the Credit Procedure Manual which is supposed to be less than 5%, as I found the individual portfolio at risk ranged from 7.91% to 57.84% across eight regions. This practice is prone to losses due to loan default and may result in capital depletion, which is non-compliant with the manual.

Further, SELF MF had loaned a total of TZS 550.86 million to two entities, Lubala SACCOS and FINI Financial and Real Estate Agency Services Company Limited, but both loans defaulted. The total amount owed by the two entities is TZS 550.86 million, which includes TZS 275 million in principal and TZS 253.66 million in accrued interest from Lubala SACCOS and TZS 22.20 million in

principal and interest from FINI Financial and Real Estate Agency Services Company Limited.

I recommend that SELF Microfinance Fund (SELF MF) (a) intensify efforts in loan recovery and perform vigorous risk assessments of loan applications; (b) review the viability of business plans before loan disbursement, taking legal actions such as issuing demand notices and foreclosure of collaterals on time; (c) engage investigative bodies to trace hidden borrowers; and (d) strengthening the loans appraisal process, including due diligence.

12.5 Performance of social security schemes

Social Security Schemes are schemes established for the purpose of providing social benefits to members of the community as a whole, or of particular sections of the community. During the year I conducted performance assessment of the Pension Funds and noted a number of deficiencies as highlighted below:

12.5.1 Inadequate management of loans and members contribution by pension funds

- **Long outstanding loans to Government TZS 1.49 trillion:** In my previous report for the financial year 2020/21, I raised concerns about long outstanding loans issued by pension Funds to the Government institutions and recommended that the Ministry of Finance and Planning collaborate with government institutions to ensure fruitful arrangements for loan repayments, while pension funds enhance controls before issuing loans and continue making follow-ups to ensure that all overdue loans are recovered.

In the current year, as of 30 June 2022, both NSSF and PSSSF had outstanding loans to government institutions and other organizations. NSSF had outstanding loans amounting to TZS 1.17 trillion, while PSSSF had outstanding loans of TZS 321.45 billion. These loans to the Government institutions and other organizations have been outstanding for periods ranging from 1 to 15 years, and the failure of the borrowers to repay them affect

the solvency and ability of pension Funds to exercise their core functions effectively and efficiently.

- **Non-recoverability of loans from SACCOS TZS 27.30 billion:** NSSF had loans with an outstanding balance of TZS 27.30 billion from SACCOS, AMCOS, and MFIs, which may not be recoverable since the recovery efforts are not efficient.
- **Deficiencies in management of contribution receivables TZS 53.46 billion:** I found deficiencies at NSSF in managing contributions and receivables. For instance, the Fund had a total of TZS 52.9 billion outstanding contributions aged more than 12 months and was unable to collect the contributions receivable in a timely manner. Similarly, PSSSF had unreconciled receivables from members amounting to TZS 563 million. These delays in collecting contributions affect the Funds' ability to meet their obligations including payment to retirees.

I recommend that both NSSF and PSSSF to institute strong mechanisms that will enhance debt collections, accountability, and adequate collections of membership contributions and accounts receivable. Additionally, they should enhance the rental receivable collection procedures and take necessary actions to ensure outstanding receivables are promptly collected.

12.5.2 Unsatisfactory advocacy and awareness campaign on Workers Compensation Fund operations to stakeholders

In 2021/22, the WCF reported the challenges in implementing its mandate despite a number of sensitization and awareness being done to the community. Among the highlighted issues include: employees and employers are not aware of their rights of the benefits of the compensation especially when they are either injured or have contacted diseases at workplace.

In 2022 WCF conducted stakeholders' awareness and satisfaction survey whereby the survey covered 139 districts involved 2,873 respondents included employers, employees, service providers

and medical practitioners. The survey revealed that employees had a minimal awareness on the Fund's functions and its services.

I am of the view that the tailored training programs for awareness and sensitization campaign to stakeholders for enhancing awareness on their rights conducted by the Fund were inadequate.

I recommend that WCF (a) design the tailored training program involving the social media streams for advocacy and awareness campaign on the functions of the Fund; and (b) allocate funds to initiate the tailored awareness program countrywide.

12.5.3 Operational challenges and underperformance of investments under pension funds

The Funds have faced operational challenges and have experienced underperformance in its subsidiaries and investments, which include Sisalana Tanzania Company Ltd, Kilimanjaro International Leather Industries Company Limited (KLICL), and Mkulazi Holding Company Limited (MHCL).

(i) Failure to transfer title of the assets to Sisalana TZS 60.18 billion: NSSF failed to transfer assets to its established subsidiary (Sisalana Tanzania Company Ltd) from Katani Ltd, which pledged assets worth TZS 60.18 billion as security after failing to pay back the Fund loans and interest amounting to TZS 44.44 billion and TZS 15.73 billion, respectively.

(ii) Inadequate planning for implementation of Mkulazi project: The project's investment cost has increased by USD 32.64 million, leading to a total project investment cost of USD 55.08 million, an increase of 146%, mainly due to re-scoping of the project. I further found out that an initial plan scheduled the project to be finalized by December 2022 but up to the time of my audit in September 2022 the project work progress was at 63% far from a near completion. The delay in completion of industry has caused the deterioration of sugarcane plantation and increased the cost of maintaining sugarcane plantation beyond the required age. Up to the date

of finalizing audit in December 2022, there was no agreed commitment with the Government to refund Mkulazi TZS 2.92 billion.

Moreover, Mkulazi faces an imminent loss of TZS 2.92 billion associated with investment done on farm No. 217/1-217/6, Mkulazi (Ngerengere), which was taken over by the government in 2022 due to the company's lack of capacity to operate the project.

(iii) Underperformance of Kilimanjaro International Leather Industries Company Limited (KLICL): KLICL was unable to fulfil the orders for the shoes due to financial constraints and inadequate marketing strategies. In 2021/22 the KLICL had planned to sell 138,566 pairs of shoes at the projected revenue of TZS 8.02 billion. However, the Company managed to generate revenue TZS 2.46 billion (31%) from sales while TZS 5.56 billion (69%) was not attained.

(iv) Declined and low return -on-investment properties: A review of NSSF return-on-investment properties found that the rate of return-on-investment was very low and on declining trends for five years consecutively while corresponding expenses incurred to maintain the investment property on annual basis were higher and significantly affecting the rate of return. **Table 45** shows the amounts invested in the investment properties of NSSF and the corresponding rate of return:

Table 45: Return on investments properties

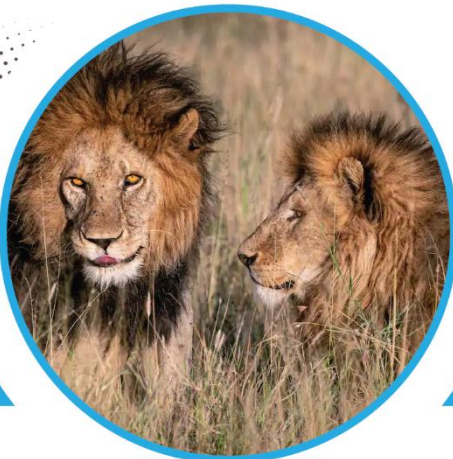
Details	2018	2019	2020	2021	2022
	Amount in TZS (billion)	Amount in TZS (billion)	Amount in TZS (billion)	Amount in TZS (billion)	TZS (billion)
Rent income	10.97	10.07	11.60	10.14	9.10
Operating expenses	6.38	8.00	8.75	7.98	6.57
Net return	4.59	2.06	2.84	2.15	2.52
Value of investment properties;					
Residential	49.30	44.64	65.13	71.52	63.19
Hotels	345.80	342.76	398.66	473.58	479.00

<i>Warehouses</i>	47.27	55.44	19.66	41.63	47.27
Total	461.65	418.19	519.37	604.67	589.46
<i>Rate of return</i>	1.0%	0.5%	0.5%	0.4%	0.4%

Low returns from the investment, is the result of inadequate planning, failure to finalize feasibility studies, delays in project completion, and the inability to assess performance on an individual property level.

I recommend that NSSF and PSSSF ensure (a) better accountability in the functioning of subsidiaries and investments after incorporating inputs from them so that they can set achievable targets based on the realistic data available; (b) strengthen its post-investment evaluation of subsidiaries and investment performance, which will help in designing more efficient and effective planning process of future investment events including carrying out feasibility studies and due diligence as the base for investment undertaking; and (c) self-appraisal is duly obtained from the subsidiaries and appropriately enforced.

REVIEW OF TOURISM SECTOR IN TANZANIA



13. Introduction

The Tanzanian Government aims to increase the contribution of tourism sector to GDP from 6% to 11% by 2025 through its Five-Year Development Plan III. The goal is to attract 5 million tourists and generate USD 6 billion in revenue. However, there are several challenges that need to be addressed such as inadequate promotion of tourism, water crises in national parks, delays in the operationalization of TANAPA Investment Company, inadequate management of cultural heritage, wide spread of invasive species and inadequate funding of Rhino project. Along the challenges faced by the tourism industry, there is also the problem of frequent internet breakdowns and the contentious process of resettling the indigenous communities living within conservation areas.

This chapter highlights the challenges facing the Tanzanian Government's plan to promote and diversify the tourism industry for sustainable growth, including inadequate promotion and funding, water crises, delays in operationalizing investment companies, and issues with managing cultural heritage.

13.1 Risk of failure of Ngorongoro Conservation area indigenous community's resettlement project

The Government through Ngorongoro Conservation Area Authority (NCAA) and in coordination with other government institutions and stakeholders, is implementing the project to

resettle indigenous communities living within Ngorongoro Conservation Area (NCA) since June 2022. According to the Project Concept Note issued in April 2022, resettlement will involve 22,000 households with approximate population of 110,000 people and about 750,000 domestic animals (cows, goats and sheep). The project is implemented with the aim of conservation and restoration of NCA following risks that threaten its sustainability and embedded potential.

As pointed out in my previous reports (Para 17.1.1 2019/20 and Para 12.1 2020/21), NCA sustainability is at risk due to increased population, domestic animals and human development activities which compound the implementation of conservation programs.

My review of Progress Report on resettlement of indigenous communities living within NCA found that since 16 June 2022 up to 19 October 2022, a total of 407 (1.85%) of indigenous household community with a total of 2,125 (1.93%) people and 11,490 domestic animals were resettled at Msomera village. Each household was provided with 2.5 hectares of household land, 5 hectares of farming land, and access to public grazing land. In addition, the Government had offered free food for three months to each household, water access, electricity, schools and health facilities. The resettlement had costed the Government the sum of TZS 24.76 billion. If the Government is to resettle all 22,000 households through this approach, I extrapolated the project cost to approximately a total of TZS 1.34 trillion¹ if all factors remain constant.

Despite the Government efforts, the resettlement is at risk of not being successful due to several challenges, including slow pace of relocation, a huge amount of funds required, logistical challenges, lack of awareness among stakeholders, resistance from indigenous and international communities.

¹ My extrapolation=22,000 households*24.76 billion/407=TZS1.34 trillion

I recommend that the Government in collaboration with all stakeholders develop and implement a comprehensive project implementation plan and a roadmap responsive to the mentioned challenges.

13.2 Challenges in promoting tourism industry by Tanzania Tourism Board

13.2.1 Delay in operationalization of Digital Command Centre for promoting Tourism by TTB

Tanzania Tourist Board (TTB) began building and setting up the Digital Command Centre in 2017/18 and the project was completed in April 2022, at a total cost of TZS1.06 billion. The main goal of the project is to promote Tanzania's tourist attractions in a more modern digital way by positioning the attractions at a global level for increased visibility through stream media such as twitter, Facebook etc.

Nevertheless, up to the time of my audit in December 2022, the Centre was not operational for a period of eight months since its completion due to lack of nine staff with required skills and competencies to run it. Despite TTB requesting a recruitment permit from President's Office Public Service Management and Good Governance (PO-PSMGG) by the time of audit on 9 June 2022, the permit had not been granted.

The delay in opening the centre is denying the tourist industry of benefits of the digital command centre in promoting tourist attractions.

I recommend that the Government and PO-PSMGG to expedite approval of the recruitment permit in order to employ skilled and competent staff to run the Digital Command Centre operationalization.

13.2.2 Unsatisfactory implementation of the planned marketing activities towards tourism promotion by TTB

The Board had planned to implement 47 marketing activities in 2021/22, but only 32 (68%) were implemented. My audit analysis revealed that 15 of the unimplemented activities were key activities related to tourism promotion, such as to organize and participate in Tourism Road shows in South Korea, Hong Kong, Thailand and China by June 2022. These activities were not implemented because the Board was directed by the Ministry of Natural Resources and Tourism (MNRT) to re-allocate budget of TZS 1.98 billion towards East Africa Regional Tourism Expo. I am of the view that the failure to implement these activities had a negative impact on the promotion of tourist attractions particularly foreign visitors apart from east Africa region.

I recommend that the MNRT solicit funding from the Treasury for unplanned events instead of diverting budgeted funds meant for specific activities.

13.3 Water crisis and prolonged drought endangering sustainability of ecosystems and wild animals lives in national parks

The country experienced a prolonged drought in 2021/22 that led to shortage of water for wild animals at National Parks and Conservation Areas. In the Ngorongoro Conservation Area (NCA), a total of 135 wild animals died due to drought and many fled to human settlement in search of water and pastures. The deaths included 40 buffalos, 30 wildebeest, 60 Zebras and five Hippopotamus. Further, human-wildlife they had killed 26 people and injured 77 during the year 2021 as compared to 20 people who were killed and 66 injured during the year 2020. The killing of people resulted into a retaliatory killing of animals by the defending victims of animal attacks.

The number of beast attacks on human beings and that of retaliatory defensive attacks against the beasts by the people has increased from 31 cases reported in 2020/21 to 42 cases in 2021/22.

Figure I: Photo extracted from NCAA's Human Versus Beasts Conflicts



Source: photo extracted from NCAA human-wildlife conflict report

Additionally, the parks and Conservation Areas are constrained in managing their water supplies as the sources of water flow originated outside the Parks' boundaries and beyond the Authority's control. For instance, the volume of water in the rivers at Katavi National Park declined due to invasions by pastoralists and farmers.

If appropriate corrective measures were not taken to improve the management of water in the Tanzania National Parks', the ecosystem will be significantly degraded; wild animals will die, and counter- attacks between wild animals and people will increase to uncontrollable levels

I recommend that the Authorities in collaboration with Government (a) ensure all human activities surrounding the parks are suspended and design training and sensitization to

the community surrounding the parks; and (b) construct water reservoir dams to be used during dry seasons.

13.4 Delay in operationalization of TANAPA Investment Company

TANAPA operates 22 national parks which stretches approximately 104,170 square kilometers of land and have a road network spanning over 17,202.60 kilometers. TANAPA consistently maintains its infrastructure, including park roads, which are frequently affected by rains and tourism activities especially during the high rainy season. In 2021/22, the Authority incurred the cost of TZS 25.4 billion for road maintenance.

In order to develop in-house capacity building to maintain its infrastructure, TANAPA registered a Company on 21 July 2020 for undertaking works for the Authority and other contracted projects on commercial basis which might reduce maintenance cost.

However, up to December 2022, the Company had not been operational, 30 months from its inception, due to bureaucracy on set up of the organization structure of the company

TANAPA explains that, the Company's Chief Executive Officer had already appointed and the Authority were finalizing the officiating procedures for CEO at MNRT and PO-PSMGG for commencement of operation of the Company.

I recommend that TANAPA expedite the process of operationalizing the Investment Company so that the Authority can get value for money from the established Company.

13.5 Degraded areas not restored on special campsites

The special camp sites allow visitors to camp using non-permanent tents for three to nine months. During the audit, I visited seven special camp sites operated under NCAA namely Simba B, Ole Kamwanga, Laandana No. 1, Nyati, Acacia No. 1,

Tembo B and Lemala Kubwa that in total have the capacity to accommodate 76 tents with a capacity of 168 tourists in total.

During my audit visit, I learnt that some of the camp sites had permanent tents and structures for up to 10 seasons which is contrary to special camp's requirement as the camp have to be dismantled after the end of each season, which runs for a period of six month, yearly, from March to August. However, the visited camps have been operating for a period, ranging from four to 10 years as shown in **Table 46**.

Table 46: Investment sites operating for a consecutive period

S/N	Site Name	Operator	Capacity in person	Number of Tents	Number of years in operations
1.	Simba B	Tyche Limited, East Africa Camps	22	10	10
2.	Ole Kamwanga	African Environment Ltd	25	10	5
3.	Laandana No. 1	Tortilis Tanzania Limited	22	10	5
4.	Nyati	Wildlife Guides of Tanzania	25	10	4
5.	Acacia No. 1	Grumeti Expeditions Ltd	22	10	8
6.	Tembo B	Abercrombie & Kent (T) Ltd	22	10	5
7.	Lemala Kubwa	Kuhama Camp/TNS Hospitality	30	16	5

Source: Auditors' analysis data extracted from NCAA Investment file 2021/22

I am concerned about the absence of frequent relocation of the camp sites since it negatively affects the rejuvenation of fauna and flora in the natural vegetation.

I recommend that NCAA monitors and assesses project implementation of the project to allow natural rejuvenation of fauna and flora on degraded areas.

13.6 Identified cultural heritage resources in the national parks not adequately researched and used

TANAPA in collaboration with antiquity experts carried out an excavation in 2021/22 and identified 600 archaeological materials such as iron smelters, cultural landscape graveyard sites, and historical buildings at Mikumi National Park (MINAPA). The materials are reserved at MINAPA vicinity subject to be used for tourism purposes. Although the materials were meant to be used for tourism purpose, they have remained idle because no detailed archaeological researches have been conducted on them and documented to obtain detailed information about past cultures, societies, and civilizations that was done on the materials. Such works would be crucial for preserving history, advancing scientific knowledge through use of valuable data for scientific researches such as on the ancient bones and DNA to understand evolution of the local populations and diseases, and to provide a sense of identity and connection to the past for modern Tanzanian communities as part of cultural heritage.

I am of the view that the archeological findings would have been generating revenue to the Authority and also an identity of memorable history to generations.

I recommend that TANAPA solicit funds for documenting more information about the identified cultural heritage materials, improve site accessibility, install the interpretation panel and documented narrations from elders who have the detailed information on the development of cultural heritage resources found in the parks.

13.7 Frequent breakdown of internet network at TANAPA's entrance gates

TANAPA has a contract with TTCL for providing reliable, effective and efficient network to smoothen the operations of the Authority. The areas that need reliable and strong internet

network includes the entrance gates due to their visibility in serving visitors on services pertaining to payment verifications, and grant of entry permits.

I found the frequent network breakdowns the Park's entrance gates that took longer period without being fixed. At Serengeti National Park entrance gates the breakdown took a period ranging from two to 192 hours while at Tarangire the breakdown took two to 15 hours without being fixed. The internet breakdowns, extensively, disrupt operation of the parks.

The Authority deployed a standby network that has been configured with the capability to serve customers using offline gate procedure on the busiest gates of Serengeti and Northern Circuits Parks to facilitate provision of payment services at the park gate when primary service provider (TTCL) is down. Further, the Authority is in the process of reviewing the existing agreements on Network service level.

If the network server is down, it triggers-off communication disruptions in the operations at the Parks and annoy tourists at the Park and eventually, the whole tourism industry.

I recommend that the Authority (a) ensure all gates and parks have a reliable network to facilitate park's operations and provide efficient services to tourists; and (b) capture all data to substantiate the internet breakdown during the financial year 2021/22 and institute appropriate measures against TTCL as per the contract and service level agreement.

13.8 Inadequate management and supervision of Rhino Project

Article IV of the Memorandum of Understanding (MoU) signed 2015 between the Government and Wildlife Preservation Trust Fund (WPTF) tasks the WPTF to seek funding for the rhino project at Mkomazi and list all the donors in the annual Trust newsletter. However, I requested WPTF to provide me with the list of donors of the projects but the WPTF was unable to provide the list for audit assessment, and the project was fully financed by TANAPA.

Also, I noted a shortfall of TZS 297.50 million (28 %) for the rhino project compared to its budget of TZS1.08 billion in 2021/22 budget which affected planned activities such as implanting of ear notching on the newly born rhino calves.

Given that Rhino is among the endangered species, low funding of the Mkomazi Rhino Project will hinder an effective and an efficient management of the rhino project, covering protection of the endangered species.

I recommend that TANAPA liaise with the Ministry of Natural Resources and Tourism to ensure the project is adequately funded.

13.9 Widely and rapid spread of invasive species beyond the national parks control and management

I have previously raised concerns over the spread of invasive species and recommended to the Government to declare the invasion as a matter of national concern and involve all stakeholders in eliminating, controlling, and preventing its presence within the Ngorongoro Conservation Area, National Parks, and other tourists' areas countrywide.

I have been reporting on this issue for three consecutive financial years, yet no significant efforts have been made by the Government to address it.

For instance, at Tarangire National Park, only 20 out of 120 hectares of invasive species have been controlled. The uncoordinated efforts of the stakeholders, including the Government, is putting animal pastures at risk of disappearing and endangering the livelihood of wild animals. Further research conducted in 2018/19 revealed that 879 hectares were infested with the *Makhamia platycaly*, invasive species.

I reiterate my recommendation to the Government to declare the problem of invasive alien species, as “national disaster” and ensure stakeholders at all levels were taken on board to eliminate, control and prevent existence of invasive plants

within Ngorongoro Conservation Area, National Parks and in all other invaded areas countrywide.



PERFORMANCE OF WATER AUTHORITIES



14.0 Introduction

The performance of the Water Supply and Sanitation Authorities (WSSA) is evaluated through targets outlined in an agreement with the Ministry of Water. The Energy and Water Utilities Regulatory Authority regulates the technical and economic aspects of WSSA's activities.

Key performance indicators for WSSA include protecting customer interests, sustainability, revenue collection efficiency, operational costs, infrastructure and environmental sustainability, managing Non-revenue Water, and increasing water sources.

Despite Government efforts to improve access of water and sanitation there has been several shortcomings hindering initiatives taken. This chapter highlights significant deficiencies in WSSA's performance and related issues.

14.1 Deficiencies in implementation of water supply and sanitation projects TZS 56.27 billion

On implementation of water projects by water supply and sanitation authorities' (WSSAs), the Ministry provides guidance and funding through the Government's budget and WSSAs use internal revenue and donor funds to implement water development projects. However, my review of the WSSAs implementation of the projects, noted several deficiencies as follows;

DAWASA's water project to drill 20 boreholes in Kigamboni, Dar es Salaam, was delayed for eight years due to delays in disbursing funds by the Ministry of Water and contractor's failure in fulfilling their obligations. As a result, the project incurred a cost overrun of TZS 7.97 billion, leading to a revised contract price of TZS 26.45 billion. Additionally, I found there were no progress on six water projects worth TZS 20.18 billion during the year 2021/22, including construction of a wastewater treatment plant at Jangwani, Dar es Salaam, due to the decisions to start projects without assurance on financing and validation of the project concept.

Similarly, Musoma UWSSA's sanitation project faced delays in completion due to late disbursement of funds from the Ministry of Water, resulting in an incremental cost of TZS 113.41 million which compelled revising contract price to TZS 8.17 billion. Arusha UWSSA's Borehole Project at Kiranyi and Olasiti were abandoned in November 2017 on the ground that the expected water was unavailable, through the Authority had not conducted any technical assessment to ascertain the speculation on water availability. Further, the Authority had already incurred a total cost of TZS 661.42 million on abandoned project. At Geita WSSA, I found 50% of the project for expanding the construction of a mobile water treatment plant of TZS 812.14 million at Nyankanga had not been completed on time, mainly due to delayed payment to the Contractor.

I am of the view that the goal could be attained through provisions of sufficient funding and timely disbursement of funds to the WSSAs to empower them to execute the projects on time and within budget.

I recommend that the Ministry of Water, intervenes to ensures all uncompleted water projects were accomplished to safeguard the availability of water and sanitation services to the public. Additionally, the WSSAs should ensure that projects were initiated with reliable source of finance and validation of the project concepts to avoid future delays.

14.2 Continuous loss from non-revenue water TZS 162.14 billion

Non-Revenue Water (NRW) is a crucial key factor that measures the efficiency of Water Supply and Sanitation Authorities (WSSAs) by evaluating the amount of water produced or bought but lost before reaching customers. NRW is calculated by subtracting the quantity of water sold to consumers from the total amount generated or procured. Both physical and commercial factors do contribute to NRW, specifically outdated infrastructure leading to water leakage and overflow and lost revenue from illegal connections. The Energy Water Utility Regulatory Authority (EWURA) established that WSSAs should maintain NRW below 20% of total water production.

For four consecutive years, I found NRW level of 23 UWSSAs have above the tolerable level of 20% (**Table 47**). The total loss of water during the year 2021/22 was equivalent to TZS 162.14 billion. If the problem of water loss persists, UWSSAs will continue to incur un-avoidable losses.

Table 47: Non-Revenue Water

S/N	Name of UWSSA's	NRW 2018/19 (%)	NRW 2019/20 (%)	NRW 2020/21 (%)	NRW 2021/22 (%)
1.	Bukoba	44.00	44.00	44.00	43.00
2.	Morogoro	33.50	43.05	43.50	40.48
3.	Musoma	57.50	49.70	43.10	39.90
4.	Dar es Salaam	49.20	41.25	38.89	39.03
5.	Njombe	35.00	29.30	29.30	39.00
6.	Korogwe		42.00	41.00	38.00
7.	Arusha	43.00	47.80	50.00	37.00
8.	Mwanza	36.61	37.40	36.60	36.10
9.	Lindi	33.20	33.23	37.28	35.20
10.	Dodoma	26.60	26.00	34.70	33.60
11.	Tabora	36.70	34.68	33.00	31.84
12.	Sumbawanga	31.00	31.00	31.00	31.00
13.	Tanga	27.94	35.83	33.05	30.70
14.	Kigoma	30.00	30.00	30.00	30.00
15.	Mtwara	22.00	21.00	26.20	29.13
16.	Singida	26.00	33.00	31.00	29.00
17.	Mbeya	30.00	30.00	28.00	28.00
18.	Bariadi	28.00	28.00	28.00	27.50
19.	Moshi	20.30	22.00	20.22	27.35
20.	Babati	38.90	31.92	30.90	25.20
21.	Shinyanga	23.29	23.29	21.00	24.00
22.	Iringa	25.60	24.40	24.40	23.00
23.	Kahama	11.00	17.44	22.91	23.00

Source: WSSAs Audit Report

I recommend that the Government intercedes and review the water infrastructure in WSSAs and develop mitigating plans to improve infrastructure management and reduce Non-Revenue Water.

14.3 Inadequate management of water infrastructure

National Association of the Corrosion Engineers (NACE), standard RP0285-2002 Item No. 21030 provides the procedures for controlling external corrosion of metallic piping and components. It recommends using a cathode protection system for buried or submerged metal structures.

During the visit to the water production plant at DAWASA Ruvu Plant, I found that all metal distribution pipelines underground or submerged in water were not externally protected against corrosion. I also observed inadequate prevention of metal transmission pipelines that connect water sources to the distribution line, one transmission at Upper Ruvu and a transmission of Lower Ruvu to Dar es Salaam were unprotected against corrosion.

I am concerned with corrosion of pipelines in compromising the quality of water and safety, causing equipment damage and cost for repairing, causing water losses, reduced distribution level causing equipment breakdown and interruption in water supplies.

I recommend that DAWASA implement a comprehensive corrosion control program and, ensure all metal distribution and transmission pipelines were protected against corrosion.

14.4 Non-verification of water meters by Weight and Measurement Agency

Regulation 10 (2) of the Weight and Measure (Metrological Control of Water Meters) Regulations, 2014 provides that water meter must be re-verified in the year that their validity expires. Additionally, Regulation 13 (4) of the same Regulation requires

that any water meter that has been adjusted or repaired and had its seal broken must be re-verified prior to being used or re-used.

However, I found that at DAWASA, re-verification of maintained water meters was not done by Weight and Measurement Agency (WMA) in 2021/22. I also found maintenance was done on 60 installed meters by Mwanza UWSSA, but none of the repaired meters were verified by WMA.

I consider meter verification being important for accurate water meter readings, but DAWASA and MWAUWASA did not prioritize it in their respective plans, causing unfair transactions in water billing and uncertainty for customers.

I recommend that DAWASA and MWAUWASA ensure re-verification of the repaired meters is done by WMA as per the law.

14.5 Significant number of customers with meters inside premises

Regulation 47 of Water Supply Regulations of 2019 provides that, water meters should be placed in such a location that is determined by an authorized officer in consultation with the premise owner. The meter should be positioned as close as possible to the outside boundary of the premise and in a position easier for inspection by an authorized officer.

I found limited access to customer's meters as some were located inside their premises in Dar es Salaam and Tanga. At DAWASA Kinondoni region there were 3,893 customers (20.44%) with meters inside premises out of 19,043 customers, and at TANGA UWSSA I found 982 (2.2%) customers with meters inside premises out of 43,923 customers. Lack of access to meter reading, results in unrealistic bills generated to customers, leading to over or under charging customers. Meters installed inside premises, could result in non-revenue water from illegal connections.

I recommend that DAWASA and TANGA UWSSA relocate outside all meters found inside premises.

14.6 Persistent water production shortages by WSSAs

Water Supply and Sanitation Act, Cap 272 mandates the Water Supply Sanitation Authorities (WSSAs) to provide water supply and sanitation services in allocated cities and clusters. However, my review found 25 WSSAs had the problem of water supply shortages during the year 2021/22 ranging from 10% to 80% on daily basis (Table 48). In 2020/21 I reported the problem of water shortages in 23 UWSSAs.

Table 48: Shortage of water supplied in regions

S/N	WSSAs	Required water (M ³ per day)	Actual water production (M ³ per day)	Water shortage (M ³ per day)	Water shortage in %
1	Bariadi	7,116	1,395	5,721	80.40%
2	Karatu	5,393	1,094	4,299	79.71%
3	Geita	18,885	5,330	13,555	71.78%
4	Babati	25,710	9,769	15,941	62.00%
5	Sumbawanga	16,800	6,826	9,974	59.37%
6	Morogoro	73,748	32,687	41,061	55.68%
7	Njombe	8,310	3,694	4,616	55.55%
8	Lindi	4,960	2,444	2,516	50.72%
9	Songea	20,336	10,513	9,823	48.30%
10	Mwanza	172,444	91,775	80,669	46.78%
11	Arusha	109,689	59,291	50,398	45.95%
12	Mtwara	22,202	13,047	9,155	41.24%
13	Dodoma	103,609	61,500	42,109	40.64%
14	Moshi	71,392	43,230	28,162	39.45%
15	Singida	14,410	8,755	5,655	39.24%
16	Ngara	2,828	1,798	1,030	36.42%
17	Muleba	1,717	1,200	517	30.11%
18	Mbeya	90,000	66,500	23,500	26.11%
19	Shinyanga	18,446	14,345	4,101	22.23%
20	Nzega	3,979	3,130	849	21.34%
21	Tanga	41,072	32,464	8,608	20.96%
22	Musoma	24,000	19,000	5,000	20.83%
23	Masasi	15,432	12,724	2,708	17.55%
	Nachingwea				
24	Kahama	17,500	14,900	2,600	14.86%
25	Tabora	19,000	16,906	2,094	11.02%

Source: WSSAs Audit Reports

The Shortages were primarily caused by delays in the project implementation and inadequate project management due to insufficient release of funds from the Ministry of Water,

consequently water rationing has been imposed on the affected cities.

I reiterate my previous recommendation that the Government, through the Ministry of Water, ensure production capacity of clean water is elevated and water supply is improved through prompt releases of the required funds and close monitoring of ongoing projects.

14.7 Inadequate efforts on debts recoverability for UWSSAs TZS 127.07 billion

To improve revenue collection, UWSSAs implemented a credit policy to receive bills due within a month and disconnect customers who settled the bills for more than 90 days. However, despite this policy, UWSSAs still experienced an increase in outstanding debts that were beyond the credit limit period.

I reviewed 28 WSSAs and found a trend of trade debts with slight change over the past three years as shown in **Table 49**. In 2021/22, UWSSAs had a debt of TZS 127.07 billion for provision of water and sanitation services to the Government entities and other organizations as well as individual customers. Additionally, I found that the Government institutions constitute TZS 38.35 billion (30%) of UWSSAs' debts.

Table 49: UWSSAs debt trend from 2019/20 to 2021/22

S/N	UWSSAs	2019/20	2020/21	2021/22
		TZS (Million)	TZS (Million)	TZS (Million)
1	Dar es Salaam	58,165.64	69,643.53	62,285.22
2	Kahama-Shinyanga	3,818.42	5,355.51	11,068.79
3	Mwanza	6,705.41	7,039.29	7,097.50
4	Dodoma	6,596.58	6,757.49	6,062.27
5	Tanga	5,460.36	5,579.85	5,639.37
6	Mbeya	5,863.61	6,263.26	5,565.19
7	Moshi	4,572.02	5,003.53	5,166.74
8	Arusha	1,714.52	4,040.01	4,458.07
9	Morogoro	2,748.14	2,832.71	2,954.89
10	Iringa	1,492.71	1,815.64	2,145.12
11	Tabora	1,971.13	1,930.08	2,058.73
12	Mtwara	1,860.82	1,783.66	2,017.54
13	Musoma	2,167.94	2,353.91	1,641.16

S/N	UWSSAs	2019/20	2020/21	2021/22
		TZS (Million)	TZS (Million)	TZS (Million)
14	Kahama	1,552.79	1590.47	1,592.61
15	Shinyanga	1,886.69	1,625.01	1,455.15
16	Songea	1,692.80	1,412.78	1,139.43
17	Bukoba	768.41	834.27	836.37
18	Lindi	786.21	776.27	797.71
19	Masasi	672.79	587.84	725.14
	Nachingwea			
20	Singida	606.65	706.49	677.31
21	Babati	446.52	522.04	522.24
22	Sumbawanga	557.84	529.12	466.88
23	Njombe	273.80	337.71	334.7
24	Ngara	75.03	43.08	63.37
25	Geita	105.77	90.44	131.73
26	Bariadi	69.97	65.18	92.32
27	Karatu	21.41	40.17	56.94
28	Muleba	11.34	25.54	13.70
Total		112,665.32	129,584.88	127,066.19

Source: UWSSAs Audit Reports

This indicates that the measures implemented by UWSSAs to ensure timely collections of funds were insufficient. The failure to recover debts, adversely impacts UWSSAs' liquidity and could trigger-off financial constraints in meeting other operational requirements.

I reiterate my recommendation that the Government assist UWSSAs in implementing more effective debt collection measures and consider the installation of prepaid water meters for customers with a long history of bad debts.

14.8 Deficiencies in meter reading and billing system by UWSSAs

The UWSSA's Customer Service Manuals and Charters require the Authorities to read all water meters and issue monthly bills to customers. However, I have identified deficiencies in the meter reading and billing systems of three water authorities: DAWASA, Mwanza UWSSA, and MORUWASA.

At DAWASA, I found that 15,311 connected customers had no water consumption records in the system for a period of 12 months. At Mwanza UWSSA, there were 144 active customers who had not been billed for a period ranging from one to four months.

At MORUWASA, there were 13 newly connected customers who were not billed on time for a period ranging from one to eight months after these customers were issued with meters and activated in the system. These anomalies could result into customers receiving water services without payments, either intentionally or not.

Therefore, I recommend that DAWASA, Mwanza UWSSA, and MORUWASA strengthen controls on their billing systems to ensure that all customers are billed properly and in a timely manner.





REVIEW OF HIGHER LEARNING, TRAINING AND RESEARCH INSTITUTIONS

15.0 Introduction

This chapter discusses the state of higher education in Tanzania, covering; universities, colleges, research centres, and vocational training organizations. The Government provides funding for these institutions, and their effectiveness instrumental for advancing knowledge in the country. However, there are deficiencies in the management and performance of these institutions, which hinder the achievement of key objectives such as teaching, research, infrastructure development, student welfare, and the use of technology.

This chapter identifies these weaknesses and obstacles and assesses the efforts made by the Government and the institutions to promote education.

15.1 Deficiencies in research and consultancy activities at academic Institutions

I have identified several deficiencies in the research and consultancy activities at various academic institutions in Tanzania. These deficiencies include the absence of a research bureau and monitoring systems, inadequate allocation of resources for research and consultancies, and inadequate publications and consultancy services.

- At the University of Dodoma, the planned establishment of a research and consultancy bureau has not been achieved, leading to the collection of only 12.5% of the projected income

from research and consultancy activities (TZS 343 million out of annual target of TZS 2,750 million). Furthermore, there is no tracking mechanism for research and consultancy activities, which increases the risk of underperformance and damage of the university's reputation.

- At Mzumbe University, the lack of a research and publication management system has led to difficulty in managing research and publications, which makes it challenging to identify trends, measure progress, and evaluate the effectiveness of research and consultancy activities. Despite all research were supposed to be registered under the department of research and consultancy but there is no MoU and Agreements which requires the department to make follow ups and evaluate the research activities. During the year ended 30 June 2022, only 12 research were registered.
- Moreover, at the Centre for Foreign Relations, there was no allocation of funds for the established special research fund, and the International Diplomatic Review Journal has not been published for more than two years, which hindered the centre's functions of research and publication. Similarly, the College of African Wildlife Management, Mweka, did not achieve its research, consultancy, and publication targets due to inadequate motivation and a lack of a proper work plan.

These deficiencies can ultimately hinder the advancement of knowledge in the country and reduce the return on investment in tertiary education. The inability to access performance data can also make it challenging to identify trends, measure progress, and evaluate the effectiveness of research and consultancy activities.

I recommend that universities establish research and consultancy bureaus to facilitate a well-coordinate implementation of research and consultancy activities and develop a comprehensive tracking mechanism on the management of research and consultancy. Universities should also allocate sufficient financial resources to expedite the publications of academic journals and allocate funds to the

special research fund. Lastly, institutions should motivate academic staff to conduct more researches and consultancies by establishing a work plan which guarantees timely execution of all planned activities.

15.2 Decreased revenue generated from consultancies

The Institute of Finance Management (IFM) had only 17 (8%) out of 212 permanent academic staff involved in collaborative research from July 2019 to June 2022, which is not in line with Regulation 2.1 (a)(i-ii) of IFM, Regulations and Guidelines for research and publication, 2021. The regulation requires the academic staff to balance research with teaching and administrative responsibilities. At the same time, I found that the number of consultancies at IFM decreased from 21 in 2020/21 to 10 in 2021/22, resulting in a decline in consultancies revenue from TZS 713.80 million in 2020/21 to 466.60 million in 2021/22.

I recommend that IFM put more efforts in encouraging more academic staff to engage in research activities and consultancies.

15.3 Ineffective teaching management functions

15.3.1 Inadequate teacher-student ratio at VETA

I found out teacher-student ratio in some programs conducted by Dodoma RVTSC, Dar es Salaam RVTSC and Mbeya RVTSC is not in compliance with the standards. The ratio was between 1:28 to 1:100 while the acceptable ratio as per the category of the centres is 1:20.

Also, I found that several vocational training centres in Tanzania, including Namtumbo DVTC, Ileje DVTC, Nkasi DVTC, Kitangali DVTC, Ruagwa DVTC, and Mabalanga DVTC lack teachers for cross-cutting subjects, and there is low-ratio of cross-cutting teachers to students. The ratio ranges from 1:250 to 1:897, while acceptable ratio as per the category of these centres is 1:20. This deficit in number of vocational training teachers is due to lack of recruitment permit from the Government. The existing teachers

are overworked, the situation could compromise the quality of vocation training offered to students.

Despite the shortage of teaching staff, I found that some of the teachers were appointed temporarily as clerk of works and site engineers to supervise constructions projects that were being implemented by VETA without replacements.

I recommend that: (a) Government recruit and allocate teachers to VETA to reduce gap between teachers and students; and (b) VETA remove the teaching staff members from supervision of on-going and future construction projects to provide them with ample time to concentrate with core activities of the Authority.

15.3.2 Inadequate management of training

- (i) **Decreased number of short courses provided at IFM:** I found a significant decrease in number of short courses offered from 33 in 2020/21 to 19 in 2021/22 at IFM, resulting in a significant decline in short course revenue from TZS 580.1 million in 2020/21 to TZS 206.8 million in 2021/22 respectively. The decline was due to increase in the number of students' enrolment and increase in competition with private institutions which led to an increase in workload. Hence, the Institute key function of training were not attained and decrease in internally generated revenue to support other key functions of the Institute.

I recommend that IFM puts more efforts in short courses as part of its core mandate by contributing to the country development through imparting knowledge to the society and generate revenues to support other activities of the Institute.

- (ii) **Underutilization of new training machines at VETA:** VETA Karagwe DVTC was provided with various machines with total value of TZS 155.33 million by VETA HQ for use in diverse workshops during the academic year 2021/22. Each machine was designed to serve specific purposes, however, there was inadequate trainings on how to optimize their fully usage, also, the machines were capable of performing only a limited number

of functions, and therefore were underutilized. Insufficiency practical trainings generate incompetent students.

I recommend that VETA ensure training on use of the acquired new machines are fully utilized and teachers are imparted with the essential skills on how to train the students through the use of the machines.

(iii) Delayed training program supported by GIZ for 5700 trainees:

E4D programme 2021-23 is in line with an implementation agreement signed on 15 June 2021 between GIZ and the Prime Minister's Office, Labour, Youth, Employment and Persons with Disability (PMO-LYED). The E4D programme is to benefit about 5700 under privileged Tanzanians especially young women and youth. The project has two budgetary items; equipment EURO 400,070 and training EURO 500,031.

VETA is the implementer of this training program and had signed a contract of implementation on 26 May 2022, which is 11 months from initial contract between GIZ and the Government.

I found none of the students were enrolled for provision of the required training to VETA as of October 2022. The project's lifespan is to be valid until December 2023. However, it's yet to take-off due to delay by the Government to involve VETA on the project coupled with a delay in procurement of training equipment which were not delivered up to the time of audit. Delay in implementation of the project will demoralise the donor in future projects, loss of funds from the donors, and communities do not benefit from project.

I recommend that VETA make follow up to donors on the delivery of training equipment and ensure the training to students are conducted in the remaining period without compromising the qualities of training.

15.3.3 Inadequate infrastructures, tools and equipment for teaching

I revealed inadequate infrastructures at VTC in the course of my audit. These include cases such as the Simanjoro DVTC which lacks administration building, staff house and masonry and bricklay workshop. The Mwanza RVTSC had dilapidated buildings of staff houses, classrooms and general stores. Namtumbo DVTC lacked staff house, students' hostels, and office motor vehicle for transportation and tools & Equipment for carpentry workshop, and there is inadequate workshop tools and equipment at Iringa RVTSC and Kongwa DVT.

Also, at Ardhi University, I found inadequate number of laboratory equipment for course at the School of Engineering and Environmental Studies (SEES), Geomatics Instruments and Equipment (GIE) at the Survey Store and Workshop (SSW).

Inadequate educational infrastructures, tools and equipment have been caused by limited budgets and if immediate actions were not taken, the deficiency will compromise the quality and standards of our education.

I recommend that VETA (a) build and renovate dilapidated buildings for the purpose of facilitating training activities; and (b) Ardhi University provide tools and equipment to the workshop.

15.3.4 Failure to meet the requirements for registration of VETA training centres

I found that out of 16 newly established VET centres which enrolled students, only one (6.2%) was issued with preliminary registration, three (18.8%) are in the process of requesting registration, and 12 (75%) are not registered. The low level of registration at the centres is attributed to shortage of tools and equipment, workshops, shortage of number of instructors including crosscutting/related subject teachers, supporting staff, and management team as per the registration requirements. I am concerned with level of competence of the

graduates from newly VET centres. The low level of training will make incompetent in the labour market."

I recommend that VETA ensure (a) newly established VET (vocational education and training) centres met the compulsory requirements such as; sufficient teaching staff, facilities, and equipment to provide quality trainings; and (b) register all new Centres to NACTVET.

15.3.5 Failure to meet student's enrolment targets by higher learning institutions

I found inadequate enrollment of students at Ardhi University, Vocational and Education Training Authority (VETA) and College of African Wildlife Management, Mweka (CAWM), Mkwawa University College of Education (MUCE), University of Dodoma, Institute of Social Work (ISW), Moshi Co- operative of Tanzania (MOCU), National Sugar Institute (NSI), Open University of Tanzania (OUT), Institute of Adult Education (IAE) and Dar es salaam University College of Education (DUCE) (as shown in Table 50) where targets were not met ranging from 4% to 72% in year 2021/22. Non-achievement of enrollment target of students might be caused by shortage of resources including teachers, infrastructures, tools and equipment and lack of market for the programmes and this has an impact on internal source of revenue and failure to reach expected public satisfaction level.

Table 50: Inadequate enrolment of students

Sn	Institute	Target	Actual	Variance	% Not Met
1	Vocational and Education Training Authority	500,000	141,854	358,146	72%
2	Moshi Co-operative University	7,136	3,831	3,305	46%
3	Ardhi University	7,664	5,519	2,145	28%
4	Open University of Tanzania	20,000	15,838	4,162	21%
5	National Sugar Institute	420	342	78	19%
6	University of Dodoma	36,421	31,714	4,707	13%
7	College of African Wildlife Management, Mweka	950	834	116	12%

8	Mkwawa University College Education	6,276	5,841	435	7%
9	Institute of Adult Education	5,200	4,830	370	7%
10	Institute of Social Work	5,000	4,628	372	7%
11	Dar es salaam University College of Education	5,978	5,724	254	4%

Sources: Fact and Figure Report; Strategic Plan; and Current Years Enrolment Data, Performance contract with Treasury Register

I recommend that PA & oBs ensure all planned activities are implemented by improving infrastructure, increasing the number of academic staff. This will help them in achieving their objectives of enrolment of students.

15.3.6 Inadequate tracer studies conducted for graduate from higher learning institutions

The Tanzania Commission of Universities (TCU) requires universities to conduct tracer studies at regular intervals for the period of 3 to 5 years to evaluate effectiveness of teaching and learning processes, and the job market orientation of their programs. Tracer studies provide insights into the performance of alumni in the job market, which can help improve the quality of education offered by the higher learning institutions.

I found that tracer studies were not conducted for 10 years in the Institute of Finance Management (IFM), Open University of Tanzania (OUT), Centre for Foreign Relations (CFR), Mwalimu Nyerere Memorial Academy (MNMA), National Sugar Institute (NSI) and more than five years at the University of Dar es Salaam (UDSM) and the Sokoine University of Agriculture (SUA). Hence, the curricula are being reviewed based on stakeholder's groups instead of the inputs from tracer studies.

Inadequate conducting graduate tracer study was caused by lack of funds. I am of the view that not having tracer studies can have negative implications on the curriculum and the overall quality of education provided.

I recommend that higher learning institutions conduct thorough tracer studies in phases and use the findings as input in curriculum reviews.

15.4 Inadequate management of special purposes entities/centres/units/companies operated by higher learning institutions

These Special Purpose entities have been established to meet certain objectives relating to trainings, researches, consultancies and other outreach social services. I found various deficiencies in managing these entities as follows:

15.4.1 Underperformance of Dar es Salaam University Press (DUP)

The Dar es Salaam University Press (DUP), which is a subsidiary of the University of Dar es Salaam, has been underperforming for four consecutive years due to operational inefficiencies and a shortage of staff. Despite setting a target of increasing revenue by 20% annually in their Five-Year Rolling Strategic Action Plan 2020/21-2024/25, DUP has been unable to achieve this. This has resulted in financial constraints and uncertainty over the entity's ability to continue operating.

Table 51: Declined Performance of DUP

Revenue source	Revenue (TZS) (Million)			
Year	2018/19	2019/20	2020/21	2021/22
Bookshop	1.29	2.27	1.29	3.46
Printing and Publishing	56.74	28.12	28.09	12.52
Total	58.03	30.39	29.38	15.98

Source: Auditor's analysis of DUP Financial Statements and Strategic Plan 2020/21-2024/25

I recommend that Dar es Salaam University Press (DUP) (a) enhance promotion and marketing to attract customers for the printing service; and (b) review operational efficiency to develop ways to enhance attainment of set targets.

15.4.2 Low performance of printing Press at Tanzania Institute of Education

The printing press owned by Tanzania Institute of Education (TIE) has been underperforming due to the absence of a business plan, standard operating procedures, and inadequate printing machines. This has resulted in an increase in outsourced printing services by TZS 488.72 million (156%) from TZS 313.35 million in 2020/21 to TZS 802.07 million in the financial year 2021/22.

The lack of an effective operation plan and outdated machines have led to a loss of potential revenue to be generated from printing services.

I recommend that TIE prepare business plan, standard operating procedures and equip all printing press in order to increase printing production.

15.4.3 Lack of Procedures for awarding sub-consultancy services and works at ABECC

ARU Built Environment Consulting Company (ABECC) generated TZS 5.71 billion in 2021/22, of which TZS 2.78 billion (49%) were paid to three outsourced sub-consultants, leaving the company with TZS 2.93 billion (51%) as its own portion of the revenue. However, there is no evidence of how the sub-consultants were obtained and whether procurement laws were followed. Additionally, there were no documented procedures in ABECC's operational procedures for carrying out consultancy and works, which led to limited opportunities for all consultants and a decrease in internal revenue to cover operation costs. The noted deficiencies were mainly attributed to the absence of documented procedures on awarding sub-consultancy services and limited human resources.

I recommend that ABECC (a) strengthen human and physical resources capacity for handling consultancy services and works to minimize the need for sub-consultancy service; and (b) establish procedures for awarding sub-consultancy services

and works considering procurement principles and the highest standards of equity.

15.5 Operational inefficiencies of entities that regulate, manage, and support the higher learning education

15.5.1 Non-attainment on target to allocate loan to national priority programmes

HESLB's strategic plan aimed to increase access to loans and grants, with a target of allocating 51% of total loans to first-year students pursuing courses related to National priority areas in the financial year 2021/22. However, in the 2021/22 academic year, only 21% of loans, totalling TZS 33.22 billion, were allocated to 14,995 students in national priority areas, falling short of the target by 51%. The remaining TZS 156.76 billion were allocated to 57,644 students in other areas, contrary to the guidelines.

The feature is attributed to a low number of eligible applicants pursuing courses covered by the national priority areas. Lack of eligible candidates in the priority courses, hinder the attainment of national development goals in these areas due to a lack of experts and workforce.

I recommend that the Government to groom for students in taking studies aligned with the National Priority Areas.

15.5.2 Inadequate continuous training for CBET delivery experts at NACTVET

In 2021/22, the Council trained 1,640 teachers on Competence Based Education and Training (CBET) to equip them with pedagogical and assessment skills for curriculum delivery. However, there has been inadequate continuous training for delivery experts on CBET philosophy and its updates since 2005.

This is due to a lack of plans and strategies for developing CBET delivery experts to meet global technical education challenges, including market-driven changes. Outdated delivery skills could

ill-affect the competence of Tanzanian technical education graduates when compared to those trained from abroad.

I recommend that NACTVET initiate continuous development training programs for its training of trainers (experts) for improvement of its services to clients and for meeting the global technical requirements.



EFFICIENCY OF REGULATORY BODIES IN EXECUTING THEIR MANDATES

16.0 Introduction

The Government of Tanzania has established 57 regulatory authorities to regulate activities related to the provision of services, manufacturing, selling, and distribution of goods. These authorities are responsible for designing and enforcing regulatory policies, guidelines, and laws to create equal and fairgrounds for various stakeholders to operate in harmony in their respective sectors. However, my previous audit reports have identified various shortfalls in these authorities, such as inadequate management of licensing processes, unregulated natural gas prices, inadequate fee management, and inadequate strategies to curb illegal gaming activities.

This chapter details additional regulatory deficiencies identified during the 2021/22 audit and proposes recommendations for the Government and respective authorities to enhance regulatory efficiency.

16.1 Deficiency on systems deployed by regulatory authorities

During the audit for the year 2021/22, I identified several deficiencies in the systems deployed by various regulatory authorities in Tanzania as follows;

The Tanzania Medicines and Medical Devices Authority (TMDA) had deficiencies in its Regulatory Information Management System (RIMS) which resulted in overlapping of HS codes, lack of

modules for tracking unfit products, and inadequate post-marketing surveillance;

The National Examinations Council of Tanzania (NECTA) had deficiencies in its e-service application system which resulted in an inability to report on paid bills and lack of support for bank transfer control number payments and foreign currency payment services;

The Energy and Water Utilities Regulatory Authority (EWURA) lacked an electronic system for tariff computation on water and electricity sub-sectors;

Tanzania Civil Aviation Authority (TCAA) had inadequate controls over the importation of remotely piloted aircraft systems (RPAS);

The Gaming Board of Tanzania (GBT) had deficiencies in the management of licensee accounts in online gaming activities;

National Board of Accountants and Auditors (NBAA) had weaknesses in its Members and Examinations Management System (MEMS); which includes existence of duplicate member information, duplicate approved firms, duplicate contact person, duplicate system users, members without qualification.

The Contractors Registration Board (CRB) had deficiencies in its Computerized Integrated Management Information System (CIMIS). Such deficiencies include the absence of an online registration system for contractors, requiring them to travel long distances to zone offices; lack of integration with other systems like GEPG, despite all of the entity's income being received through it; the system has no capability to generate payment receipts or financial reports; and CIMIS is not adequate to facilitate all CRB operations.

Tanzania Meat Board (TMB) used a manual system to maintain data of its stakeholders; and

Finally, the Public Procurement Regulatory Authority (PPRA) had improper cancellation of tenders due to malfunction in the

Tanzania National Electronic Procurement System (TANePS) and lacked a revenue report module.

These deficiencies were attributed to inadequate management oversight, irregular upgrades, and ineffective strategies in monitoring and managing ICT setbacks at the Authorities.

I recommend that the regulatory authorities and the Government to address the deficiencies noted in various systems deployed by regulatory authorities; including improving ICT strategies and management, developing and operationalizing electronic systems for tariff computation, enhancing controls and systems for effective management of licensee accounts in online gaming activities, fixing deficiencies in Members and Examinations Management System (MEMS), assessing and rectifying errors in the Public Procurement Regulatory Authority's (PPRA) TANePS system, and adopting digital technology to improve operations and expand customer base. I also recommend regular reviews of data in regulatory information management systems to detect and correct duplicate and missing information and for the deployment of efficient and effective e-service application systems.

16.2 Inadequate enforcement and management of regulatory actions on non-compliances

Regulatory Authorities are responsible for ensuring that players under their auspices comply with laws, regulations, circulars and guidelines governing their respective sectors of operation. The Authorities conduct verifications, inspections and surveillance tests and other procedures to determine whether players comply with the required laws and regulations. Regulatory sanctions should be taken for non-compliances identified.

However, I found incidents whereby Regulatory Authorities failed to adequately enforce the required sanctions for non-compliances. As a result, players continue the non-compliance unabated and repeatedly thus affect the public. This is attributed

to lack of robust mechanism for follow up and enforcement of regulatory sanctions. Some of the non-compliance incidents are as shown below:

The Tanzania Atomic Energy Commission (TAEC) found deficiencies in 306 out of 670 radiation facilities during safety inspections which needed rectification to enhance safety use of the facilities and reduce impact of radiation to users and the public at large. But there was no evidence that TAEC made follow-up and verified if at all, its recommendations on deficiencies noted during its inspections were implemented and the identified risks were either removed or reduced to minimum.

Similarly, the Energy and Water Utilities Regulatory Authority (EWURA) did not follow up on 103 inspection findings of cases such as deficiencies in quality of power supply and reliability, repair and maintenance costs, safety measures and others against energy suppliers of TANESCO.

The Tanzania Bureau of Standards (TBS) had seized products which were proven to be unsafe and substandard for public consumption such as maize flour, wheat flour, hair oil, peanut butter, blended black tea, and chill sauce as of July 2022. However, no actions were taken on failed food products and did not dispose of the seized unsafe and substandard products. The seized products are kept at TBS stores or at premises where TBS have arrangement with.

The Petroleum Upstream Regulatory Authority (PURA) rejected recoverable costs amounting to USD 53.34 million which were overstated by oil and gas companies (PSA holders). However, the matters were not resolved with the oil companies for about seven years. These costs are still included in the current-transactions as part of recoverable costs by PSA holders thus exposing the Government to the risk of losing revenue.

The National Environmental Management Council (NEMC) could not identify all facilities which were required to pay fees as its database has inadequate information and therefore cannot

identify active and dormant projects or facilities, hence failed to establish those with delayed fees who should be subjected to billing and penalties; and the Warehouse Receipts Regulatory Board (WRRB) did not impose penalties on 32 warehouse operators with outstanding balances.

These issues pose risks to public safety and loss of revenue intended for regulatory activities.

I recommend that regulatory authorities develop and implement procedures for adequate follow-up and enforcement of regulations.

16.3 Regulatory deficiency in handling and managing complaints

Complaints is an indication of dissatisfaction, objection, or criticism on delivered services, products or on a given conducts or situation as revealed by individuals, group of individuals or institutions. My audit found out these Regulatory Authorities lack robust mechanisms to collect and handle complaints, which are key inputs for evaluating the quality of services and products delivered by players or regulators.

For example the Gaming Board of Tanzania (GBT) and the National Environmental Management Council (NEMC), had a total of 199 pending and unattended disputes (153 for NEMC and 46 for GBT) and complaints for more than 6 months due to a lack of comprehensive complaints registers and ineffective communication to management.

I also noted that Regulatory Authorities do not have a regulatory practice of follow up to ensure their regulated players have proper and adequate processes to collect and handle complaints, which discredit the Government's ability to manage gaming and environmental activities. This was noted from Regulatory Authorities to neither have as a checklist nor report on adequacy of procedures instituted by regulated entities on handling complaints.

I recommend that Regulatory Authorities develop and implement adequate, sufficient and effective complaints handling processes for themselves and for the regulated entities or institutions.

16.4 Inadequate inspections conducted by regulatory authorities

During the audit, it was found that several Regulatory Authorities had weaknesses in their inspection procedures, including:

The Directorate of Road Transport at LATRA does not regularly re-inspect licensed school buses to ensure they meet safety requirements as there is no procedure requiring LATRA to conduct such post inspections. This puts the safety of pupils and students at risk.

Tanzania Atomic Energy Commission (TAEC) neither issued TLD to 208 (38%) out of 549 active radiation facilities that were in operation in 2021/22 nor assessed atomic radiation exposure dose received by occupational workers to 131 (38%) out of 342 radiation facilities. That is to say the Commission is not aware on the extent of the radiation exposure to 338 (62%) out of 549 active radiation facilities. I also found that TAEC did not develop an annual plan and program for monitoring and controlling non-ionizing radiation sources, such as telecommunication towers and radio stations. This puts the safety of workers and the public at risk due to potential adverse health effects from electromagnetic fields;

The Energy and Water Utilities Regulatory Authority (EWURA) does not conduct compliance audits for 22 electricity service providers and does not monitor the operations of licensed LPG super dealers contrary to Rule 27(1) of Electricity (Generation, Transmission and Distribution Activities) Rules, 2019. This may result in non-compliance with regulations and potentially hazardous situations;

The Tanzania Bureau of Standards (TBS) experiences delays in product inspection and registration approval, leading to a

backlog of unapproved products. For instance, from a sample of 62 approved products (food and cosmetics) out of 1783, 51(82%) products were not evaluated timely although the payments had been received by the Bureau. The delays ranged between 41 and 785 days. This is attributed to inadequate procedures (follow up and monitoring) to ensure efficiency in evaluation, inspection, certification and registration approval despite availability of Online Application System (OAS). This may lead to substandard products entering the market and the loss of revenue from product registration fees;

At Gaming Board of Tanzania (GBT) I found no evidence whether 10 out of 20 sampled gaming operators were tested and obtained certification for their devices, management systems, and game software. This poses the risk of unfair gaming practices and puts the public at risk;

At National Environment Management Council (NEMC) I identified a total of 2333 projects that were considered to be risky as they involve activities such as those involving hazardous chemical, degrading wild life habitats, and poisonous air pollution. However, NEMC monitored only 55% of the identified, and did not monitor petrol stations despite the risk such as fire explosion for petrol station built in residential areas and the rate of their increase. This may result in negative environmental impact and risk to public health;

The Tanzania Communications Regulatory Authority (TCRA) does not ensure all five licensees comply fully with the requirement to inspect the structural integrity of telecommunication towers and does not comprehensively monitor the quality of services for postal, content, PSTN, and internet services offered by licensees. This puts consumers' interests at risk in regards to the quality of services they receive such as network unavailability or network failure, call connection failure rate and others.

I recommend that Regulatory Authorities prioritize compliance with laws, regulations, policies, and guidelines to

protect public interests by ensuring that regulated players deliver quality products and services to the public.

16.5 Ineffective licensing, registration and certification processes deployed by regulatory authorities

I have identified several weaknesses in the licensing, registration, and certification processes of various authorities. These weaknesses have the potential to compromise the effectiveness of the regulatory system and create loopholes for substandard products to be produced and distributed in the market.

During my audit of the Product Certification process at TBS, I found that TBS delayed renewal of product certification licenses whereby from a sample of 103 applications, only 12 applications were made before expiry of previous license and 52 applications were made after expiration of the previous licenses for periods ranging between one month and three years contrary to product certification procedure manual. Additionally, I found that important information, such as communication with customers and routing surveillance reports, were not uploaded in the system for some applications. These deficiencies can create a risk of substandard products being produced and distributed in the market.

I recommend that TBS strengthens its controls for timely identification of expiring product certification licenses and considers automating notifications to customers.

At TFRA, I observed delays of 23 out of 32 fertilizer applicants who applied for registration of their fertilizer and fertilizer supplements as noted during the physical visit done on 18 to 28 April 2022. The delay was attributed to laboratory tests taking a long time. Laboratory test for fertilizer and fertilizer supplements is necessary for quality assurance. This has led to a delay of up to two months in the registration of fertilizers and fertilizer supplements, resulting in increased unregistered fertilizer available in the market.

I recommend that TFRA sets up mechanisms to speed up laboratory results for the requested registration of fertilizers from agro dealers.

The Tanzania Meat Board (TMB) has weaknesses in the management of stakeholder registration. I found that there was no systematic format for sequencing the stakeholder registration list, and 28 stakeholders duplicate registration numbers. This makes it difficult for the Board to quantify the exact number of registered stakeholders and to establish the completeness of the revenue collected.

I recommend that TMB ensures that stakeholder registration numbers are sequentially numbered, and each registered stakeholder is uniquely identified for proper record-keeping and management of stakeholder information.

Lastly, I noted that the Petroleum Registry at PURA, which is required to contain information on petroleum agreements, licenses, permit authorizations, and any changes in interests of an existing petroleum agreement, permit, or license, was not yet established. This hinders easy access to petroleum sector information by stakeholders of the petroleum industry, which is crucial for decision making.

I recommend that PURA ensures the establishment of the Petroleum Registry and its use as required by the regulations.

CHAPTER SEVENTEEN

EFFICIENCY OF PUBLIC ENTITIES IN THE HEALTHCARE SECTOR



17.0 Introduction

The healthcare sector provides medical treatments, supplies, insurance, and other healthcare services to patients, and the Government aims to ensure accessibility and quality for all. However, due to limitations in resources such as human capital and medical supplies, not all basic healthcare services meet the desired standards. Evaluating the performance of Public Authorities and Other Bodies (PA & oBs) in the healthcare sector is crucial to understand their impact in providing healthcare services to the public.

This chapter highlights issues identified during review of efficiency of PA & oBs under health sector including Muhimbili Orthopaedic Institute (MOI), Medical Store Department (MSD), Muhimbili National Hospital (MNH), Jakaya Kikwete Cardiac Institute (JKCI), National Health Insurance Fund (NHIF) and Mloganzila Hospital. The issues identified include but not limited to, overcharging patients and significant rejections of medical insurance claims by NHIF.

17.1 Charging of patients and customers with different prices from approved prices at MOI and MSD TZS 1.23 billion

I found during my review of the selling prices of drugs and implants at MOI Community Pharmacy that the pharmacy staff sold 319 drugs and implants at prices lower than the approved rates, resulting in undercharging customers by TZS 5.28 million. Additionally, 12,105 drugs and implants were sold at prices higher than the approved

rates, resulting in overcharging customers by TZS 224.67 million. In total, customers were overcharged by TZS 219.39 million.

This occurred because the selling prices used in Community Pharmacy system was not automated, and prices were imported manually, making them prone to errors.

While, at the Medical Stores Department (MSD), I found that MSD had charged its customers above its approved price catalogue by TZS 1.01 billion. This overcharging occurred due to inadequate follow-up by the Management to ensure that all prices were correctly approved before being uploaded in the system. Overcharging could result in customers perceiving most of MSD's items to have high prices, contrary to market conditions limiting achievement of its objective on timely availability of quality health commodities with affordable prices. Moreover, it leads to an increase in the expenditure for health facilities and hospitals.

I recommend that (a) MOI consult with vendor to fix the Community Pharmacy system to ensure correct and approved prices are charged to patients; and (b) MOI and MSD ensure selling prices in the systems are in line with the sales policies.

17.2 Rejections of medical insurance claims by NHIF TZS 8.84 billion

In the financial year 2021/22, health facilities and hospitals provided medical services to members of NHIF and lodged claims to NHIF for reimbursement according to NHIF's criteria. During this period, I discovered that five PA & oBs filed claims to NHIF totalling TZS 92.44 billion, out of which NHIF rejected claims worth TZS 8.84 billion (10%), as shown in **Table 52**. This represents a significant increase in rejected claims compared to the previous year (2020/21), whereby only two PA & oBs had rejected claims amounting to TZS 3.87 billion (4%). The trend suggests that PA & oBs with rejections and rejected claims have been on the rise.

Table 52: Rejections of NHIF claims

S/n	Name of the entity	Total claims TZS (Billion) 2021/22	Amount rejected TZS (Billion) 2021/22	% of rejections out of total claims
1.	Muhimbili National Hospital	44.52	6.42	14
2.	Muhimbili National Hospital-Mloganzila	9.51	0.94	10
3.	Muhimbili Orthopaedic Institute	14.53	1.30	9
4.	Arusha International Conference Centre	1.62	0.05	3
5.	Jakaya Kikwete Cardiac Institute	22.26	0.13	1
	Total	92.44	8.84	

Source: Management Letters of PA & oBS

NHIF has cited several reasons for rejecting claims, including double claiming, overutilization of services, non-compliance with NHIF pricing policy, provision of services not indicated in the diagnosis, missing/invalid authorisation numbers, incomplete details for services offered, missing or invalid patient signatures, services not covered by NHIF's benefit package, calculation errors, overprescribing, and non-adherence to the Standard Treatment Guidelines (STG).

These reasons suggest that some staff members involved in providing medical services to NHIF members may not be following the established procedures agreed upon by NHIF and the hospitals or health facilities providing the services.

The increase in rejected claims compared to the previous year indicates a trend of rising rejections that could lead to reduction in revenue and affect the provision of quality medical services.

I recommend that PA & oBs (a) ensure staff adhere to the rules and regulations of NHIF; and (b) review and correct claims before submitting them to NHIF for refunds; and (c) revisit rejected claims and re-submit to NHIF for refunds for those that will be found correct or duly evidenced.

17.3 Provision of credit services without a valid contract by Muhimbili National Hospital TZS 16.73 billion

During my review of the contract management at the Muhimbili National Hospital (MNH), I discovered that four credit clients received medical services at the total cost of TZS 3.63 billion without contracts. Furthermore, I found that two clients had expired contracts for over 122 days from the date of expiry to 30 June 2022, and the services amounting to TZS 13.10 billion were offered to them since the expiry date.

These anomalies resulted from the management's failure to review and renew existing contracts and inadequate contract management practices to ensure credit services are only advanced to clients with valid contracts. Additionally, the hospital lacks legal protection in case conflicts arise from these instances.

I recommend that MNH revisit all expired contracts and renew them; and ensure credit services are only advanced to clients with valid contracts.

17.4 Increased trends of drugs received with shelf life less than 80% or 2 years of total shelf life at MSD TZS 295.76 billion

Section 7.1.3 of the MSD's Inventory Guidelines (2018), it is the responsibility of the warehouse officer at the receiving unit to determine the remaining shelf life of a product to ensure that it meets the established standard of either above 80% or 2 years of the total shelf life.

During my review, I found that 2,540 line items of drugs with the value of TZS 295.76 billion (TZS 163.83 billion in 2019/20) were received with a shelf life of less than 80% or 2 years of the total shelf life, representing an 81% increase from the previous year. This has resulted in an excess of expired items beyond the targeted expiry level of 1% as stated in the strategic plan. The total value of expired items amounts to TZS 28.24 billion, of which TZS 22.67 billion is from previous years and TZS 5.98 billion (10% of the total inventory value of TZS 60.38 billion) is from the financial year 2021/22.

I recommend that MSD ensure all items purchased or donated conform to the required standards of either above 80% or two

years of the total shelf life to reduce the quantity of expired drugs.

17.5 Construction of pharmaceuticals industries prior TMDA approval

The Tanzania Food, Drugs and Cosmetics Act No. 1 of 2003, in conjunction with the Finance Act No. 8 of 2019, states that TMDA is responsible for regulating all matters related to the quality and safety of food, drugs, herbal drugs, medical devices, poisons, and cosmetics.

During my review of the construction of three pharmaceutical facilities by MSD, I found that MSD began construction of the facilities in August 2020, without consulting TMDA until five months later. TMDA raised concerns about the construction of the Gloves industrial building, which required MSD to either dismantle the building or construct another building in compliance with TMDA guidelines. As of July 2022, when the verification was conducted, neither dismantling nor construction of another building had taken place.

This may impact the safety and quality of food, drugs, herbal drugs, medical devices, poisons, and cosmetics produced in these facilities. Additionally, there is a risk of public funds being wasted due to the need to dismantle or replace the non-compliant building, which could have financial implications for the organization.

I recommend that MSD ensure the plant is subjected to technical evaluations and confirm that it is safe for the given purpose in compliance with TMDA guidelines and in future abide by laws, regulations, and guidelines.

17.6 Unplanned purchase of raw materials for industries TZS 1.10 billion

In July 2021, MSD bought raw materials worth TZS 1.10 billion for manufacturing gloves while gloves and syrup Industries were being constructed. The materials were stored and remained unused as the construction was incomplete, indicating an unplanned purchase.

During my site visit to the project on 28 July 2022, I found that the construction of gloves industries was completed, and construction of

syrup industries was at 90%, pending laboratory, clean room, and water system completion. Despite this, the gloves materials remained in store.

As the materials have been stored for more than 12 months without utilization, their quality may have been impaired because of weather.

I am of the view that stocking huge volume of material that have remained idle for long is uneconomical since funds committed could have been used to procure other medical items and be sold hence attainment of value for money.

I recommend that MSD enhance realistic planning and scheduling in any project to achieve Value for Money.

17.7 1,090 health facilities not trading with MSD for more than a year

Based on the Standard Operating Procedures (SOP) for Integrated Logistic Supply Orders (May 2021), each primary health facility is required to order and receive four consignments from MSD during the year at an interval of 3 months between one consignment and another.

During my review of customer statement and customer balance for the year ended 30 June 2022, I found that 1090 customers did not purchase any health commodities from MSD for the year ended 30 June 2022, among them, 381 customers had receivable balance of TZS 33.86 billion and 709 had advance payment of TZS 5.34 billion.

Further, I found that, out of 1090 customers, 153 were allocated funds by the Government amounting to TZS 4.70 billion for the year ended 30 June 2022 for the purchase of commodities from MSD. The anomaly was caused by inadequate verification by MSD and the Ministry of Health (MoH) on the existence of the customers before forecasting and allocation of funds.

There is possible loss of funds due to long outstanding receivable balances from non existing customers/accounts.

I recommend that MSD in collaboration with MoH (a) conduct extensive verification of all health facilities not trading with MSD

for one or more than one year to determine whether the reported balance with those customers is genuine; (b) check the possibility of closing all dormant or non-existing health facilities and hospitals; and (c) transfer the remained credit balances to another health facility.

17.8 Adverse performance of MSD's community outlets

MSD community outlets are shops that sell medicines and medical supplies to the public at affordable prices. They are operated by Medical Stores Department (MSD), a government agency that provides essential medicines and medical devices to health facilities.

My assessment of the performance of the MSD's Community Outlet found that Community Outlets achieved only 6% of the forecasted sales of TZS 10.35 billion. The actual sales for 2021/22 (TZS 644.69 million).

MCOs face competition from private pharmacies and drug shops that offer lower prices or more variety of medicines. They also depend on MSD's supply chain management and distribution system, which may experience delays, stock-outs, or quality issues. Additionally, several MCOs struggle to achieve significant sales volumes due to their location in areas with low demand.

The high cost of maintaining the MCOs is causing substantial financial losses for MSD, which may lead to a lack of health services in areas where they are critically needed, resulting in adverse health outcomes for the community.

I recommend that MSD (a) conduct a cost-benefit analysis to determine the feasibility of maintaining MCOs, while also conducting sufficient market research to diversify the range of items and expand customer categories; (b) ensure that MCOs are established in needy areas to avoid wasting idle resources, and (c) build strong customer relationships with health facilities that offer NHIF or CHF services to streamline the provision of MCO services.

17.9 Inadequate implementation of planned preventive maintenance plan by government hospitals

My assessment on comprehensive planned preventive maintenance from biomedical department at MNH-Mloganzila for 2021/22 found that, out of 192 equipment scheduled for planned maintenance only six equipment were taken to maintenance equivalent to 3%. Those six, equipment were maintained by outsourced specialists that require high level technical expertise/troubleshooting technics and tools. MNH-Mloganzila has not been performing preventive maintenances rather than performing corrective maintenances; rectify and repair faulty systems and equipment. Thus, essential assets could break down when they are mostly needed.

At MOI, I found that during the financial year 2021/22, out of 60 medical equipment that were planned for preventive maintenance, only 27 (45%) equipment were attended. Further, I found that the preventive maintenance program (for some assets) which the Institute had established does not coincide with the preventive maintenance schedule stated by the machine's manual.

Higher cost for emergency repair of equipment may occur and frequently breakdown of services; for example, during the year 2021/22 MRI at MOI stopped working for some times and it costed TZS 20 million as a corrective maintenance. Besides, Quality of services provision at the hospitals might be affected if efficiency of assets used to provide services were not regularly maintained.

I recommend that MOI & MNH-Mloganzila ensure Preventive maintenance program is prepared and covers all key assets in the hospitals and guarantee preventive maintenance is regularly done as planned.

17.10 NHIF experiencing deficit of TZS 189.65 billion

The Fund recorded a deficit for the financial year 2021/22 before tax amounting to TZS 189.65 billion (2021: TZS 93.68 billion). Mostly, the deficit was caused by the Fund's contribution income being less than benefit expenses. Benefit expenses have been growing at higher rate than growth in contribution income over the past five years resulting in a deficit of TZS 132.06 billion (2021: TZS 59.03

billion) from dealing with members, where from 2021, benefit expenses grew at 24.60% while contribution grew at 12.90%. The above figures are indicative of a declining trend in cash flow from operating activities. An increase in utilisation of services among beneficiaries was attributed to the increase in the number of members and beneficiaries, and the impact of the Covid-19 pandemic among beneficiaries and their related treatment costs.

Due to the above, the Fund's accumulated surplus has been decreasing on yearly basis.

Based on the actuary report of year 2021, amongst the recommendation, NHIF was advised to re-look and change some conditionalities on voluntary membership, improve on Data and IT, improve on management of health providers and to assess and stop some of the investments such as loans issued to government institutions.

I recommend that NHIF (a) re consider the strategies on how to generate surplus in dealing with members and overall surplus for the sustainability of the Fund; and (b) evaluate the recommendations made by Actuary in their report, adopt valid recommendations to remedy the deficit arising from dealing with members, such as stop issuing loans and improvement on management of health providers.

17.11 Under performance of Mloganzila hospital

During my assessment of performance of the Mloganzila hospital, I found that the expenses exceeded revenue by 7%-19% from 2018/19-2021/22. Moreover, Deficit for the year has been increasing from TZS 1.92 billion in 2018/19 to TZS 5.81 billion in 2021/22 equivalent to 394% increase.

The reasons for inadequate performance of the hospital are revenue loss due to an increase in unregulated exemptions, increased NHIF insurance rejections from services offered by MNH Mloganzila and inadequate specialist services at Mloganzila Hospital to accommodate private and public patients.

Low performance level might lead to declining and deteriorating health services at the hospital. The hospital faces low sales which

cannot cover operating expenses, restricting the attainment of its strategic objectives due to declining sales in proportion to expenses incurred.

I recommend that MNH-Mloganzila (a) ensure specialist services are enhanced at the hospital to increase private and public patients; (b) ensure alignment with NHIF guidelines to reduce number of rejections; and (c) automate exemptions to enhance control over them.

17.12 Delay in supply, installation, testing and commissioning Integrated Hospital Management System (IHMS) by NHIF

NHIF entered into agreement with Maxcom Africa Limited on 18 November 2015 for supplying, installation, testing and commissioning of Integrated Hospital Management System (IHMS) with automated membership card verification and service authorization with online insurance claims submission support for a contract period of eight months from 23 November 2015 to 23 July 2016. The estimated total cost of the system is TZS 3.80 billion. Up to 30 June 2022, total cost incurred was TZS 3.62 billion. The purpose of the system is to overcome forgery on using NHIF cards.

However, the project has not been completed up January 2023, a delay of more than six years. Delay in completion of the project prevents the Fund from implementing its objective and improving the efficiency and accuracy in the provision of services.

I recommend that NHIF ensure project is completed in order to improve its efficiency in provision of services and overcome forgeries from the usage of the Funds' card.

17.13 Questionable capacity of MSD to deliver the mandated service

My audit review of the MSD's capacity in attaining the set strategic targets for the year 2021/22 found the following anomalies.

17.13.1 Presence of obsolete stock TZS 30.18 billion

My review of inventory balance in the working capital of TZS 95.19 billion found that inventory worth TZS 30.18 billion related to obsolete stock as at 30 June 2022. The balance of obsolete stock

cannot be realised, thus contributes to out of stock and liquidity problems, limiting the ability of MSD to achieve its intended strategic target.

17.13.2 Significant delays in procurement of healthy commodities

My assessment of procurement lead time for 5,936 requisitions made as at 30 June 2022 for vertical, normal and special items found significant delays in delivery of 354 normal and special items ranging from 30-197 days in excess of the required 180 days and delivery for 889 normal and special items were not made despite the delays that had already occurred for a period ranging from 30 to 380 days in excess of the required 180 days.

17.13.3 Deficiencies in distributing items to zones

Para 11.2(iv) of MSD Customer Service Charter 2021 and MSD distribution calendar for 2021/22 on distribution of items to zones, require the distribution of items to be made within 14 days from the date the items were ordered.

During my review, I found that 5,957 orders (14% of total 43,409 orders) with 6,087,216 quantities were significantly delayed to be distributed from MSD HQ to zones for a period ranging from 30 to 305 days. Further review found that the shipment of 2,114 orders with 1,073,464 quantities of requested items were delivered to zones while were either close to or already expired.

17.13.4 Non-attainment of minimum stock level for zonal warehouse and central warehouse at MSD

The minimum stock level, is the level of stock available to meet the distribution for a specific period. The minimum stock level for zonal warehouse is four months and for Central warehouse is two months.

During my review, I found that MSD did not attain even 60% of the required minimum stock level for tracer items (drugs which fully fulfil a population's health requirements and ought to be always available allowing for a properly functioning health system all the time) for one month. Standard control system requires the replacement of stock whenever they fall below the minimum stock level. MSD explained that stocks fell below minimum stock levels as

a result of change from four cycles to six cycles distribution. And insufficient funds to purchase large quantity of stocks.

Customers' orders might not be met as required if the inventory falls below the minimum stock level without replenishment.

17.13.5 Significant higher prices for items in excess of NHIF prices at a range of 5% to 98%

The approved prices of MSD are higher by 5%-98% than approved prices by NHIF (prices that will be used by hospitals and health facilities that buy products from MSD and sell to patients insured by NHIF). This mismatch might be one of major reasons as to why most of the hospitals and other health facilities do not want to place order of products with MSD knowing, placing orders to MSD at higher prices will end-up getting loss when selling the same to patients covered by NHIF.

17.13.6 Deficiencies in forecasting customers' demand

Review of quantifications in demand forecasts for the year under review noted the following deficiencies,

- Items requested by customers were 3,813,864,032 equivalents to 33% of the total forecasted demand of 11,712,651,816 items;
- 42,037,840 items were requested after being forecasted for the year 2021/22 but not purchased; and
- 710,675 items were procured by MSD after being forecasted but no orders were raised from the customers for them.

The anomalies were caused by inadequate supply chain; un-harmonized prices between MSD and NHIF; and Liquidity problem caused by long outstanding receivables and expiry or obsolete of inventories.

The shortcomings could culminate into severe disruption of the operation of MSD consequently, failure to deliver the intended services, loss of public funds due to significant value of inventory becoming expired as a result of purchasing inventory based on the

inappropriate forecasted demand, loss of revenue by MSD because health facilities and hospitals do not buy products from MSD due to higher prices.

I recommend that MSD (a) liaise with the Ministry of Health to facilitate the payment of outstanding debts; (b) restructure the existing supply chain to enhance accuracy in forecasting demand; and (c) ensure the minimum stock level is available to meet six cycle distribution to the health facilities and hospitals.



CHAPTER EIGHTEEN

REVIEW OF CROPS AND PRODUCE BOARDS



18.0 Introduction

Agriculture sector is crucial to the economy and welfare of Tanzania, and the Government has established various institutions and policies to support its development. However, the sector still faces numerous challenges that hinder its growth and productivity, including inadequate financing mechanisms and coordination among stakeholders, reliance on rainfall for agriculture, high prices of inputs, and lack of reliable financial institutions.

This chapter examines the issues found during the audit of crop boards and their functions and recommends measures for improvement.

18.1 Inadequate competitiveness and ineffectiveness of CPB in conducting cereal and other produce business

CPB (Cereals and Produce Board) was established to provide farmers with a reliable market for their cereal and other produce and increase exports to earn foreign currency. Its main activities include commercial activities that support the development of the cereal and produce industry.

After conducting a review of the financial statements and operational activities of CPB, I found that the organization is facing challenges in competing in the cereal trading industry in Tanzania. CPB's financial sustainability heavily relies on government grants to cover operational costs due to inefficiency in utilizing assets to generate revenue, maintaining excessive idle cash, and ineffective cost management practices. Furthermore, CPB is encountering issues of obtaining raw materials following inconsistent grain quality

produced by smallholder farmers as it does not buy items with low quality, and volatile market prices. I also noted that, CPB's business strategies adopted in carrying out the cereal and other produce business are not effective since it operates under its capacity and does not make analysis of breakpoint.

Unless these challenges are resolved, CPB will not be able to conduct business effectively and efficiently to grow at the desired level of operations and to the tune of intended benefits.

I recommend that CPB (a) liaise with Government to establish an appropriate approach for CPB to access financing from banks timely to attain economy of scales and operate at full capacity; and (b) develop business strategies that will enhance effective and efficient trading, competitively to enable making profit, grow and extend its operations internationally.

18.2 CPB operates below capacity of its storage, processing and manufacturing factories

After being established and became operational in 2010, CPB inherited factories/plants from the collapsed NMC in Iringa, Mwanza, Arusha and Dodoma worth TZS 17.60 billion. It also acquired warehouses in Iringa, Arusha, Mwanza, Kiteto, and Dodoma for TZS 9.35 billion. After such acquisition, CPB incurred TZS 987.54 million to rehabilitate the factories and warehouses to cope with modern ways and technologies deployed into cereal and other produce business. The rehabilitation enhanced the processing capacities of factories and conducive storage capacity.

However, I noted that CPB significantly operates below capacity of its factories and warehouses as shown on **Table 53** and **Table 54**, respectively; the figures were consolidated for total capacity per annum.

Table 53: CPB factories capacity vs. actual capacity utilized by CPB

Financial Year	Total Plants Capacity (MTs)	Actual Capacity Processed (MTs)	Utilized Capacity in %	Idle capacity %
2015/16	16,200	1,082.80	7	93
2016/17	16,200	2,040.28	13	87
2017/18	16,200	385.50	2	98
2018/19	16,200	3,820.96	24	76

2019/20	65,700	6,833.34	10	90
2021/22	126,900	14,623.93	12	88

Source: CPB performance report 2021/22

Table 54: Warehouse storage capacity vs. actual capacity utilized

Warehouse Location	Storage Capacity	Target and Utilized Capacity per year					
		2021/22			2020/21		
ARUSHA	MT	Target	Actual	%Percent	Target	Actual	%Percent
Silo	28,100	28,100	3,805	13.5	28,100	478	1.7
Warehouse	10,000	10,000	4,033	40.3	10,000	571	5.7
IRINGA							
Silo	13,500	13,500	25,954	192.3	13,500	18,272	135.3
Warehouse	4,000	4,000	5,000	125.0	4,000	4,500	112.5
MWANZA							
Warehouse	20,000	20,000	3,506	17.5	20,000	917	4.6
DODOMA							
Warehouse	30,000	30,000	16,608	55.4	30,000	10,523	35.1
KITETO							
Warehouse	1,000	1,000	1,000	100.0	1,000	60	6.0
TOTAL	106,600	106,600	59,906	56.2	106,600	35,321	33.1

Source: CPB performance report 2021/22

The low utilization of CPB facilities is due to several reasons, such as inadequate capital injection, inefficient use of available capital, insufficient raw materials for some crops, and ineffective business strategies. Given that the Board was established solely for conducting cereals and other produce business as per Section 6 (1) and 7(1) (a) Cereal and Other Produce Act, No 19 of 2009 to improve its operations and compete effectively, CPB needs to adopt more flexible practices such as quick recruitment of staff, flexible salary payments, and efficient financing opportunities. Without these improvements, CPB may not achieve its intended benefits for the public.

I recommend that CPB liaise with the Government to ensure sufficient capital is deployed to CPB business and effective business strategies are deployed to enhance CPB to operate at full capacity, and efficiently.

18.3 Ineffective analysis and management of costs and customers for CPB products

CPB products are of high quality and meet the required standards of regulators, but ensuring compliance with these standards leads to

increased production costs per unit. However, CPB lacks a cost management strategy to determine the selling price that recovers all relevant costs and provides the desired profit margin. CPB also has not determined the sales volume at which it will break even, and its current marketing, distribution, and sales strategies are not effective. The lack of a comprehensive mechanism for tracking and analyzing costs is attributed to the inadequate number of employees with the required skills and competencies. This puts CPB at high risk of making continuous losses and not attaining the desired benefits for the public.

I recommend that CPB (a) liaise with Government to ensure there are adequate number of employees with required level of skills and competences for CPB business; (b) acquire or develop and implement an appropriate cost management system(s) for effective cost analysis and management; and (c) conduct a detailed analysis of its potential customers and ensure corresponding business strategies (cost management, sales, marketing and distribution strategies) are appropriately developed and implemented.

18.4 Declining trends of cash crop production

In my previous year report (Para 17.1 of 2020/21), I reported declining production trend of some cash crops which included Pyrethrum, crude extracts, Powder and Marc. Generally, the total production of cash crops dropped from 1.06 million tons (2019/20) to 0.90 million tons in 2020/21.

During the current year audit, despite slight increase in total production from 898,966.8 tons in 2020/21 to 938,586.81 in 2021/22, I noted decline in production of four cash crops which includes; pyrethrum, tea, coffee and sisal generally because of inadequate promotion to farmers, technology change which reduced demand for some cash crops for instance sisal as raw materials of carpets and other products, low prices and lack of reliable market which discourage farmers. However, since 2017/18 where total production was 1.01 million tons, the production has been fluctuating, but generally, no significant increase in production of cash crops has been recorded over the past five years as shown on Table 55.

Table 55: Cash crop production trend in tons

Name of Crop	2017/18	2018/19	2019/20	2020/21	2021/22
Cotton	222,039	348,958	348,977	122,836	144,792
Coffee	45,245	68,147	60,651	73,027	65,235
Tea	34,010	37,193	28,715	27,510	17,615
Pyrethrum	2,400	2,014	2,510	2,412	1,895
Tobacco	50,522	72,325	37,546	58,508	70,775
Cashew nut	313,826	225,053	232,682	210,786	238,555.81
Sisal	40,635	33,271	36,379	36,169.8	29,719
Sugar	303,752	359,219	311,358	367,718	370,000
Total	1,012,429	797,570.958	1,058,818	898,966.8	938,586.81

Source: Ministry of Agriculture (Minister's speech for 2022/23 budget on Agriculture sector)

This means the efforts devoted to deal with such adverse trend may not have adequately enhanced increase in production and or prevent decline in production of the mentioned cash crops.

Hence, I reiterate my recommendation that the Government through respective cash crop boards to devote time and take more measures to appropriately find out specific causes and implement solutions to address lack of growth in each cash crop production to enhance productivity of the cash crops in the country.

18.5 Inability of crop boards to generate revenue from their core functions to finance their operations

I have found that Crop Boards are mandated by their establishment Acts, regulations, and government circulars and guidelines to impose charges or fees on certain activities such as registration fees, inspection charges, certification fees, fines and penalties for non-compliances to regulate and finance their operations. However, it was revealed during the audit that Crop Boards are unable to generate enough revenue from their core functions to finance their operations, with most of their own-source revenue coming from non-core functions. This has resulted in total operating expenses of the Crop Boards not being covered by their own source revenue from their core function or the total own source revenue generated by the respective boards, as shown in Table 56.

Table 56: Ability of revenue generated from core function to finance Crop Board's operation

Name	Total Own Source revenue TZS Million	From core function TZS Million	% of Own source from Core function	Total Expenses incurred TZS Million	Ability of Core function finance operations in %
Sisal Board	549.76	146.78	27	1,498.29	10
Cotton Board	3,265.75	50.35	2	5,281.56	1
Sugar Board	10,024.34	4,872.15	49	6,688.53	73
Cashew nut Board	3,458.39	3,458.39	100	7,032.23	49
Tea Board	169.31	88.44	52	828.81	11
Pyrethrum Board	68.46	0	0	328.41	0
Tobacco Board	1,297.51	1,240.07	96	2,364.56	52
Coffee Board	7,117.78	5,904.47	83	8,252.74	72
Total	25,951.30	15,687.10		32,275.11	

Source: financial statements for respective crop boards

Since Crop Boards heavily rely on Government funding to operate effectively, the reliance on non-core functions such as rent and other incomes for revenue generation creates a risk that the boards' efforts may shift away from their primary functions, resulting in reduced innovation and promotion of these functions as a main source of revenue.

I recommend that the Government ensure crop boards execute their mandates on core functions in an innovative and creative way in order to raise more own source revenue from core functions.

18.6 Uncertainty on food crop price increase against benefit to farmers

Over the years, my previous reports have highlighted the issue of food crops and other produce facing a lack of markets, which resulted in significantly low prices for farmers. This situation adversely affected the farmers, as they could not sell their produce at better prices and incurred losses. However, the Government has taken various measures to address this issue by ensuring the availability of markets for farmers' products, particularly food and other produce. For instance, the Government conducted an

assessment of food availability in the country and opened up the boundaries for traders from abroad to buy from the Tanzanian local market and export to other countries. These measures have increased the demand for local produce and eventually led to an increase in prices for food products, as shown in Table 57.

Table 57: Trend of prices changes for food crops (whole sale prices for food crops)

Food crop	TZS per 100Kg				
	2017/18	2018/19	2019/20	2020/21	2021/22
Maize	51,760.6	47,745.0	72,212.4	52,427.0	57,264.3
Rice	182,986.8	158,742.4	175,175.6	141,316.4	169,257.4
Sorghum	85,894.0	75,527.5	104,442.6	92,482.7	108,534.2
Finger millet	146,681.0	134,706.5	129,901.2	137,718.4	162,609.2

Source: Ministry of Industry and Trade

However, there is no evidence whether the increase in prices is benefiting farmers as there is no assessment done so far to establish that. There is risk that increase in food crop prices is not benefiting farmers but rather affects farmers because most of them are small scale subsistence farmers who do not maintain stock of their harvests.

I recommend that the Government conduct a study to improve market access for small-scale farmers to ensure they receive fair prices for their produce.

18.7 Deficiencies in fertilizer management process and systems

The Government's commitment to increasing agricultural productivity and promoting the use of fertilizers is revealed by establishing the Tanzania Fertilizer Regulatory Authority (TFRA) to regulate the manufacturing, importation, marketing, and use of fertilizers in the country. The aim is to increase agricultural productivity and protect farmers and the public from health hazards associated with the use of fertilizers and fraud in marketing.

However, during an audit, several deficiencies were noted in the fertilizer management process and systems used.

18.7.1 Low capacity to produce fertilizers within the country

The internal capacity of Tanzania to produce fertilizer is low, with only one industry manufacturing fertilizers within the country. The

average internal producing capacity is 7%, which is inadequate compared to the demand for the years 2019/20, 2020/21, and 2021/22 (Table 58). The Government's efforts to establish Tanzania Fertilizer Company have not been fruitful, as for the year 2021/22 the company neither produced/traded fertilizer nor generated any revenue. The country heavily depends on imported fertilizers, with over 71% of fertilizers being imported to meet the demand. Additionally, an average of 22% of fertilizer demand was not fulfilled.

Table 58: Trend of fertilizer availability in Metric Tons & %

Year	Demand	Internally Produced		Imported		Gap	
	MT	MT	%	MT	%	MT	%
2019/20	586,604	33,873	6	524,972	89	27,758	5
2020/21	718,051	42,695	6	504,122	70	171,233	24
2021/22	698,260	62,724	9	379,927	54	255,609	37
Average	667,638	46,431	7	469,674	71	151,533	22

Source: Ministry of Agriculture

The country (particular farmers) is exposed to risks of unavailability of fertilizers or increased price of fertilizers in case of external factors such as travel restriction which may result from wars, pandemic diseases or hazards. For instance, travel restrictions resulted from COVID-19 and Russia-Ukraine war led to decreased importation and increased price of fertilizers and necessitated the introduction of fertilizers subsidy program for 2022/23.

Given the current initiatives undertaken by the Government such as installation of irrigation infrastructure systems, construction of silos, warehouses and other activities for agriculture promotion, and fertilizers being a key input for successful farming I recommend the Government to develop and implement a plan to promote investment in fertilizer manufacturing within the country.

18.7.2 Delayed registration of fertilizers and fertilizer supplements by TFRA

Regulation 7 (1) & (2) of the Fertilizer Regulations, 2011 requires TFRA within 21 days, to register fertilizer and fertilizer supplements and issue a registration certificate after being satisfied that applicant has complied with the requirement for registration and upon payment of prescribed registration fees.

However, during the audit I found 23 applicants out 32 were registered after one and two months above the required registration period. According to management, delays were attributed to long time taken on laboratory tests.

Delay in registration processes may lead to the use or presence in the market or trade of unregistered fertilizers and fertilizer supplements which may be unfit for public consumption.

I recommend that TFRA ensure effective registration process to avoid unnecessary delays in registration of fertilizers or fertilizer supplements.



CHAPTER NINETEEN

PERFORMANCE OF EXTRACTIVE INDUSTRY



19.0 Introduction

Extractive industry is a term that refers to any industry or activity that involves extracting natural resources from the earth, such as oil, gas, minerals, and aggregates.

Tanzania has a rich and diverse extractive resource industry that includes, petroleum, and minerals. The sector contributes about 5.2% of the national GDP.

I reviewed the operation of public entities involved in the sector of the extractive industry in petroleum and mining sub-sectors that includes PURA, TPDC, NDC, TANESCO, Mining Commission, STAMICO, and STAMIGOLD.

19.1 Operational review of extractive industry

My review of activities related to extractive industry in public entities noted the following deficiencies which require Government attention:

19.1.1 Delay in execution of Memorandum of Understanding to implement Kiwira coal to electricity project 200 MW

Tanzania Electric Supply Company interim Corporate Strategic plan has set ambitious targets to increase generation of power aiming to achieve 1,836MW by June 2022 through the implementation of various projects for power development.

On 10 August 2021, TANESCO and STAMICO signed a Memorandum of Understanding (MoU) to develop the 200MW Kiwira Coal-to-Electricity project, scheduled to be completed by July 2027.

My review of the project implementation progress found that the agreed milestones were not met as at 30 December 2022, due to delays in the project execution (**Table 59**). Further, despite the signed MoU for the implementation of the Kiwira coal-to-electricity project, TANESCO has not incorporated it as a strategic project in its interim Corporate Strategic Plan which would enhance prioritization and financing arrangements.

Table 59: Details of milestones not implemented as agreed in the MoU

No	Milestone Not Implemented	Target Dates
1.	Procurement of the Consultants for undertaking Project studies (bankable feasibility studies and ESIA)	07 November 2021
2.	Submission of integrated bankable feasibility studies and ESIA	April 2022
3.	Procurement of EPC Contractor	June 2022
4.	Submission of EPC and Financing proposal	September 2022
5.	Negotiate the financing proposal	November 2022

Source: MOU between TANESCO and STAMICO & Progress Report of the Project

Coal is one of the major indigenous energy resources in Tanzania, and yet be fully exploited for electricity generation. Given the increasing energy demand, climate change affecting hydrological conditions, and slow pace of upstream development of the gas sector, there is a need for TANESCO to diversify its sources of electricity by increasing the pace of implementing the Kiwira coal-to-electricity project.

I recommend that TANESCO: (a) collaborate with STAMICO and take immediate measures to expedite implementation of the Kiwira coal to electricity project, and (b) prepare a financial proposal to the Government financing through the Ministry of Energy and the Ministry of Finance and Planning, and emphasize the necessity for the project to enhance growth of the national economy and electricity generation capacity

19.1.2 Unutilized make up gas whose rights exceeds contract tenure TZS 30.41 billion

Clause 5.3 of the Portfolio Gas Supply Agreement (GSA) between TANESCO, TPDC, and PanAfrican Energy Tanzania Limited (PAET), dated 17 June 2011, provides that during the supply period, the seller (PAET) shall sell and deliver natural gas to the buyer (TANESCO) at the applicable delivery point as nominated and agreed upon pursuant to the terms of the agreement.

TANESCO shall take delivery of and pay for normal gas, or pay for natural gas if not taken (Take or pay concept), in accordance with the terms of this agreement. If there is an annual quantity deficiency (untaken gas) in any contract year, then such quantity deficiency shall be treated as make-up gas aggregate and which shall be available to the buyer in any of the following five contract years (make-up period) subject to payment.

My review of unpaid invoice records as at 30 June 2022 found the company had two invoices for take-or-pay (make up gas) amounting to TZS 30.41 billion from PanAfrican Energy Tanzania Ltd (PAET) whose right of utilization goes up to June 2025 and the other invoice goes up to June 2026 which is beyond the Gas Supply Agreement (GSA) term, which expires on 30 June 2023. However, at the time of the audit (November 2022), no payments had been made to secure the right of utilizing make up gas (Table 60).

Table 60: Unpaid Invoices of takes or pay whose rights exceed contracts tenure

Invoice date	Description	End of contract	End of utilization rights/period	Invoice amount million
30-Jun-20	Take or pay Invoice	June 2023	30-June 2025	6.50
30-Jun-21	Take or pay Invoice	June 2023	30-June 2026	6.70
Total USD				13.2
Total TZS (TZS 2,304/USD)				30,414

Source: Take or pay invoice

I am of the view that the extension of the take-or-pay utilization right beyond the contract period is due to the management disputing the contractual obligations of paying for make-up gas due to their

failure to make timely nominations of the required gas and payments of invoices. Therefore, payment for untaken gas will be a nugatory expenditure if the contract is not extended.

I recommend that TANESCO (a) strengthen the contract management unit to avoid disputes over contractual obligations that have resulted in delayed payment of make-up gas and grant timely utilization within the contract term; (b) negotiate with the supplier on how best TANESCO will utilize the remaining make-up gas; and (c) ensure that in case terms of GSA is extended as a measure for utilization of make-up gas, then appropriate nominations are made to avoid additional take or pay.

19.1.3 Inadequate plans in implementing project to connect Biharamulo Mine

TANESCO and ETDCO entered Service Level Agreement on 25 August 2020 to construct of a 110 km, 33KV distribution line from Geita substation to STAMIGOLD Biharamulo mine at a contract amounting to TZS 5.48 billion for a period of four months. The power supply will help STAMIGOLD reduce operational costs due to huge fuel cost of running generators, while also increasing revenue for both TANESCO and STAMIGOLD.

My review of project implementation report of June 2022 revealed that, apart from the dedicated 33 KV line to the mine, there was a need to construct a substation at STAMIGOLD. The construction of the substation was signed on 06 May 2021 at a cost TZS 10.53 billion; and it was agreed to be completed within 8 months (December 2021). However, the substation was not completed up to December 2022 while transmission line from Geita Substation to Biharamulo was completed by 100%. The line is already connected to the power source.

I am concerned about inadequate planning and timing for the commencement of constructing the substation, which was behind one year as per the planned schedule considering the line was expected to complete in four months.

If both contracts had been initiated concurrently, it would have shortened the time for the completion of the project, thus

enhancing timely achievement of project's objectives, returns on the investments made are delayed since TANESCO is unable to exploit the revenue source from the mine. Additionally, STAMIGOLD continues to incur substantial uneconomical operational costs attributed to the high cost of fuel to run the mine.

I recommend that TANESCO (a) ensure close supervision and monitoring to enhance timely completion of the substation, which is an important component for connectivity of the mine to the national electricity grid; and (b) In future, ensure that adequate studies are conducted to enhance proper planning and timing to avoid delays in the completion of projects whose delays hinder the achievement of intended objectives.

19.1.4 Decline in revenue from gold sales at STAMIGOLD TZS 11.66 billion

My review of the STAMIGOLD financial records for 2018/19 to 2020/21, I found the Company's revenue had increased following rise in gold production indicating good performance. However, for the financial year 2021/22 decreased by TZS 11.66 billion, equivalent to 23% compared to TZS 49.24 billion of previous year of 2020/21. This decline was due to lack of capacity and underperformance of the mining contractor lacking sufficient equipment which resulted to lower gold production. The underperformance highlights absence of due diligence before engaging the contractor. **Table 61** shows the revenue trend from the Company's gold sales for the past four years.

Table 61: Revenue from Sale of Gold and Ore Tonnage at STAMIGOLD

Financial year	Revenue collected from sale of gold (TZS) (billion)	Tonnage ore mined
2018/19	38.64	365,484
2019/20	43.70	395,232
2020/21	49.24	405,058
2021/22	37.59	230,445

Source: Stamigold Biharamulo Mine Annual performance report

I am of the view that the operational efficiency of the Company is affected by low gold production due to unsatisfactory performance of the mining contractor.

I recommend that STAMIGOLD (a) take immediate measures to ensure the mining contractor perform the works as per the agreed

targets in order to increase production of ore mined which in turn increase the revenue from sales of gold; and (b) in future conduct adequate due diligence before contracting the contractors for the mining operations.

19.1.5 Inadequate performance of STAMICO's obligations on enhancement of Mwanza Precious Metals Refinery productivity

STAMICO entered a joint venture agreement to construct and operate the Mwanza Precious Metals Refinery (MPMR) project with Rozella General Trading LLC and ACME Consultant Engineering PTE Limited on 19 December 2019. Their core responsibility is facilitating, structuring, implementing, and managing the operations of the refinery through 100% Foreign Direct Investment and offering STAMICO free 25% shareholding and profit share in the joint venture. The joint venture agreement under Article 6.3 (h) obligates STAMICO to assist and arrange local collection centres to obtain raw gold for the refinery.

On visiting the refinery on 29 August 2022, I observed that the refinery was operating below capacity and had not obtained Integrated ISO Certifications for Quality, Lab Accreditation, Operations, and Systems due to insufficient raw gold being processed at the refinery. The refinery can refine 480 kilograms of raw metals daily, but as of 10 October 2022, only 170.84 kilograms of raw metals have been received and processed since the inauguration of the refinery on 13 June 2021, the cumulative amount of refined gold produced has been 43 kilograms.

I believe that the refinery's objective of discouraging raw gold exportation and ending illegal gold trade markets is hindered because STAMICO is ineffective in fulfilling its obligations to ensure the availability of raw gold to the refinery.

I recommend that STAMICO fully play its obligatory functions of assisting and arranging local collection centers for obtaining adequate raw gold by Mwanza Precious Metals Refinery so that the objectives of the refinery are effectively met.

19.1.6 Slow progress to revamp Buhemba Gold Mine

On 4 September 2020, Goodfield International DMCC from Arab Emirates and STAMICO entered a joint venture agreement (30/70 shares) to revamp the Buhemba Hard rock gold project under Prospecting license No.PL 7132/2011. The project involved exploration activities, conducting feasibility study, and undertaking commercial mining operations.

Buhemba project's progress and implementation report dated 28 August 2022, show the joint venture had not completed any of the 13 planned activities by December 2022. Three activities had not commenced, while 10 activities were at various stages of implementation (Table 62).

Table 62: Delayed activities at Buhemba project

S/N	Planned Activities	Start date	Planned end date	% of completion
1	Project Management of Initial Phase & Construction Phase	01-May-20	01-Oct-22	35%
2	Mine Design	31-Oct-20	15-Sep-22	3%
3	Mine Planning & detailed Open Pit design	31-Oct-20	14-Apr-22	0%
4	Infrastructures	13-Feb-21	31-Aug-22	6%
5	Housing Senior Staff Construction	01-Apr-21	01-Dec-22	50%
6	Tailings Storage Facility (TSF) - Studies & Refurbishment	12-Apr-21	15-Jun-22	0%
7	Resources Updating (i.e., remodeling data, create BM 8. wireframe	12-May-21	15-Sep-22	10%
8	Exploration (Verification / Certification) Drilling	13-May-21	13-Jun-22	40%
9	Process Equipment Manufacture and Delivery	30-Sep-21	13-May-22	30%
10	Processing piping's, platform and non-standards parts for installation	30-Sep-21	29-Dec-21	50%
11	Tender for Mining Operations (Mining Ore & Waste, Drill and Blast)	01-Dec-21	15-Feb-22	80%
12	Geotechnical study and drilling to define the overall slopes	01-Feb-22	03-Mar-22	20%

S/N	Planned Activities	Start date	Planned end date	% of completion
13	Site Temporary Camp	01-Feb-22	15-Mar-22	0%

Source: Project reports

The main reason for this delay is the late commencement of mineral resource confirmation and definition of drilling programs which negatively impact the development of a gold mine.

I recommend that STAMICO device strategies ensure revamp measures of Buhemba gold project are implemented as planned to enhance production.

19.1.7 Abandonment of Nyanza Glass project and its negative impact to silica sand mining

Nyanza Glass works project located at Mkuyuni-Mwanza region was initiated in 1978 to produce glass and reduce the cost of glass importation. The main raw materials for production of glass products are silica sand and soda ash which are abundantly available at Bukoba and Monduli District respectively. The construction of factory started in February 1981 and building was completed by 83% and purchase of machine and installation was completed by 98%.

The project ceased due to lack of funds and NDC was given the authority by the Government via GN No 186 of 11 July 2003 to sell all machines and other Factory equipment. NDC sold the machines and changed the purpose of the structures to be investment properties.

As of June 2022, NDC holds eight Primary Mining Licenses (PMLs) for Silica Sand industrial minerals in Bukoba, which were granted on 16 November 2012 with the aim of revamping the Nyanza Glass project. However, as of the audit in December 2022, no mining activities had been conducted in the licensed areas due to the abandoned project.

I am of the view that the objective to have the glass work industry in Mwanza has not been given appropriate attention while there were still demand and the Corporation could earn more revenue from the project if a comprehensive plan had been set and implemented.

I recommend that NDC (a) reassess the objective of having the glasswork project in Mwanza, and (b) prepare a revitalization plan

for the project if results of reassessment are in favour of continuing with the project, or prepare a comprehensive plan for other activities to be conducted in the area.

19.1.8 Weakness noted in maintenance of gas generation plant that affect electricity generation and gas sales

My review of factors affecting availability of Gas Generation Plant to enhance generation of electricity and Gas sales at TPDC noted the following weakness:

a) Excessive plant outages caused by inadequate preventive measures

My review of the outage reports for the Ubungo I Gas Power Plant and Mtwara Gas Power Plant for the year 2021/22 noted that, a total of 13 out of the 25 engines had forced outages or unplanned outages of 28,641 hours. This exceeded the expected outage of 421 hours by an excess of 28,220 hours. The duration of individual engine forced or unplanned outages ranged from 7 hours to a maximum of 8,760 hours.

b) Delay in implementing planned maintenance ranging from 2 to 243 days

TANESCO maintenance plans and implementation reports for thermal power plants highlighted delay of 2 to 243 days in maintenance of thermo power plant for the year 2021/22. I am of the views that the failure to conduct the scheduled maintenance timely is major cause of engine failures or breakdown and increase cost to TANESCO that might necessitate replacement of the engine at high cost which can be prevented and avoided through regular maintenance

c) Inappropriate enforcement and implementation of preventive maintenance policy

The maintenance outage report for Ubungo II Gas Plant indicated that the Corrective Maintenance (CM) exceeded Preventive Maintenance (PM) by 1,328 hours during the financial year 2021/22. I am of the views that Corrective Maintenance (CM) is reactive in nature, carried out after sudden machine faults/failure. This is cost effective in the beginning but expensive in the long term.

However, Preventive Maintenance (PM) is proactive in nature, carried out at a predetermined intervals or according to prescribed criteria, intended to reduce the probability of failure or the degradation of the functioning of an item. It is expensive in the initial stage but cost effective in the long term and help to avoid machine/equipment failures. Moreover, it decreases downtime of a machine and optimises plant performance as well as extending plant life span.

I recommend that TANESCO ensures there is adequate supervision on the performance of planned maintenance activities to avoid unnecessary machine failures and unplanned power outages.

19.1.9 Accrued annual rent and penalties on uncollected licenses TZS 472.11 million

My review of license management at Mineral Regional Manager Office in Singida found 553 licences granted to different applicants from 2014 and 2022. However, there were no collection of annual rent and penalties. At the time of audit in December 2022 uncollected annual rent and penalties totalled TZS 472.11 million contrary to Section 22 (a) - (b) of the Mining Act, Cap 123.

I am of the view that cumulating uncollected rent and penalties denies the Government revenue and highlights non-compliance with terms and conditions of the licence which lead to licence cancellation.

I recommend that Mining Commission (a) make close supervision and monitoring of issued licenses including timely payment of relevant taxes and non-tax revenues; and (b) cancel the license if non-payment persist and award them to other investor to proceed with production.

19.1.10 Existence of 205 unlicensed mineral processing plants in Geita

My review of operations of mineral processing plants noted 205 unlicensed plants in Geita region were active contrary to Section 6(1) of the Mining Act, (Cap 123). However, they kept their mining equipment contrary to Section 7(1) of the Mining Act, (Cap 123). These plants were registered by Regional Manager Office only for annual rent and royalty collections but were not licenced by Mining commission.

There is a risk of evade Government revenue for lack of binding agreements and, licenses to the plant owners. Also unlicensed mines impose risk to people around the plants being affected by reactive chemicals used in the plants since they are not well managed.

I recommend that Mining Commission (a) enforce the compliance with the processing licenses' application through awareness campaigns to citizens around the mining areas; and (b) conduct routine inspections to the prospecting licensed areas, identify activities that are not related to the terms of prospective licenses and take appropriate actions.

19.1.11 Delays issuance of exploration licenses to TPDC

In reviewing TPDC operations for measures to enhance upstream development given increasing gas demand, I found that in 2019 the Corporation had applied for exploration license for the Mnazi bay North block, however the Minister responsible for Energy sector had not issued it by the audit time in November 2022.

I found in another case that the reconnaissance permit for geo-scientific and geo-technical activities during preliminary evaluation of potential hydrocarbon areas related to Mnazi Bay North issued on 10 January 2019 had expired on 09 January 2022 but it was yet to be renewed by the Ministry of Energy resulting in suspension of exploration activities.

I am of the view that, delays in the issuance of exploration licenses handicap the Corporation's objectives to increase the natural gas supply, with missed opportunity of market price advantage given the currently high demand in the market worldwide.

I recommend that TPDC continue liaising with the Ministry of Energy and PURA for ensuring the licenses are issued without further delays.

19.1.12 Weakness in monitoring and verification of gas metering

Section 19 (2) of the Weights and Measures Act, Cap 340, requires that every such weight, weighing or measuring instrument shall be examined and verified by the inspector. In addition, Regulation 3(A) of the Weights and Measures General Regulations, GN 288 of 2019, detailed

that the flow meter should be verified quarterly or after repair or calibration.

Installation of a meter to recheck the accuracy of the primary meter is a significant measure in gas industry as it ensures proper measurement of gas flow, essential for billing and revenue accounting purposes. Rechecking with a secondary meter can identify discrepancies in the readings of the primary meter and helps in verifying its accuracy. It is necessary to have meters verified by Weights and Measures Agency to ensure their compliance with the applicable standards, regulations and in maintaining the accuracy of the meters and ensuring the customers are billed correctly.

My review of controls and management of meters in ensuring accuracy of gas flow readings, I noted the following weakness:

a) Non-verification of the measuring instruments

Performance reports and audit assessment of meters showed 1,555 gas metering devices were not verified by the Weight and Measure Agency (WMA) as required under the Weights and Measures Act, Cap 340. One meter relates to Songosongo plant, eight meters were connected to Industries, 27 meters connected to Pressure Reduction Metering System (PRMS) and 1,520 meters from TPDC's pipelines were connected to Mtwara, Lindi and Dar es Salaam households.

b) Inadequate control on the Mnazi Bay gas metering by TPDC

During a visit to Mnazi Bay gas plant in June 2022, I found that, transaction meter is installed at the seller plant i.e., Maurel and Prom (M&P), and TPDC as a buyer, had not installed a check meter to verify the received gas from seller. This, indicated inadequate control over the gas purchased from Maurel and Prom.

Further, I found that from March 2021 to the time of audit August 2022, metering devices from Maurel and Prom (M&P) had not been verified contrary to Regulation 3(A) of the Weights and Measures General Regulations

I am of the view that non-verification of meters and absence of meter to check accuracy of reading increase the risk of loss of revenue as customers are undercharged and over billed when purchasing gas.

I recommend that TPDC (a) consider establishing a mechanism for timely verification of the measuring instruments; and (b) enhance controls on gas transactions, such as installing check meters to verify the gas amount received from the supplier (M&P).

19.1.13 Initiation of the project without MOU/ Agreement between TPDC and DART

The supply of Compressed Natural Gas (CNG) to Dar es Salaam Rapid Transit (DART) is a social services project aimed to switch from using fuel to natural gas for powering the DART bus fleet that has a number of advantages including natural gas as non-toxic, non-corrosive, non-carcinogenic fuel, less air pollutants when burned making it safer for the environment and public health and significant direct advantage of cost reduction. The cost of natural gas is significantly lower than that of fuel, which reduces operating expenses for the project. This, in turn, reduces the fare prices and makes the public transport system more accessible and affordable for the residents of Dar es Salaam.

Among objectives of the TPDC Corporate Strategic Plan of 2018/19 - 2022/23 was to expand the Company's market share supported by a plan to construct a refueling gas station at Ubungo DART buses depots, one of the biggest potential customers of the project.

In my review of implementation of the Compressed Natural Gas (CNG) project, I found that in 2018/19 TPDC started discussion with DART for construction of CNG mother station at Ubungo DART buses depot. It was decided to carry out the project at DART premises after obtaining certificates of Environmental Impact Assessment from NEMC. But there was no MoU or Agreement between them to construct CNG mother station at Ubungo. Further, on 30 December 2021 DART withdrew from the project as it had signed a 12-year contract for supply of diesel buses.

I also found on 12 September 2019, TPDC had signed consultancy services of detailed engineering design and supervision of compressed natural gas project in Dar es Salaam, including Ubungo filling station for DART buses for TZS 808.55 million. Detailed engineering design was completed in September 2020 with 323.42 million being paid to Consultant. Further, the Consultant was paid TZS 34.40 million for evaluation and negotiation of tender No PA/031/2020-21/W/23 on

Contract for Engineering, Procurement and Construction, Installation, Testing and Commissioning of Compressed Natural Gas (CNG) Refueling Station for DART.

I am of the view that absence of MOU or agreement between the two parties caused lack of commitment, hence the project failure of implementation. The project was not critically analyzed and had few resources such as land, which led to loss of funds to the entity as the consultant had been paid TZS 357.85 million for designing.

I recommend that the TPDC (a) liaise with the Ministry of Energy and the Ministry of Transport and Infrastructure to renegotiate with DART on carrying out of the project to enhance fare reduction in public interest and promotion of Tanzanian gas market; and (b) ensure that all projects with third party have signed agreements or MOU to bind parties in agreement.

19.1.14 High gas price charged by TPDC on gas supplied to TANESCO

On 17 January 2019, EWURA wrote to the Ministry of Energy referring to synthesis of the report for the cost of service study on TANESCO with reference number: EWURA/60/TR.1/16/2/019/Vol III/51. It recommended two options to reduce gas price to make the electricity price affordable. First, to make conversion of On-lending Agreements between TANESCO and Government into Grants, and secondly option was to take option inline with Conversion of TPDC's Loan on Gas Pipeline into a Grant, if the Government takes the recommended options, TPDC gas price could be reduced from USD 5.19/mmBTU to USD 4.359/mmBTU which in turn would reduce power generation.

My review of Gas Supply Agreements and their monthly invoices found that, the price charged by TPDC was higher compared to other suppliers like the PanAfrican Energy Tanzania Limited (PAET) despite the recommendation by EWURA made in 2019. **Table 63**

Table 63: Comparison of gas prices between TPDC and PAET

Name of Gas Supplier	Gas Price per mmBTU in USD
Tanzania Petroleum Development Corporation (TPDC)	5.5384
Pan African Energy Tanzania Ltd	3.8002
Difference in Price (PAET)	1.7382
Percentage difference	45.7

Source: Gas Sales Agreements between TANESCO and TPDC and PAET

I am of the view that considering higher dependence of TANESCO on Gas for generation of electricity, gas price is the major determinant of Company's operational cost which are also referred on tariff determination. I am aware that in 2022, the Government had announced a decision to change TPDC loan into equity and eventually suggested price review which inturn benefits the general public.

I recommend that TANESCO and TPDC ensure gas price is reviewed as recommended by EWURA to relieve TANESCO's gas to electricity operational costs which may eventually reduce tariff charges.

19.2 Production Sharing Agreement monitoring in the petroleum sector

Tanzania uses Production Sharing Agreements (PSAs) as fiscal regime in monitoring petroleum operations. The PSA is the primary contract that governs the country's relationship and oil companies. For the state to realize the benefits of petroleum operations, compliance with PSA's provisions is very important. My review of PSA management found the following anomalies:

19.2.1 Long outstanding unresolved disputed on recoverable costs USD 386.67 million

As of 30 June 2022, the contested recoverable costs for six International Oil and Gas companies (IOCs) including Shell Tanzania, Equinor Tanzania, Swala Energy, Maurel & Prom, Ndovu Resources, and Pan African with PURA amounted to USD 487.02 million. This figure includes USD 64.87 million related to audits conducted by the Petroleum Upstream Regulatory Authority (PURA) after taking over audit responsibilities from the Tanzania Petroleum Development Corporation (TPDC) in 2017.

Of the total amount, disputes amounting to USD 11.53 million were resolved by PURA, leaving balance of USD 53.34 million. Furthermore, disputes arising from audits carried out by TPDC totalled USD 333.33 million, when added to the unresolved balance, making the total USD 386.67 million. These disputes have been outstanding for over seven years, mainly because of failure to comply with Regulation 31 (c) of the Petroleum (Cost Recovery

Accounting) Regulations, 2019 that provide timeline for handling disputes and transferring regulatory function from TPDC to PURA that impose challenges on resolving disputes due inadequate handling over facts and evidence

I recommend that PURA (a) liaise with TPDC who conducted audits prior 2015 audits, to collaborate with relevant authorities (such as the Ministry of Energy and the Attorney General's Office) to expedite the resolution of long outstanding unresolved recoverable costs for safeguarding the Government's revenue share, and (b) exert efforts to make follow up with International oil companies (IOCs) to increase the pace of responding to exceptions noted in the reported costs.

19.2.2 Non validation of cost recovered by International Oil Company

TPDC is a shareholder in Mnazi Bay Production sharing Agreement (PSA) carrying the national interest and is entitled to profit share in gas produced from Mnazi Bay operated by Maurel & Prom. During the financial year 2021/22 TPDC received quarterly reports from Operator (Maurel & Prom) that TZS 5.72 billion was operators cost recoveries and the same submitted to PURA (Auditors) showing the aggregate category of costs according to agreed allocations. However, there was no further procedures undertaken by TPDC a shareholder to confirm the validity of the costs and whether they qualified for allocated classification since TPDC has to wait for the undone audit by PURA.

I am of the view that, failure to validate the recovery costs imposes the risk of inaccurate costs capitalized as development costs that directly affect the Government take.

I recommend that TPDC liaise with PURA to establish an effective and efficient mechanism for verifying the recoverable costs incurred by international oil company time.

19.3 Review of legal framework in extractive industry

A sound legal framework is a vital component in promoting sustainable development and good governance in the mining industry. It serves as foundation for relationship between various stakeholders, including the Government, mining companies, and

International Oil company (IOC). However, after conducting my review, I identified several deficiencies in the effectiveness of legal framework. These include:

19.3.1 Lack of local content framework and strategies for monitoring and evaluation of technology transfer on petroleum Industry

I observed that PURA has not created a local content framework and strategies to oversee and assess the local content plan pertaining to technology transfer in the petroleum sector. Moreover, these objectives are not included in the action plans, which contravenes regulation 4 (3) of Petroleum (Local Content) Regulations, 2017.

In absence of a local content framework and technology transfer strategies, the industry may rely on imported technologies. This, cause limited knowledge and skill transfer to the local workforce as well economic benefits for the country.

I recommend that PURA ensure development of local content framework and strategies for monitoring and evaluating local content plan on technology transfer in the petroleum industry.

19.3.2 Absence of petroleum registry

During my review of the annual action plan, I found that PURA had planned to establish Petroleum registry by June 2022, to include information such as petroleum agreements, applications for grants, assignments, renewal, surrender, termination and, revocation of license. However, during audit, I realized the registry had not been established, contrary to Section 84 of the Petroleum Upstream Regulatory Authority Act of 2015.

Although PURA has been collecting petroleum data for the registry, it has not been able to gather all the necessary information, which is still under the control of TPDC, including PSA contracts.

This lack of a petroleum registry has several negative consequences. It impedes easy access to critical information by stakeholders, limiting their ability to make informed decisions. Furthermore, it hinders transparency, compliance with regulations, and investment in the petroleum industry.

I recommend that PURA liaises with TPDC and other stakeholders to collect all necessary information and ensure petroleum registry is established without further delays.

19.3.3 Lack of model Gas Sales Agreement to provide guidance for contracts related to gas sales

In reviewing Gas Sales Agreements between TANESCO and three suppliers namely; TPDC, Pan African Energy Tanzania Limited and M & P Exploration Production Tanzania Limited. I found that agreements differ in terms of provisions and context. Also, there are challenges and disputes arising from the provision of the contract that are not friendly to business operations and environment like take or pay provisions, high interest on delayed payment, and making of daily nominations, like specifying quantity of gas buyer is entitled to purchase from a seller under the contract.

I am of the view that the development model for Gas Sales Agreements will reduce gas sales disputes and facilitate uniformity of the terms and conditions which could be implemented by parties. **I recommend that Management of PA & oBs involved in gas sale business in collaboration with the Ministry of Energy to coordinate the establishment and application of a guideline to detail the framing requirements of the Model for Gas Sales Agreement.**

19.3.4 Lack of indicative prices for rare metals

My audit review found the Mining Commission did not provide the indicative prices for rare metals minerals such as Neodymium, Lanthanum, Cerium, Scandium, and Europium contrary to Section 22(S) of the Mining Act, Cap 123. This implies inadequate initiatives by the Commission to make survey and publish the prices of rare minerals.

Lack of common price of these metals pose the risk of losing non-tax revenue such as royalty by the Government due to understated price of the rare metals.

I recommend that the Mining Commission provide indicative prices of the rare metals in order to enhance the assessment and valuation of minerals and computation of non-tax revenue.

19.3.5 Overlapping mandate in management and enforcement of corporate social responsibility obligations by Mining Commission and local government authorities

My review of management of Corporate Social responsibility found a contradiction between Sections 22 and section 105 of the Mining Act Cap 123 in monitoring and effective supervision of corporate social responsibility programmes. The Act mandate the Mining Commission to supervise and monitor implementation of Corporate Social Responsibility at the same time mandates the Local Government Authority with the same responsibilities, posing confusion as to which organ is responsible for monitoring and supervising the implementation of Corporate Social Responsibility.

I am of the view that vesting the responsibly on the two different organization poses the risk of lack of accountability and commitment, which in turn results in ineffective management of Corporate Social Responsibility.

I recommend that Mining Commission (a) liaise with Parent Ministries and relevant authorities to address the contradiction between Section 22 and 105 of the Mining Act, Cap 123 to enhance accountability and transparency and ,(b)liaise with the respective Local Government Authorities to ensure mineral rights holders to comply with the requirements of the Mining Act, Cap 123 on fulfilling its Corporate Social Responsibility for the community to benefit from the resources including developing effective strategies for supervision and monitoring the implementation of Corporate Social Responsibility.

19.3.6 Delay in commencement of production on Special Mining License - SML 489/2013

Section 47(a) of the Mining Act, Cap 123 provides that, the licensee should commence mining activities within eighteen months or such other further period as the licensing authority may allow from the date of grant of a license and carry-on mining operations in substantial compliance with the programme of mining operations and an environmental management plan.

Clause 6.2 of production agreement between Mantra Tanzania Limited and Ministry of Minerals which is valid for 15 years from 5 May 2013 provides that, the licensee should commence development work within three months from the date of grant of the special mining license, or such further period as may be agreed by the Minister, based on plans, general design for the mine and related facilities as well as, ancillary operations consistent with the approved mining plan.

I found that on 14 December 2016 Mantra wrote a letter to the Permanent Secretary, Ministry of Minerals for suspension of the development program due to change of market price in the world market as required by Section 69(1) of the Mining Act, Cap 123. However, up to the time of my audit there was no statement of commencement of productions despite a lapse of six years from the date of suspension and nine years from the date of granting licence.

I am of the view that suspension of development and production of mining activities for a long period denies the Government from generating revenues both tax and non-tax revenue such as royalty. Further, non-compliance with the Law and contract terms and conditions imposes the risk of possible disputes in future and the area under licence has been ring-fenced thus limiting the Government from engaging other potential investors.

I recommend that Mining Commission engages the investor on the going concern of the licenses and in case of failure to reach consensus requirements of the law and contract need to be evaluated and applied accordingly.

APPENDICIES

Appendix I: Analysis of audit opinion on financial audit and compliance audit

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
1.	Air Tanzania Company Limited	Unqualified	Compliant with exception	Compliant with exception
2.	Architects and Quantity Surveyors Registration Board	Unqualified	Compliant	Compliant
3.	Ardhi University	Unqualified	Compliant with exception	Compliant
4.	Ardhi University Convocation	Unqualified	Compliant	Compliant
5.	Aru Built Environment Consulting Company	Unqualified	Compliant	Compliant
6.	Arusha International Conference Centre	Unqualified	Compliant	Compliant
7.	Arusha Technical College	Unqualified	Compliant	Compliant
8.	Arusha Technical College - Production Consultancy Bureau Plc	Unqualified	Compliant	Compliant
9.	Arusha Technical College - Production Consulting Bureau	Unqualified	Compliant	Compliant
10.	Arusha Urban Water and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
11.	Azania Bank Limited	Unqualified	Compliant	Compliant
12.	Babati Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
13.	Bariadi Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
14.	Bukoba Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
15.	Capital Markets and Securities Authority	Unqualified	Compliant	Compliant
16.	Cashewnut Board of Tanzania	Unqualified	Compliant with exception	Compliant with exception
17.	Cashewnut Industry Development Trust Fund	Unqualified	Compliant	Compliant
18.	Centre for Agricultural Mechanization and Rural Technology	Unqualified	Compliant	Compliant
19.	Centre for Foreign Relation	Unqualified	Compliant with exception	Compliant with exception
20.	Cereals and other Produce Board	Unqualified	Compliant	Compliant
21.	College of African Wildlife Management	Unqualified	Compliant	Compliant with exception
22.	College of Business Education	Unqualified	Compliant	Compliant
23.	Contractors Registration Board	Unqualified	Compliant	Compliant
24.	Co-operative Audit and Supervision Corporation	Unqualified	Compliant	Compliant
25.	Copyright Society of Tanzania	Unqualified	Compliant	Compliant
26.	Cotton Development Trust Fund	Unqualified	Compliant with exception	Compliant
27.	Dar es Salaam Institute of Technology	Unqualified	Compliant with exception	Compliant
28.	Dar es Salaam Institute of Technology Company Limited	Unqualified	Compliant	Compliant
29.	Dar es Salaam Maritime Institute	Unqualified	Compliant	Compliant
30.	Dar es Salaam University College of Education	Unqualified	Compliant with exception	Compliant
31.	Dar es Salaam University Press	Unqualified	Compliant	Compliant
32.	Dar es Salaam Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
33.	Deposit Insurance Board	Unqualified	Compliant	Compliant
34.	DIT Institute Consultancy Bureau	Unqualified	Compliant	Compliant
35.	Dodoma Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
36.	Electrical Transmission and Distribution Construction and Maintenance Company Limited	Unqualified	Compliant	Compliant
37.	Energy and Water Utilities Regulatory Authority	Unqualified	Compliant	Compliant
38.	Engineers Registration Board	Unqualified	Compliant	Compliant
39.	Energy and Water Utilities Regulatory Authority Consumer Consultative Council	Unqualified	Compliant	Compliant
40.	Export Processing Zone Authority	Unqualified	Compliant	Compliant
41.	Fair Competition Commission	Unqualified	Compliant	Compliant
42.	Fair Competition Tribunal	Unqualified	Compliant	Compliant
43.	Gaming Board of Tanzania	Unqualified	Compliant	Compliant
44.	Gas Company (Tanzania) Limited	Unqualified	Compliant with exception	Compliant
45.	Geita Urban Water and Sanitation Authority	Unqualified	Compliant	Compliant
46.	Higher Education Students' Loans Board	Unqualified	Compliant	Compliant
47.	Housing and Pensions Company Limited	Unqualified	Compliant	Compliant with exception
48.	Institute of Accountancy Arusha	Unqualified	Compliant with exception	Compliant
49.	Institute of Adult Education	Unqualified	Compliant with exception	Compliant
50.	Institute of Finance Management	Unqualified	Compliant with exception	Compliant
51.	Institute of Rural Development Planning	Unqualified	Compliant with exception	Compliant
52.	Institute of Social Work	Unqualified	Compliant	Compliant
53.	Iringa Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
54.	Jakaya Kikwete Cardiac Institute	Unqualified	Compliant	Compliant
55.	Kahama - Shinyanga Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
56.	Kahama Urban Water and Sanitation Authority	Unqualified	Compliant	Compliant
57.	Karatu Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
58.	Kariakoo Market Corporation	Disclaimer	Compliant with exception	Compliant
59.	Kibaha Education Centre	Unqualified	Compliant with exception	Compliant
60.	Kigoma/Ujiji Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
61.	Kilimanjaro Airport Development Company Limited	Unqualified	Compliant with exception	Compliant
62.	Kilimanjaro International Leather Industry Company Limited	Unqualified	Compliant	Compliant
63.	Korogwe Water Supply and Sanitation Authority	Qualified	Compliant with exception	Compliant with exception
64.	Kyela - Kasumulu Water Supply and Sanitation Authority	Disclaimer	Compliant with exception	Compliant with exception
65.	Land Transport Regulatory Authority	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
66.	Land Transport Regulatory Authority Consumer Consultative Council	Unqualified	Compliant with exception	Compliant
67.	Lindi Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
68.	Makambako Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
69.	Marine Parks and Reserves Unit	Unqualified	Compliant	Compliant
70.	Marine Services Company Limited	Unqualified	Compliant with exception	Compliant
71.	Maritime Education and Training Fund	Unqualified	Compliant	Compliant
72.	Masasi Nachingwea Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
73.	Mbeya University of Science and Technology	Unqualified	Compliant with exception	Compliant with exception
74.	Mbeya Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
75.	MCB Company Limited	Unqualified	Compliant	Compliant
76.	Medical Stores Department	Unqualified	Compliant with exception	Compliant with exception
77.	Mkulazi Holding Company Limited	Unqualified	Compliant	Compliant
78.	Mkwawa University College of Education	Unqualified	Compliant	Compliant
79.	Morogoro Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
80.	Moshi Co-operative University	Unqualified	Compliant	Compliant
81.	Moshi Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
82.	Mtwara Urban Water Supply And Sanitation Authority	Unqualified	Compliant	Compliant
83.	Muhimbili National Hospital	Unqualified	Compliant with exception	Compliant with exception
84.	Muhimbili National Hospital - Mloganzila	Unqualified	Compliant with exception	Compliant with exception
85.	Muhimbili Orthopaedic Institute (MOI)	Qualified	Compliant with exception	Compliant with exception
86.	Muhimbili University of Health and Allied Sciences	Unqualified	Compliant with exception	Compliant with exception
87.	Muleba Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
88.	Musoma Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
89.	Mwalimu Nyerere Memorial Academy	Unqualified	Compliant	Compliant
90.	Mwanza Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
91.	Mzumbe University	Unqualified	Compliant with exception	Compliant with exception
92.	National Arts Council	Unqualified	Compliant	Compliant
93.	National Board of Accountants and Auditors	Unqualified	Compliant with exception	Compliant with exception
94.	National Bureau of Statistics	Unqualified	Compliant with exception	Compliant with exception
95.	National Construction Council	Unqualified	Compliant	Compliant
96.	National Council for Technical and Vocational Education and Training	Unqualified	Compliant	Compliant
97.	National Development Corporation	Unqualified	Compliant	Compliant
98.	National Economic Empowerment Council	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
99.	National Environment Management Council	Unqualified	Compliant with exception	Compliant with exception
100.	National Examinations Council of Tanzania	Unqualified	Compliant	Compliant
101.	National Health Insurance Fund	Unqualified	Compliant with exception	Compliant
102.	National Housing Corporation	Unqualified	Compliant with exception	Compliant
103.	National Institute for Medical Research	Unqualified	Compliant	Compliant
104.	National Institute of Transport	Unqualified	Compliant	Compliant
105.	National Insurance Corporation Limited	Unqualified	Compliant	Compliant
106.	National Kiswahili Council	Unqualified	Compliant	Compliant
107.	National Museum of Tanzania	Unqualified	Compliant	Compliant
108.	National Ranching Company Limited	Unqualified	Compliant	Compliant
109.	National Social Security Fund	Unqualified	Compliant	Compliant
110.	National Sports Council	Unqualified	Compliant	Compliant
111.	Ngara Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
112.	Ngorongoro Conservation Area Authority	Unqualified	Compliant	Compliant
113.	Njombe Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
114.	Nzega Water Supply and Sanitation Authority	Qualified	Compliant with exception	Compliant with exception
115.	Ocean Road Cancer Institute	Unqualified	Compliant with exception	Compliant
116.	Open University of Tanzania	Unqualified	Compliant	Compliant
117.	Petroleum Upstream Regulatory Authority	Unqualified	Compliant with exception	Compliant
118.	PPF/DCC Investment Company Limited	Unqualified	Compliant	Compliant
119.	Procurement and Supplies Professionals and Technicians Board	Unqualified	Compliant	Compliant
120.	Public Procurement Appeals Authority	Unqualified	Compliant	Compliant
121.	Public Procurement Regulatory Authority	Unqualified	Compliant	Compliant
122.	Public Service Social Security Fund	Unqualified	Compliant	Compliant
123.	Railway Infrastructure Fund	Unqualified	Compliant	Compliant with exception
124.	Same Mwanga Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
125.	Shinyanga Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
126.	Singida Urban Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
127.	Small Industries Development Organization	Unqualified	Compliant	Compliant
128.	Sokoine University of Agriculture	Unqualified	Compliant with exception	Compliant with exception
129.	Songea Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
130.	Stamigold Company Limited	Unqualified	Compliant with exception	Compliant
131.	State Mining Corporation	Unqualified	Compliant with exception	Compliant
132.	Sugar Board of Tanzania	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
133.	Sumbawanga Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
134.	Tabora Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
135.	Tanga Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
136.	TANOIL Investment Limited	Unqualified	Compliant	Compliant
137.	Tanzania Agricultural Development Bank	Unqualified	Compliant	Compliant
138.	Tanzania Atomic Energy Commission	Unqualified	Compliant	Compliant
139.	Tanzania Biotech Products Limited	Unqualified	Compliant	Compliant with exception
140.	Tanzania Broadcasting Corporation	Unqualified	Compliant	Compliant
141.	Tanzania Bureau of Standards	Unqualified	Compliant with exception	Compliant
142.	Tanzania Civil Aviation Authority	Unqualified	Compliant	Compliant
143.	Tanzania Civil Aviation Authority-Consumer Consultative Council	Unqualified	Compliant	Compliant
144.	Tanzania Coffee Board	Unqualified	Compliant	Compliant with exception
145.	Tanzania Commission for Science and Technology	Unqualified	Compliant	Compliant
146.	Tanzania Commission for Universities	Unqualified	Compliant	Compliant
147.	Tanzania Communications Regulatory Authority	Unqualified	Compliant	Compliant
148.	Tanzania Concrete Poles Manufacturing Company Limited	Unqualified	Compliant with exception	Compliant with exception
149.	Tanzania Cotton Board	Unqualified	Compliant with exception	Compliant
150.	Tanzania Dairy Board	Unqualified	Compliant	Compliant with exception
151.	Tanzania Education Authority	Unqualified	Compliant	Compliant
152.	Tanzania Electric Supply Company Limited	Unqualified	Compliant with exception	Compliant with exception
153.	Tanzania Engineering and Manufacturing Design Organization	Unqualified	Compliant with exception	Compliant with exception
154.	Tanzania Fertilizer Company Limited	Qualified	Compliant with exception	Compliant
155.	Tanzania Fertilizer Regulatory Authority	Unqualified	Compliant	Compliant
156.	Tanzania Fisheries Research Institute	Unqualified	Compliant	Compliant
157.	Tanzania Food and Nutrition Centre	Unqualified	Compliant	Compliant
158.	Tanzania Forestry Research Institute	Unqualified	Compliant with exception	Compliant with exception
159.	Tanzania Geothermal Development Company Limited	Unqualified	Compliant with exception	Compliant with exception
160.	Tanzania Institute of Education	Unqualified	Compliant with exception	Compliant with exception
161.	Tanzania Investment Centre	Unqualified	Compliant	Compliant
162.	Tanzania Library Services Board	Unqualified	Compliant with exception	Compliant with exception
163.	Tanzania Meat Board	Unqualified	Compliant	Compliant
164.	Tanzania Medicines and Medical Devices Authority	Unqualified	Compliant	Compliant
165.	Tanzania Mercantile Exchange Plc	Unqualified	Compliant	Compliant
166.	Tanzania National Business Council	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
167.	Tanzania National Parks	Unqualified	Compliant with exception	Compliant with exception
168.	Tanzania Petroleum Development Corporation	Unqualified	Compliant with exception	Compliant with exception
169.	Tanzania Ports Authority	Unqualified	Compliant with exception	Compliant with exception
170.	Tanzania Posts Corporation	Unqualified	Compliant with exception	Compliant with exception
171.	Tanzania Pyrethrum Board	Unqualified	Compliant	Compliant
172.	Tanzania Railways Corporation	Unqualified	Compliant with exception	Compliant with exception
173.	Tanzania Shipping Agencies Corporation	Unqualified	Compliant	Compliant
174.	Tanzania Sisal Board	Unqualified	Compliant	Compliant with exception
175.	Tanzania Smallholders Tea Development Agency	Unqualified	Compliant	Compliant
176.	Tanzania Standard Newspaper	Qualified	Compliant with exception	Compliant with exception
177.	Tanzania Telecommunications Corporation Limited	Unqualified	Compliant with exception	Compliant with exception
178.	Tanzania Tobacco Board	Unqualified	Compliant	Compliant
179.	Tanzania Tourist Board	Unqualified	Compliant	Compliant
180.	Tanzania Trade Development Authority	Unqualified	Compliant	Compliant
181.	Tanzania Wildlife Research Institute	Unqualified	Compliant with exception	Compliant
182.	Tanzania Industrial Research and Development Organization	Unqualified	Compliant	Compliant
183.	Tax Revenue Appeal Board	Unqualified	Compliant	Compliant
184.	Tax Revenue Appeals Tribunal	Unqualified	Compliant	Compliant
185.	TCRA Consumer Consultative Council	Unqualified	Compliant	Compliant
186.	Tea Board of Tanzania	Unqualified	Compliant	Compliant with exception
187.	TIB Development Bank Limited	Unqualified	Compliant	Compliant
188.	TIB Rasilimali Limited	Unqualified	Compliant	Compliant
189.	T-Pesa Limited	Unqualified	Compliant with exception	Compliant with exception
190.	T-Pesa Trust Entity	Unqualified	Compliant	Compliant
191.	Tropical Pesticides Research Institute	Unqualified	Compliant with exception	Compliant
192.	Tukuyu Urban Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
193.	Ubungu Plaza Ltd	Unqualified	Compliant	Compliant
194.	Universal Communications Service Access Fund	Unqualified	Compliant	Compliant
195.	University of Dar es Salaam	Unqualified	Compliant with exception	Compliant
196.	University of Dar es Salaam Computing Centre	Unqualified	Compliant	Compliant with exception
197.	University of Dodoma	Unqualified	Compliant with exception	Compliant
198.	UTT Asset Management and Investor Services Plc	Unqualified	Compliant	Compliant
199.	Vocational Education and Training Authority	Unqualified	Compliant with exception	Compliant with exception
200.	Warehouse Receipts Regulatory Board	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
201.	Watumishi Housing Investments Limited	Unqualified	Compliant	Compliant
202.	Watumishi Housing Real Estate Investment Trust	Unqualified	Compliant	Compliant
203.	Workers Compensation Fund	Unqualified	Compliant	Compliant



Appendix II: Status of Implementation of Prior Years' Recommendations

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
1.	2017 /18	Non-implementation of agreed measures on mitigating effects of road accidents I recommended that TANAPA strengthen road accidents monitoring measures and seek for other stakeholders such as TANROAD for sharing road maintenance cost at TANAPA.	The Government through TANAPA and TANROADS continue to implement submitted recommendations with regards to mitigation measures against road accidents including construction of control gates as follows: (i) Harmonization of speed limit signposts done as recommended (maintained 50 kph throughout the road section). (ii) Maintenance of the road including milling of ruts and resurfacing; and maintenance of cracked road shoulders and widening of the road shoulders from 1 m to 1.5 m at final stages. (iii) Regular clearing of the roadsides to increase visibility were conducted as recommended (iv) Construction of additional standard road humps and rumble strips. (v) Maintenance of damaged road humps which had been flattened by heavy vehicles conducted. (vi) Strengthen punitive measures such as fines and increase. Construction of control gates at entry and exit points of Mikumi Highway waits for approval from the Ministry of Works and Transport visibility of the same	Government efforts to minimize the animal killing problem is noted, the implementation of the Government effort to be verified in our subsequent audit.	Under Impleme ntation
2.	2017 /18	Delays in recovering double payments from pensioners TZS 218.31 million I recommended that PSSSF seek different options to recover the remaining balance	The Fund decided to recover the overpaid amount from respective members through monthly pension. In addition to that other member decided to pay through other sources, reports are available for review.	Government response noted, I noted deductions to recover the overpaid amount to pension member started through his monthly pension, to continue	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
				following up until the full amount is recovered.	
3.	2017 /18	Slow pace of loans recovery by Tanzania Education Authority I recommended that TEA enhance its loan collection method and institute more aggressive measures to speed up collection of the loaned funds.	The Government through TEA Management continues with follow up of outstanding loans. During the Financial Year 2021/22 from July 2021 to June 2022, a total of TZS 713,557,524.00 was collected from 8 loaned Institutions. Further, the Authority is undertaking legal measures against defaulting loaned institutions including proceeding with enforcement of agreements for loaned institutions with enforceable securities. Also, the Authority is seeking legal advice from the Attorney General in respect of loaned religious institutions. Furthermore, with regard to loaned public institution, the Authority is pursuing administrative measures by engaging the respective parent Ministries to seek for complete recovery of outstanding loan balances.	Government response is noted. As at 30 June 2022, I found the remaining balance being TZS 2.65 billion	Under Implementation
4.	2017 /18	Non-fulfilment of obligation in implementation of KfW project at SENAPA I recommended that TANAPA and TRA resolve the matter to allow smooth implementation of the project.	The Government through TANAPA and TRA is making necessary efforts to ensure the matter is resolved to allow smooth implementation of the project.	Government response has been noted. I will make follow up of implementation in the next financial year.	Not Implemented
5.	2017 /18	Outstanding taxes and duties not paid by public entities Tanzania Broadcasting Corporation (TBC) TZS 2.27 billion (excluding fines and penalties) I recommended that	TBC Management is in discussion with TRA and continuing to make a follow-up with the Ministry of Finance and Planning through the Ministry of Information, Communication and Information Technology for	Government response has been noted, however, I insist timely settlement of VAT Liability by the management to avoid piling up	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		public entities ensure taxes are paid in a timely manner to avoid fines and penalties.	waiver of queried Tax liability. The letters are available for verification	of monthly interest and penalties as per the VAT Act, 2015 and Tax Administration Act, 2014.	
6.	2018 /19	National Development Corporation (NDC) a) Kihuhwi and Kalunga Rubber Plantation Management at NDC I recommended that NDC ensure planned activities of planting new rubber trees and recruitment or hiring of labourers are executed in a timely manner to achieve the intended targets. b) Tractor Assembly Project Ensure negotiation with Poland Government are finalized and tractors are delivered as per agreement c) 250 hectares of industrial parks have not been developed. I recommended that NDC ensures planned activities are executed on time as per the set timelines in the strategic plan d) Low Production Biolarvicides. I recommended that Ministry of Health purchase more litres of Biolarvicides from the plant to increase the plant's production e) Long-awaited Government Decision on Revamping KMTCC. I recommended NDC ensures that issues which impede projects implementation from progressing are addressed.	a) Currently, Kalunga Plantation has a total of 754 hectares whereby 235 hectares is planted with 125,422 trees. Kihuhwi Plantation has total of 688 hectares whereby 323 hectares is planted with 98,818 trees. Unplanted area for Kalunga is 519 hectares and that of Kihuhwi is 382 hectares of which total of 450,500 trees will be planted (259,500 trees for Kalunga and trees and 191,000 trees for Kihuhwi). Currently, total of 215 jobs has been created and it is expected that total of 315 jobs will be created in financial year 2022/23. b) The Government Negotiation Team for Tractor Assembly Project (GNT) has finalized the report. Recommendations have been submitted to the Permanent Secretaries for the Ministry of Investment Industry & Trade and the Ministry of Agriculture. Permanent Secretaries have directed formation of a technical team to assess the project and advise way forward. This report will guide on the Government decision. c) Design for the internal road network of 4.5km to tarmac level have been completed. Construction of 630m Viuatilifu road at TAMCO Kibaha is underway. The Government has set aside funds for construction	Government response noted. I noted that there was development of 250 hectares of land. Funds for designing of internal roads of TAMCO has been disbursed, and the consultant is finalizing his work, as well fund for construction of 630 Meters Road into Bitumen level is allocated in financial year 2021/22. Tractor Assembly Project The Government has taken initiative to rectify all contract issues by forming a Government Negotiation Team which will have a responsibility of negotiation with URSUS and the Government of Poland on the way forward.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			400m of the China Boda road at TAMCO- Kibaha in financial year 2022/23. e) NDC has planned to conduct Cadastral survey at KMTC industrial park. NDC has also planned to engage a consultant to conduct study for the kind of industries which will be suitable at Kange Industrial Park. Study will be shared to attract Investors.		
7.	2018 /19	Investment made by the Government Vs shareholdings obtained I recommended that the Government revise the signed agreements between Songas Limited against TANESCO and TPDC.	The Government through TANESCO will ensure the terms of agreement are revisited prior to renewal of the contract.	Government response has been noted, I insist the Government to revisit the terms of the agreement prior to renewal of the contract. I will make follow up on the implementation.	Not Implemented
8.	2018 /19	Existing dilemma on the sales of energy and ownership of transferred strategic assets after the completion of songo project I recommended that the management of TANESCO discuss with Songas Limited to agree on the terms of power sales before activation of para 4 of the power agreement, also the Government revise all signed agreements to ensure that transferred strategic assets (land, gas wells, and turbines) are returned to the Government or Songas Limited is made a public corporation.	TANESCO is in the process of engaging a consultant to review Songas agreements and evaluate the status of Ubungo Complex. Currently, TANESCO has internally started to review the agreements	Government response has been noted, I will make follow up of implementation in the next financial year.	Under Implementation
9.	2018 /19	Incomplete transfers of shareholding to NDC I recommended that the	The Government has noted the auditor's recommendation. Ministry of Minerals is still reviewing	Management response is noted, During the year no effort	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		Ministry of Minerals consider returning mining license of part of the mining site of TANCOAL Energy Limited and enforce Tan Power Resources Limited to make payment of tax liability.	licenses for further implementation	has been made on the implementation of the recommendation further review will be made in the next audit	
10.	2018 /19	Delay in official dissolving Crops Trust Funds following Government Instructions I recommended that the Boards in collaboration with the Ministry of Agriculture expedite the process of legal dissolution of the funds	The Government continues with dissolving the remaining two crops trust fund.	Government response has been noted. Only CIDTF Trust fund for coffee has been closed. While for Cashew nut and cotton was not yet dissolved.	Under Impleme ntation
11.	2019 /20	Non-application of approved rate for services provided by public entities. I recommended that TPA ensure efficient and effective functioning of the Tariff Committee in providing oversight roles regarding tariff rates and the same approved by the Board of Directors before changes are made.	The Government will ensure tariff rates approved by the Board of Directors before changes are made.	The Government response has been noted. Rates are not yet approved by Board. Hence awaiting implementation	Under impleme ntation
12.	2019 /20	Limited mandate of stationed officers at one stop centre I recommended that the Government take initiatives to fast-track the process of amending the Investment Act.	The process of reviewing Investment Policy in order to allow amendment of Investment Act has started through the Ministry of Investment, Industry and Trade. Likewise, the Management has proposed in the new law to have provisions that will require stationed officers to have full mandate.	The Government response has been noted Still other services are not provided at one stop Centre.	Under Impleme ntation
13.	2019 /20	Low returns on loans issued to Government institutions	The Government has verified the outstanding loans and planned to start repaying them in the 2022/23 Financial Year.	The Government response is noted. During the year under audit the loan was still	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		I recommended that NHIF (a) closely monitor returns of loans issued to Government Institutions, and (b) maintain its policy of limiting any further loans to Government Institution to reduce its exposure to the required limit of 10%.		outstanding. I will continue to make follow up on the matter.	
14.	2019 /20	Absence of medical services regulatory authority I recommended that NHIF continue making follow up with the Ministry of Health to speed up establishment of Medical Service Regulatory Authority for regulating medical and health products price within the country.	The Government through NHIF is still making follow up to the Ministry of Health to ensure that the Medical Services Regulatory Authority is established to regulate the medical and surgical procedures and medicines and medical consumable. 	The Government response is noted. My assessment noted that the Fund continue facing challenge in day to day operation by not having a regulator and its beyond the control of the Fund to enforce the establishment of the regulatory. I insist the Government through Ministry of Health to fast track the process considering the importance of having a regulator. I will continue to make follow up on the matter.	Not Implemented
15.	2019 /20	Non-compliance with the signed agreement between WCF and NHIF I recommended that NHIF make follow up with WCF to ensure that quarterly funds are	The Government through NHIF has established integration system with WCF to allow timely data exchange and report sharing for timely vetting and retirement of WCF imprest.	The Government response noted. The management of both Funds are still in exercise of validating and authentication of the claims.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		submitted as agreed in the signed Contract.			
16.	2019 /20	Investing in land not owned by NSSF I recommended that NSSF speed up the transfer of land ownership so as to avoid any losses to the Fund in case of dispute. I recommended that the Government through the Ministry of Water continue funding capital investment projects to increase access to water services and monitor handing over process to address the noted anomalies.	The effort has been in progress to ensure there is formal ownership of the property that protect the interest of the Fund. On 8th June 2021, the Governing Bodies of the four (4) institutions which are owners of the Project met and resolved that analysis of appropriate mode of ownership should be undertaken and that re-measurement of the lettable space should be carried out to establish actual spaces. The analysis and remeasurement of the actual rentable spaces were undertaken and currently, the proposal for the formation of Joint Venture company is being worked out by the partners and it is expected that the Governing Bodies of four (4) institutions will meet to discuss and resolve on the formation and structure of the joint venture company before end of April 2022 and thereafter transfer of land to the JV company be affected by end of June, 2022.	The Government response has been noted waiting for resolution on transfer of land ownership.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
17.	2019 /20	Non-review of VETA curricula for long period of time I recommended that VETA and Ministry of Education Science and Technology review curriculum in order to align it with the technological changes.	The development and review of VETA Curricula are ongoing process whereby each year we conduct labour market surveys, the process starts having labour survey report which enable the development of curricula. The second review of curricula started 2017/2018 and continue in 2018/2019, 2019/2020 and 2020/21. *As of now, 33 curricula have been reviewed and developed and 19 curricula are in final stage and expected to be completed before 30th May 2022.	The Government response has been noted, However, there are still pending unreviewed Curriculum.	Under Impleme ntation
18.	2019 /20	Unrecovered funds issued to farmers through credit sales of agricultural inputs TZS 57.61 billion I recommended that the Government in collaboration with CDTF and Cotton Board of Tanzania make initiative to recover outstanding debts from farmers and ensure the same are paid to the suppliers to settle the outstanding payables. In addition, CDTF needs to strengthen recovery controls over credit sales of agriculture inputs to farmers during selling.	The Government instructed TCB to collect debts for the cotton inputs loaned to farmers through AMCOS. At the end of the 2019/20 cotton marketing season TCB managed to collect TZS 5.06 billion only out of the expected TZS 30.69 billion. The Government will continue to make follow up to ensure that the outstanding amount is collected.	The Government response is noted. More efforts are needed by TCB on collecting outstanding debts	Under Impleme ntation
19.	2019 /20	Non-utilization of quality improvement fund - TZS 10.75 billion I recommended that TANESCO establish all maintenance cost incurred for improvement of the infrastructure and claim for reimbursement from	The Government through TANESCO has done reconciliation on the amount to be refunded by Buzwagi. Negotiations are underway on how the fund will be paid	The management response has been noted. During the FY 2021/22 there was only remaining balance of USD 2.1 million for submission of evidence on the utilization	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		Pangea Minerals Limited. They also ensure establishment of the joint bank account as required by the agreement and ensure that all the deducted funds are transferred to the account			
20.	2020 /21	Delays in implementation of corporate social responsibility (CSR) TZS 196.76 billion I recommended that TANESCO management liaise with the contractor to finalize discussion and agreeing on the social projects that have to be implemented as CSR and sign a detailed CSR agreement to avoid further delays in implementation of social projects.	The Government through TANESCO has already communicated with the Contractor to provide confirmation on the proposed CSR Projects in line with Article 1.2 of the signed CSR Agreement. Currently, the Government is engaging respective Ministries (the Ministry of Health, the Ministry of Education, Science, Technology and Vocational Training and the Ministry of Communication and Information Technology) for needs assessment and to agree on the modalities of preparing detailed designs and employer's requirements of the social projects.	The management response has been noted, I will make follow up on the implementation in subsequent audit.	Under Impleme ntation
21.	2020 /21	Protracted delay of SGR project in Lot I (Port Link) for 600 days and Lot II for 120 days I recommended that Tanzania Railways Corporation (a) In collaboration with the Ministry of Works and Transport, speed-up the process of approving compensations costs so as the contractor can be handed over the construction site; (b) ensure close supervision and relevant measures are taken without further	The Government through TRC has instructed the Contractor through the Consultant to mobilize more resources needed to expedite and complete the project in time to avoid extra supervision cost of Consultant and Monitoring and evaluation. Currently the project. Land acquisition process is completed	Government response noted. However, Lot I completion date has been extended for 369 days from 11 September 2022 to 15 September 2023. This show the obstacles have not been fully resolve and still need close follow up. I will make follow up on the implementation	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		delays, to avoid additional cost, and (c) facilitate timely clearance along rail alignment by clearing all obstacles including buildings and utilities' infrastructure. I recommended that Tanzania Railways Corporation (a) ensure timely payments of IPCs to avoid interest charges; and (b) liaise with the Ministry of Works and Transport to negotiate with the contractor to waive the penalties and interest on delayed payments.			
22.	2020 /21	Absence of access roads along SGR corridors and stations I recommended that Tanzania Railways Corporation make close follow-ups with the Ministry of Works and Transport by ensuring the SGR project is easily accessible to be used by public via linking the project with other interdependent infrastructures like access roads along SGR corridors.	The Government will ensure that all stations and freight facilities have connectivity to nearby roads. The Government has made efforts through conducting Stakeholders meetings including but not limited to TARURA, TANROADS, Ministries, Regions, Districts, and District Council Executives to ensure connectivity roads, water and power to the stations and freight facilities are constructed.	Government response noted. However, Verification of Government efforts on the implementation of audit recommendation shall be done in future audits since discussions with respective stakeholders is still in progress.	Under Implementation
23.	2020 /21	Failure to expand market share for transit cargo to land locked countries I recommended that Tanzania Ports Authority (a) conduct monitoring and evaluation of its activities to ensure that the Authority's objectives are achieved	Currently, the Government through TPA (a) Will conduct monitoring and evaluation activities on a quarterly basis to ensure the Authority's objectives are achieved as per the Corporate Strategic Plan. (b) Will conduct market research in line with implementing comprehensive annual operational action plan through established	Government response noted. Waiting for implementation of the Market research. Follow up to be done subsequently.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		as per the Corporate Strategic Plan; and (b) conduct market research and prepare a detailed operational plan and Standard Operating Procedures for the established promotional offices and agencies so as to expand the market share for transit cargo to the neighbouring landlocked countries.	Promotional offices and agencies, with the performance of the planned operation and projects are reviewed monthly, quarterly, semi-annually and annually in line with MTEF and TPA Cooperate Strategic Plan.		
24.	2021 /22	Delay in expansion of ports' cargo handling capacity by 67% I recommended that Tanzania Ports Authority (a) intensify and fast track the implementation of the planned activities that will result in attainment of the targeted objectives; and (b) conduct monitoring and evaluation of activities in time to ensure the Authority's objectives are achieved as per the corporate strategic plan.	Currently, the Government through TPA is implementing comprehensive annual action plan, which incorporates all strategic projects. The performance of the planned operation and projects are reviewed monthly, quarterly, semi-annually and annually in line with MTEF and TPA Cooperate Strategic Plan. Currently, the Government through TPA is implementing comprehensive annual action plan, which incorporates all strategic projects. The performance of the planned operation and projects are reviewed monthly, quarterly, semi-annually and annually in line with MTEF and TPA Cooperate Strategic	The Government response has been noted. I will make follow up on implementation of Strategic project.	Under Implementation
25.	2020 /21	Delays in the rectification of snags and defects at Victoria place. I recommended that National Housing Corporation exert more efforts and ensure that all identified defects and snags are considered in the budget and timely rectified so as to	All snags have been rectified except issues related to water proofing treatment which works will be completed by June 2022.	The Government response has been noted. However, all snags have been rectified except issues related to water proofing treatment. Follow-up will be made in subsequent year.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		enhance customers' public perception on NHC houses Satisfaction and ultimately raise			
26.	2020 /21	Non-attainment of construction of additional transmission line by 75% of 4,095 KM and new installed capacity of production by 94% of 3,428.78 MW I recommended that TANESCO enhance planning process and monitoring mechanisms and fasten the projects' implementation to ensure all projects are completed in a timely manner	Planning of Generation and Transmission projects is guided by the Power System Master Plan (PSMP), which provides a roadmap for investment to meet supply and demand gap. Government funds the major projects (Generation and Transmission) through budget support and/or Donor's support through concessional loans. In order to bridge the fund resource gap for project implementation, the Government is currently evaluating alternative ways of mobilizing resources to timely implement the identified projects such as corporate bonds and private fund initiatives.	The Government response has been noted. I will make follow up on project implementation and resources mobilization	Under Impleme ntation
27.	2020 /21	Failure to achieve planned targets of network efficiency improvement and expansion through deploying 2,200 BTS I recommended that (a) Government through the Ministry of Information, Communication and Information Technology inject the additional capital funds to TTCL to enable expansion of network which will go in line with increase in customer base; and (b) TTCL prioritize strategic targets implementation which have direct impacts on the TTCL's sustainability and viability in	The Government has identified and planned to implement strategic network development projects, which will bring positive impacts and business sustainability. In the forthcoming 2022/23 budget year, the Government through TTCL has planned to invest TZS 43.2 billion in such development projects whose scope will involve deployment of FTTH networks in parts of Dar es Salaam, Dodoma, and Zanzibar.	The Government response has been noted. I will make follow up on implementation in subsequent audit.	Under Impleme ntation

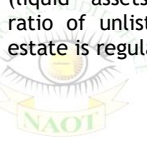
S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		telecommunications industry in Tanzania			
28.	2020 /21	Inaccessible funds in overseas bank account at NIC TZS 712 million i) I recommended that NIC, in collaboration with Bank of Tanzania and Ministry of Foreign Affairs, follow up with the bank and change account signatories or close the accounts if there are no need to operate them	The Government through Bank of Tanzania will make initiatives to assess the aforementioned accounts and take appropriate actions accordingly.	Government response noted. I will keep on reviewing on the implementation on subsequent audit.	Not Implemented
29.	2020 /21	Uncertainty over ownership of fixed deposit receipt (FDR) by TPA TZS 432 million I recommended that TPA in collaboration with Bank of Tanzania and Ministry of Foreign Affairs ensure agreements with the Deutsch Bank are obtained and FDR is liquidated immediately.	The FDR is expected to mature on 31st May 2022 and the Government through TPA has started making arrangement with Deutsch Bank to ensure the principal and interest accrued are credited to TPA account upon maturity	Government response noted. However, as of December 2022, the funds have not yet been recovered by TPA	Not Implemented
30.	2020 /21	Avoidable expenditure on maintenance of aircraft TZS 278.42 million I recommended that Ngorongoro Conservation Area Authority review the decision of continue keeping the costly aircraft	Currently, the Aircraft is in use, however the Government is in the process of analyzing the best modality of Disposing the Aircraft (CESSINA182P).	Government Response noted. I will review implementation in subsequent audit	Under Implementation
31.	2020 /21	Unused asset TZS 2.29 billion at TPA I recommended that TPA seek approval from the Paymaster General to finalise disposal process of the assets.	The Government through TPA has requested approval from the Paymaster General to write off and disposes the same and PS Ministry of Finance and Planning has appointed Board chairman and members for board of survey of unused asset through letter with Ref,	Government Response noted. I will review implementation in subsequent audit. However, During the year under review I noted Dar es salaam University of	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			No. EG.110/474/23/146 of 26 th August 2021. The appointed team has finished the report and early July 2022 will submit the report to the PS Ministry of Finance and Planning.	College Education (DUCE) had unused asset TZS 500.5million	
32.	2020 /21	Unclear governance structure after NCAA transformation to paramilitary Institution I recommended that Ngorongoro Conservation Area Authority liaise with the Ministry of Natural Resource and Tourism to expedite setting up the administrative structure for effective governance of NCAA operations.	The Government in through Ministry of Natural Resource and Tourism created a taskforce which included members from Tanzania National Parks (TANAPA), Ngorongoro Conservation Area (NCAA), Tanzania Forest Agency (TFA) and Tanzania Wildlife Management Authority (TAWA)) to review the Wildlife Conservation Regulations, 2021 which was gazetted on 9th July, 2021 GN 589. The reviewed regulations have been presented before the Subsidiary Legislations Committee (kamati ya kudumu ya Bunge ya Sheria ndogo) before its approval by the Parliament. The ministry has also finalized Wildlife and Forest Conservation Service General Orders. These orders provide common working guidelines to Wildlife and Forest Conservation Service under the Military set up.	Government Response noted. The current process for changing the governance structure has been verified	Under Implementation
33.	2020 /21	Weakness in the construction of Burigi Chato three-star hotel at TZS 11.04 billion. I recommended that TANAPA should devise strategies to check on completion of the projects.	The EIA studies were later conducted and led by the internal experts of TANAPA in the related field after the commencement of the project. Project completion delays were caused by inadequate cashflow that impacted the organization due to the COVID-19 pandemic	Government Response noted. However, I insist on the government to make more efforts on completion of Burigi Chato three-star Hotel	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
34.	2020 /21	Non-charging of tax on staff allowances at TANESCO TZS 17.40 billion I recommended that TANESCO ensures all allowances which are entitled and paid to employees are subjected to taxes as per the provisions of the Income Tax Act, Cap 332, and (R.E 2019).	The gross emoluments that the tax auditors adjusted in the payroll computation are not subjected to employment taxes as per section 7(3)(l) of the Income Tax Act, 2004. According to section 7(3)(k) of the Act is applicable to TANESCO, because the section mentioned amend section 7(3)(l) of ITA 2004 to read as follow” In calculating an individual gains or profit from the employment there shall be excluded house allowance, transport allowance, responsibility allowance, extra duty allowances, overtime allowance hardship allowance and honoraria payable to an employee of the Government or its institution whose budget is fully or substantially paid out of Government Budget subversion” The provision was confirmed through Circular No.2 of 2011/2012 dated September 2011 issued by the Ministry of Finance, the circular provides exemption on certain allowances mentioned above payable to employees of the Government institution whose budget is wholly or substantially financed by Government of Tanzania. In particular it is a Parastatal organization which is fully owned by the government of Tanzania. Working under the public corporation Act of 1992. All its shares are owned by the Government of Tanzania through Treasury Registrar, which the direct supervision of the Ministry of Energy.	Government response noted. However, TANESCO is Government Business Entity in which they operate using their own budget and government only deal with development project assistance and thus they are required to charge tax on allowances.	Not Implemented

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			Based on the above clarification, the provision of the law and the circular from the Ministry of the finance, it is clear that the allowance mentioned are exempted from tax.		
35.	2020 /21	Exported goods under EPZ being below 80% of the production. I recommended that EPZA in collaboration with respective Authorities ensure that awarded license holders export at least 80% of produced goods.	The Authority Analyses investors through their presented business plans, which may face further Dynamics during implementation. For instance, before re-integration of East Africa Community (EAC), Exporting means selling outside Tanzania, however, as of now all of East Africa Market is local market. This has tremendously affected the 80% requirement for Export. The Authority shall review its criteria to factor in the EAC market.	Government Response noted. I will review implementation in subsequent audit.	Under Implementation
36.	2020 /21	Underutilization and encroachment of designated industrial and economic zone areas I recommended that a) EPZA take appropriate measures to protect encroached areas at Kurasini Special Economic Zone Area; and (b) the Government to allocate sufficient funds to EPZA and SIDO, and prepare an action plan to ensure economic zones and industrial areas were developed	The Government through SIDO has taken necessary steps to develop and protect the areas earmarked for special economic zones and trade centre from encroachment by other parties. Currently the Authority is Building a wall to protect the area from Encroachment.	Government Response noted. I will review implementation in subsequent audit.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
37.	2020 /21	Delay in production commencement for industries owned by public entities (i) Simiyu Medical Product Factory, and (ii) Mponde Tea Factory which was repossessed by the Government in January 2016. I recommended the financiers PSSSF, WCF, NHIF and NSSF to expedite production commencements of the established and acquired industries by fast tracking procurements of plants and machinery, and the Ministry of Finance and Planning to grant the Simiyu Medical Product Factory with the development permit.	The government has reviewed its position and strategically placed the project under the Tanzania Investment Centre to attract other Investors since the project is highly capital intensive. The implementation of the Simiyu Medical Products Project is awaiting the Permanent Secretary's approval (Treasury). However, to reduce the investment costs, NHIF and WCF are contemplating incorporating the project into the Morogoro Canvas Project, which is being pursued jointly with other Social Security institutions in the Country (PSSSF, NSSF, NHIF, ZSSF and WCF). The successful integration of the project into the Morogoro Canvas project would significantly reduce the investment cost for the project as the majority of required machinery is installed in the Morogoro Canvas factory. Procurements has been completed. Renovation works is on progress and expected to be completed by May 2022 and production on trial runs will start in June 2022 and the factory is scheduled to commence production by December 2022.	Government response noted. However, I noted that at Simiyu Medical Product Factory production has not started, while at Mponde Tea factory production has already started.	Under Implementation
38.	2020 /21	Challenges hindering commencement of concrete poles production factory owned by TANESCO. i) Proposed establishment of Joint Venture with Private Company on Concrete	The Government has taken into consideration the auditor's recommendations for implementation and will release the funds to the factory accordingly where cashflow allows.	Government response noted. However, the Company has not provided sufficient capital for TCPM (factory owned by TANESCO) to establish its own	Not Implemented

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		Poles Production I recommended that TANESCO: (i) devise strategies for funds mobilization and disburse them for the factory construction, and (ii) ensure its arrangement with Supplier should not compromise the development of the planned seven concrete poles factories through TCPM		concrete poles manufacturing factory as per initial objective of the establishment that would lower the cost of poles to TANESCO including life span compared to wooden poles.	
39.	2020 /21	Investments in unlisted equity and real estates exceed the required limits at NIC I recommended that NIC comply with the Insurance Regulations investment limits and take necessary measures to lower the exceeded investment ratio in unlisted shares and real estate.	The Government has taken a measure to ensure NIC does not invest in unlisted and real estate and focuses on category one portfolios (liquid assets) until the ratio of unlisted and real estate is regularized. 	Government response noted. However, I reviewed financial statements for the year ending 2021/22 and noted management took initiative in ceasing investment in real estate as a result achieving acceptable ratios in General Insurance of 1.06% and 14.56% for unlisted shares (less or equal to 5%) and real estate (less or equal to 15%) respectively.	Under Implementation
40.	2020 /21	Deficiencies in kawee project development. I recommended that NHC seek the Government's assistance on how to resolve the impending matters which delayed the completion of Kawee project	NHC is still in discussions with Al Ghurair on the best way forward regarding developing Kawee project site before it can finalize with the Office of the Attorney General the review of the shareholder's agreement.	Government response noted. I will review implementation in subsequent audit.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
41.	2020 /21	Inadequate loans management (i) Presence of Untraceable Borrowers of the ex-UTT Microfinance PLC Loans TZS 225.96 million. I recommended SELF MF strengthen borrower's records keeping by demanding additional contacts of spouse and/or loan guarantor and intensify loan recovery efforts by for example publishing names of loan defaulters (ii) Failure to attain appropriately balanced structure of SELF MF portfolio I recommended SELF Microfinance comply with Credit Policy, 2019, conduct regular reviews of loan portfolio and rectify loan portfolio imbalance.	The Fund is putting more efforts to trace the clients, so far TZS 33,049,827 has been collected from 19 clients. The balance now is TZS 81,816,235.38. Going forward Management will make sure; the remaining balance is collected and in future Mshahara loans clients indicate their physical addresses The Government has ensured the SELF Microfinance makes follow up on approved portfolio mix on quarterly basis and to ensure risks are managed so as to improve Fund performance.	Government response noted. I will review implementation in subsequent audit on the recovering of the remaining balance. Government response noted. I will review implementation in subsequent audit.	Under Impleme ntation
42.	2020 /21	DIB is not adhering to its investment policy I recommended DIB comply with investment policy by ensuring that the maximum investment in treasury bonds does not exceed 70% of the total investment threshold.	A revised Investment Policy has been prepared which allows the portfolio mix to equal 100% instead of 90% to resolve the anomaly that was noted by the Auditor. The policy awaits approval for implementation.	Government response noted. I review implementation after the approval of the policy in subsequent audit	Under Impleme ntation
43.	2020 /21	Inadequate solvency and sustainability of PSSSF I recommended that i. Government completes payment of the remaining pre- 1999 contribution liability of TZS 2.45 trillion which will improve PSSSF's funding level to the	The Government has issued non-cash special Bonds amounting to TZS 2.176 trillion in December 2021 to honour the debt of pre 1999 contributions which improved the funding level. The MOU entered is for TZS 4.5 trillion, the Management will continue to engage the Government on remaining balance of	Government response noted. I will review implementation in subsequent audit	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		recommended level of 40%. ii. Insufficient liquidity of the PSSSF to Pay Benefits Obligations I recommended that PSSSF (a) develop strategies that will increase contribution collections to improve solvency and sustainability of the fund; and (b) continue consultation with the Government to complete the finance of the pre 1999 contributions.	TZS 2.4 trillion in which reconciliation is on progress once honoured will improve significantly hence ideal funding level.		
44.	2020 /21	Absence of regulation governing social and vocational rehabilitation benefit at WCF. I recommended that WCF consult the responsible Minister to develop and endorse rehabilitation benefit regulations.	The Fund has already prepared the Rehabilitation Strategy, which would provide a road map for providing the Vocational and Social Rehabilitation benefit. The strategy awaits Board's approval and Minister's endorsement.	Government response noted. I found Rehabilitation strategy was approved. However, I noted the strategy have not been fully operational since benefits for such claims are not being issued as per the financial statements 2021/22	Under Impleme ntation
45.	2020 /21	Un-identified operational status of employers with long outstanding unpaid contribution fees I recommended Management of WCF in collaboration with other Authorities to determine the operational status of employers with long outstanding contributions and take appropriate measures on time	The Fund has been undertaking various initiatives, strategies, and follow-up efforts to determine the operational status and collect outstanding contributions from dormant employers. In February 2022, the Fund conducted a data analysis for 8,489 dormant employers to determine their operation status. The analysis scrutinized the information for those employers obtained from TRA, NSSF and BRELA. The analysis outcome indicated	Government response noted. I will review implementation on taking appropriate measures to dormant employee	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			that 3772 employers, equivalent to 44.43%, were determined to be active remitting contributions and SDL payments to NSSF and TRA, respectively. Further, 4,717 employers, equivalent to 55.57%, were neither remitting contributions nor SDL payments to NSSF and TRA. The Fund has started to pursue the 3772 employers identified as active to collect outstanding contributions from them by issuing demand letters.		
46.	2020 /21	Mining operations within Saadani National Parks I recommended that TANAPA liaise with the Chalinze Municipal Council, the Ministry of Lands and Human Settlements, and other Government Agencies to assess the impact of the mining operations in the Saadani ecosystem and take appropriate actions.	Management wrote a letter with Ref. No. AB. 213/222/01/10 dated 10 May, 2021 to PS-MNRT advising the Ministry in collaboration with the ministry responsible for minerals to obtain the Government position on the operation and ownership of Seasalt Company Ltd. Various Follow-ups are being done. Furthermore, the Management is liaising with NEMC to ensure that Seasalt Ltd implement mitigation measures against the environmental impacts generated by the mining activities as per Environmental Management Act 2004.	Government response noted. I Verified the Government effort through communication between MNRT and NEMC. I will review implementation in subsequent audit.	Under Implementation
47.	2020 /21	Sugar plantation within Saadani National Park I recommended Government and the Board of Trustees of TANAPA critically assess the impact of the sugar plantation in Saadani National Park and devise mechanisms to mitigate the situation and lessons learnt be	The Government through TANAPA Management conducted follow up to the MNRT and found out that MNRT formed a taskforce in 2019 that worked on the issue of boundary-related conflicts between Saadani National Park and adjacent communities including Bagamoyo Sugar Company Limited. The task force recommended a win-win situation whereby, a	Government response noted. Government effort noted and verified. I will review implementation in subsequent audit.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		documented for future reference.	distance of 200 out of 500 meters from Wami Riverbank to remain in the park's GN and the Government to surrender 300 meters which is part of Saadani National Park to resolve the dispute.		
48.	2020 /21	Inadequate response on fire outbreak in the National Parks I recommended that TANAPA in collaboration with Government (a) assess the impact of fire and rehabilitate the infrastructures and plant vegetation in fire affected areas; (b) use the satellites in detecting fire incidents; (c) establish disaster response team to deal with natural disasters; and (d) consider budgeting and purchasing modern firefighting equipment's, including helicopters and its bucket and strengthen patrols and rescue operations.	The Government issued directive to ban the use of half-mile strip. Management in collaboration with District Security Committees from Moshi, Rombo, Siha and Hai have been implementing the directives. Also, TANAPA management continues with efforts to set aside budgets for modern firefighting equipment. Patrols and rescues are strengthened	During the year I found the Government through TANAPA applied a wide range of Satellite-based technology. Also, I verified procured firefighting equipment and provide a budget in the FY 2022/23 to purchase Helicopter	Under Impleme ntation
49.	2020 /21	Delay in implementation of initiatives for sustainable water availability for wildlife I recommended that the Government support TANAPA as priority to expedite the initiated programs on Mara River Basin and Speke Gulf-Lake Victoria projects.	The close follow-up which was made to the Ministry of Natural Resources and Tourism (MNRT) has revealed that the Government has decided to annex the Speke Gulf Game Controlled Area to Serengeti National Park. The Government decision was communicated to Mara Regional Authority through the eight Sectoral Ministerial Committee on	Government response noted. I will review implementation and completion of the planned activities to ensure sustainable supply of water at Parks.	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			9th April, 2022. The Mara Regional Authority has been directed to implement such a government		
50.	2020 /21	Conservation of tourism sites outweighed by desire for human developments. I recommended that Government (a) find alternative means of human development in areas bordering and/or interacting with tourism sites to enhance conservation programs to communities within and around tourism sites and (b) critically establish boundaries for all the encroached National Parks and relocate the encroachers. I recommended that the Government ensure availability of health and safety measures to enhance visitor's confidence that includes sufficient hygienic equipment, social distancing initiatives, and temporally isolation centres I recommended that Government Through TANAPA addresses all challenges that put the project on hold for its operationalization.	Land use plan were developed to 30 villages surrounding Tarangire National Park, the major aim being to secure corridors, dispersal areas and regular flow of the Tarangire River. Management is collaborating with stakeholders at all levels continues to ensure the establishment of more Wildlife Management Areas (WMA) to secure and protect wildlife corridors and dispersal areas. Management continues to implement the COVID 19 Business Recovery and sustainability Plan 2021/2023. Also, management continues with the preparation and improvement of infrastructures to serve the tourist arrivals after the inauguration of the Royal tour.	Government Response noted. I will review implementation on the strategies set.	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
51.	2020 /21	Absence of scanners at tourist entrance gates and presence of defective CCTV camera for security matters at Kilimanjaro and Arusha National Parks (KINAPA) I recommended that KINAPA install security facilities such as scanners together with well-functioning CCTV cameras around the gates to strengthen security.	The Government through TANAPA Planned to install Surveillance Cameras and scanners for the security in the entry points and gates. However, due to the budget constrains it couldn't prioritize this plan. Management has solicited funds from ERB Project (Ministry of the Federal Republic of German) has budgeted for in 2022/23 to facilitate the acquisition and installation of surveillance systems. The surveillance cameras are prioritized to new gates to be constructed, and the procurement process under ERB Project is underway	Government response noted. I will make follow up on the implementation in the subsequent audit	Under Impleme ntation
52.	2020 /21	Non-Existence of sanitation infrastructure to reach sanitation coverage of 40% I recommended that the Government through the Ministry of Water solicit funds from donors, or internal sources and assist WSSAs in implementing the construction of the sanitation infrastructures.	The Government has noted CAG's recommendations and is mobilizing funds from internal sources and donors as exemplified here under DUWASA: Government of South Korea is supporting the extension of sewerage network of Dodoma Urban Water Supply and Sanitation Authority AUWSA: African Development Bank is supporting the Arusha Sustainable Urban Water and Sanitation Delivery Project BUWASA: We are done with design and preparation of tender documents however the Authority (Bukoba WSSA) have sludge disposal ponds for Bukoba Municipal for taking care of sewage and we are at procurement stage for constructing the same facility at Kyaka/Bunazi and Kayanga/Omurushaka.	Government response noted. During the year I noted improvement on sanitation infrastructures. I will keep following on the matter in the subsequent audit.	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
53.	2020 /21	Lack of patents and non- transferring of agricultural technology to users for adoption by CAMARTEC I recommended that the Government through CAMARTEC (a) Develop patent, intellectual property or copy right for innovations and inventions; and (b) Develop and fund a business model that support transfer of designed technologies to users and enabling users to access that technology	CAMARTEC is working on ensuring that technology developed is patented and appropriate steps are taken to transfer the said technology to the public at large. It should be noted that not all applied research being conducted by the Centre can acquire Intellectual Property Rights as some technologies are either adopted or adapted to suit local conditions, hence, there are no patentable innovations or inventions.	Government response noted. I will review the implementation of the issue in the subsequent audit.	Under Impleme ntation
54.	2020 /21	Inadequate management of student loans repayment by HESLB I recommended that Higher Education Students Loan Board (a) strengthen efforts on tracing loan beneficiaries and employers; and (b) involve Foreign Affairs Ministry and Tanzania Embassies to trace and recover loans from beneficiaries residing out of Tanzania.	The Government noted auditors' recommendation: - (a) Based on the targets for 2020/21, The Government confirms that the targets for tracing loan beneficiaries in 2020/21 was 35,000. The actual number of beneficiaries traced were 31,229 (89.2%). (b) Drop in employers' compliance rate was a mix of covid -19 pandemic dynamics and migration processes. Management will ensure that system integrations made will increase level of complying employers.	Government response noted. Up to the financial year 2021/22, untraced loan balance remained TZS 249.74 billion as per previous year from the initial debt of 1.46trillion I will review the implementation of the issue in the subsequent audit.	Under Impleme ntation
55.	2020 /21	Inadequate number of qualified coordinators at Tanzania Institute of Education (TIE). I recommended that Tanzania Institute of Education and the President's Office, Public Service Management and Good Governance to employ	The Government through TIE management has made some initiatives to address the staff deficit and up to 31st March 2022 TIE managed to employ 1 Curriculum developer. Close follow up with the President's Office, Public Service Management and Good Governance is going	Government response noted. I will keep on reviewing the implementation of the issue in the subsequent audit.	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
		coordinators/teachers of related fields for developing curricular and materials for noted subjects	on with a view of reducing the staff deficit level.		
56.	2020 /21	Inadequate management of skills development fund (SDF) and education fund by Tanzania Education Authority (TEA) I recommended that Tanzania Education Authority (TEA) and Government provide adequate resources and engage TASAF for timely monitoring and verifications of projects. I recommended that Tanzania Education Authority (TEA) and President's Office Regional Administration and Local Government introduce control mechanisms which would enable funds released by TEA to be disbursed to project implementers without delay.	The Government through TEA Management has implemented the following actions; (a) Conducted field visits between September and November, 2021 to all 61 Training Institutions which were implementing Bursary Scheme. (b) Recruited 4 Monitoring and Evaluation officers through transfer. These officers are responsible for M&E activities for SDF and Education Fund. (c) Acquired three (3) additional vehicles to facilitate monitoring activities. (d) MoU between TEA and TASAF was signed on 24th November 2021 for cooperation in the course of implementation of Bursary Scheme including providing support in monitoring activities. (e) Consultation with the President's Office Regional Administration and Local Government (PO-RALG) has been done and funds were released to all 24 projects. As of 31st March, 2022, 20 out of 24 projects have been completed. Currently, there are 48 VETA owned centres in Tanzania mainland. More effort is being directed on construction and	Government response noted. I will keep on reviewing the implementation of the issue in the subsequent audit.	Under Implemen- tation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			establishment new VETA centres so as to increase accessibility to VET while meeting government target of having at least one VET Centre in every district. The construction of four (5) Regional VETA centres (Kagera, Rukwa, Geita, Njombe and Simiyu) are at different stages; while the construction of 25 Districts VETA centres countrywide is expected to be completed and start training by 1st July, 2022. The completion of these centres expected to enrol approximately 15,000 youth in vocational training arena. VETA through Ministry of Education, Science and Technology will continue with a construction of other VETA centres countrywide in each financial year as per availability of funds.		
57.	2020 /21	Unregulated natural gas price for domestic market and un-updated tariff Order for water sales. I recommended that the Government through the Energy and Water Utilities Regulatory Authority critically and on timely basis review water tariff orders to enable WSSAs to be self-reliant while delivering quality services to clients.	The Government through EWURA will ensure natural gas indicative prices are issued as required by the law for protecting the domestic market. Further, the Government through EWURA will critically and on timely basis review water tariff orders to enable WSSAs to be self-reliant while delivering quality services to clients.	Government response noted. I have noted Government efforts through communication between Ministry of Energy and EWURA on Reviewing the tool that guides tariff in the petroleum industry i.e. "The Petroleum (Natural Gas Pricing) Regulations 2020". I also found EWURA reviews tariff on case-by-case basis which reduced the number of water and sanitation	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
				utilities without tariff orders to 42 out of 112	
58.	2020 /21	Challenges in carrying out fuel marking exercises by TBS. I recommended that Tanzania Bureau of Standards (TBS) and Energy and Water Utilities Regulatory Authority (EWURA) through respective Ministries: (a) legalize the transfer of this function and develop a formal agreement between EWURA and TBS to define performance terms; and (b) ensure the effective management system is developed to facilitate the detection systems to automatically transmit the test results to the central monitoring systems at EWURA and TBS	(a) The consensus was made during the meeting held on 2022-01-27 to 2022-01-28 in Dar es Salaam between Ministry of Energy, Ministry of Investment, Industry and Trade, Attorney General (Chief Parliamentary draftsman department), EWURA and TBS, that the proposed draft amendment to the Petroleum (Marking and Quality Control) Rules GN.No.210 of 2010 will be shared to TBS for further comments if any before drafting the performance contract. TBS has not received the proposed draft amendment of the Petroleum Rules from EWURA. TBS requested the status on the amendment through letter with Ref.No.CCA.222/417/01/19 dated 2022-03-02; no response was received from EWURA b) System, which will automatically transmit the test results to the central monitoring System at EWURA from TBS is accommodated on the current tender for of supplier of fuel mark. After	Government response noted. I insist the Government to fasten approval of the proposal I will review implementation of the issue in the subsequent audit	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			end of the current tender on June 2022 the system will be installed.		
59.	2020 /21	Inadequate monitoring and harmonization of E-sticker innovation introduced by Tanzania Insurance Regulatory Authority (TIRA) I recommended that TIRA and the Ministry of Internal Affairs (a) speed up harmonization of the Road Traffic Act to ensure e- Stickers are included; (b) consider any returns from the insurance companies after 15 May 2021 as null and void and institute appropriate procedures for writing off the physical stickers; and (c) in future any major changes need to be supported by benefit realization plan.	TIRA in corporation with the Ministry of Home Affairs through the office of Inspector General of Police have prepared a draft regulation under the Road Traffic Act, Cap 168 recognize electronic insurance cover and use of TIRAMIS as proof to evidence insurance cover.	Government response noted. I currently noted Insurance Stickers are no longer used.	Overtaken by Event
60.	2020 /21	Anomalies noted in granting exemptions to patients at MNH & MOI I recommended that (a) MNH & MOI ensure all exemptions are granted only to eligible patients and they should be well supported with appropriate documentations by involving Welfare unit in the process; and (b) MNH liaise with the Ministry of Health on possibility of subsidizing exempted patients and ensure completely automation of exemption process.	The Institute provides exemption to Tanzanians according to National Health policy of 2017. However due to nature of patients attended at MOI however apart from elective patients, MOI do also attend emergencies which needs immediate lifesaving procedures hence no time for obtaining needed documents of exemptions. Some are unknown patients, others don't relative at all but services have to be offered.	Government response noted. During the year I verified the instituted super specialty service and the review of the SOPs towards the exemption processing will be made in the next audit 2022/23	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
61.	2020 /21	Inadequate production and monitoring of quality Seeds/seedlings for increasing crop productivity. I recommended that Boards in collaboration with research institutions ensure adequate efforts are put in production and monitoring of quality seeds/seedlings.	Starting from next season of 2021/22 the government will establish crop development fund which will be used to finance different coffee development activities including production of seedlings. With sufficiency funds, the capacity of Research to produce coffee seeds and other planting materials will be increased and hence increase the number of seedlings produced annually.	Government response noted. I will continue to review the implementation in the next subsequent audit.	Under Impleme ntation
62.	2020 /21	Deterioration of cashew nuts quality from the coast region and decreased production volume from new cashew nut growing areas. I recommended that management of Cashewnut Board of Tanzania in collaboration with the Ministry of Agriculture and Local Authorities in which the crop is grown to review the strategies in place and improve the production and quality of the crop.	The Government will ensure the management of Cashewnut Board of Tanzania in collaboration with the Ministry of Agriculture and Local Authorities in which the crop is grown to review the strategies in place and improve the production and quality of the crop.	Government Response noted. During the year I noted production of Cashewnuts was tonne 238,555.81(85.2 %) out of projection 280,000. tonnes (Ministry of Agriculture, April,2022)	Under Impleme ntation
63.	2020 /21	Existence of expired pesticides TZS 847.24 million. I recommended that Management of (a) CDTF in collaboration with TCB analyse trend consumption of pesticides in order to avoid large amount of expiring inventories; and (b) CDTF and TPRI expedite the process of disposing of the expired inventories.	The Government through TPHPA has assessed all expired pesticides and plans to dispose from TCB premises and dispose them off according to environmental laws and regulations.	Government Response noted. During the year I found TPRI visited CDTF premises in June, 2021 for initial assessment and inspection of the expired stocks. Also, I found Obsolete inventories decreased by TZS 27,036,404 in 2021/22.Undispos ed off Obsolete Inventory	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
				amounted to TZS 874,271,981 as at 30th June, 2022.	
64.	2020 /21	Increase in price of fertilizer in the market due to fertilizer scarcity I recommended that the Government through Ministry of Agriculture and Tanzania Fertilizer Regulatory Authority consider any necessary short term and long-term plans that will provide both availability of fertilizers and at an affordable price	Increase in fertilizer price in the market is a result of increase in the global fertilizer prices given that 90% percent of fertilizer intended for domestic use is imported. To address the challenge in the short run the government is considering providing fertilizer subsidy in the next cropping season to increase the farmers purchasing power in acquiring fertilizer at an affordable price. In the long run the government is promoting investment in fertilizer domestic manufacturing to ensure availability at affordable prices to curb dependence in imported fertilizers whose prices are normally very high	Management response is noted; However, I noted no any subsidy given to farmers and the fertilizer prices are still high.	Not Implemented
65.	2020 /21	Delayed legal transfer of Kiwira Coal and Power Limited (KCPL) to STAMICO and inoperative Kyerwa Tin Company. I recommended that (a) Treasury Registrar's Office, and TRA in collaboration with STAMICO expedite decisions on ownership transfer of Kiwira Coal Mine; and (b) Treasury Registrar's Office provide advice and guidance to STAMICO regarding the winding-up of Kyerwa Tin Company Limited (KTCL) in response to the request by STAMICO	The Government is working on ensuring the transfer of Kiwira Coal Mine shares to STAMICO is completed. The closure of Kyerwa Tin Company Limited has also been worked on.	Government response noted. I verified a letter sent to TR regarding transfer of ownership of Kiwira coal mine and associated assets. I also verified letter sent to Treasury registrar requesting approval for closure of Kyerwa Tin Company	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
66.	2020 /21	Failure to connect 25 mines to the national grid by TANESCO due to budget constraints. I recommended that TANESCO management conduct a cost benefit analysis that will enable the Company to develop strategies and set aside a sufficient budget for connecting the mines to the national grid to enhance growth of economy through mining sector.	The Government through TANESCO has conducted marketing survey to establish requirement for power connection in mining areas and establish project costs needed to finance the sites. The prospective projects are expected to cost at least TZS 31.4 billion. Management will set aside amount of money (Budget) in each financial year in order to implement power connection to viable mining sites. Management is also strategizing on negotiating to collaborate with some of potential mining investors in term of co- financing the projects	Government response noted. I noted Out of 25 Mines 7 mines have already been electrified. TANESCO had a meeting with REA and agreed that REA will take a charge of electrifying other mining areas. Therefore, I will make follow up on progress and implementation of connecting the remaining mines subsequently	Under Impleme ntation
67.	2020 /21	Unresolved challenges in implementation of Mchuchuma Coal and Liganga Iron and Steel projects. I recommended the Government (a) expedite ongoing negotiations that eventually can determine implementation of the projects and realization of the benefits intended to accrue from the project; and (b) consider issuing the GN for the signed incentives to allow TCIMRL to proceed with the performance contract.	The Government Negotiation Team sent its report to the Government for decision making. For this financial year 2021/2022 the Government has set aside funds for carrying out re-valuation to determine current compensation costs for Project Affected People.	Government response noted. During the year the government disbursed TZS 85 million for PAP compensation. I will review implementation in subsequent audit.	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
68.	2020 /21	Implementation of power purchase and production sharing agreements for TANESCO and TPDC I recommended that management of TANESCO in collaboration with Ministry of Energy expedite making analysis of the power purchase agreement to assess all unfavourable terms and conditions that require improvement to enable fruitful and beneficial discussion with the other party in case the parties wish to renew or extend the agreement respectively and delayed discussion on renewal of Songas Power Purchase Agreement	The Government through TANESCO is in the process of hiring a private consultant to review the PPA and evaluate all conditions imposed and guide TANESCO on the same. However, currently the company is also doing internal review for preparation of the negotiation. 	Management response noted. I will review implementation of ongoing negotiations conclusion thereafter.	Under Impleme ntation
69.	2020 /21	Unresolved disputes on production sharing agreement between TPDC and PAET I recommended that TPDC with the Government assistance (a) take relevant measures to ensure that PAET implements the negotiation team directives; and (b) make a cost benefit analysis and advise the Government on the possible TPDC takeover or joint operation of Songosongo Block after the expiration of PSA in 2026	The Government through TPDC re-invited PAET for discussions on its right to participate in development operations as provided in Article 8.1 of the Songo Songo PSA. The two parties conducted two negotiation meetings on 23rd May 2022 (in DSM) and 22nd June 2022 (in Arusha). However, the parties could not agree on the matter due to different views in interpreting the said article of the PSA and other related provisions of the Gas Agreement. The Management is still working on the results of these recent meetings. Further, TPDC is currently undertaking technical study on Static and Dynamic model of reserves which	Management response noted. I will keep reviewing implementation of ongoing negotiations and conclusion thereafter.	Under Impleme ntation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
			will be followed by carrying out a cost benefit analysis which may assist TPDC if takeover is opted.		
70.	2020 /21	Primary mining licence owners operating without environmental impact assessment (EIA) certificate I recommended that National Environment Management Council and the Mining Commission enforce the compliance with Sect.81 (3) of Environment Management Act (EMA) for all mining undertakings.	The Mining (Environmental Protection for Small Scale Mining) Regulations, 2010 directed a holder of Primary Mining License to prepare an Environmental Protection Plan (EPP) as elaborated in Regulation 3(1) of the same. For that case, the environmental effects caused by PMLs holders are mitigated through the EPP enforced by the Mining Commission	Management response noted. I will review implementation of ongoing negotiations and conclusion thereafter.	Under Implementation
71.	2020 /21	Absence of a joint framework between NEMC and Mining Commission to monitor environmental rehabilitation I recommended that NEMC, Mining Commission and Vice President's Office establish a joint mechanism that will ensure equitable rights of all parties in monitoring and enforcement of rehabilitation fund for environment rehabilitation.	The Government through monitoring of environmental rehabilitation in the mining operations is done by multi-sectoral National Mining Closure Committee (NMCC) as stipulated in Regulation 206 (3) of the Mining (Safety, Occupational health and Environment Protection) Regulation, 2010. The NMCC among other members comprises representatives from VPO and NEMC. The Government through Management of NEMC has been working on this issue since 2019. There have been several meetings between NEMC and Mining Commission with the sole purpose of harmonizing the Mining Act 2010 and EMA 2004. The decision on how best this contradiction can be resolved is currently at the Ministerial level (Permanent Secretaries).	Management response noted. I will continue to follow up on the implementation in the subsequent audit	Under Implementation

S/N	Year	Audit Recommendations	Government Response	CAG Comment	Status
72.	2020 /21	Lack of the model mining development agreement I recommended that, despite the presence of laws and regulations detailing different requirements in the mining sector, the Mining Commission need to come up with the Model Mining Development Agreement or Model Contract Framework, which can be used as a benchmark for the forthcoming agreements/contracts between the United Republic of Tanzania and holder of a mineral right.	The Government through the Ministry of Minerals and Mining Commission is reviewing the Mining (State Participation) Regulations, 2020 among other things the regulation will provide a model Framework Agreements/Mining Development Agreement which is a standard document that will be used by the Government and mineral right holders.	Management response noted. Review of Mining Regulation is on progress; therefore, the model is yet to be developed. I will review implementation in subsequent audit	Not Implemented
73.	2020 /21	Inadequate enforcement of Government's non-dilutable free carried interest in mining companies. I recommended that the Treasury Registrar establish a collective mechanism to administer and manage 16% non-dilutable Free Carried Interest shares in the capital of a mining company as per the requirement of the Mining Act among others, acquisition of shares certificates for 16% non-dilutable free carried interest shares.	The Government is reviewing the Mining (State Participation) Regulations, 2020 which will provide a uniform mechanism for all mineral right holders to comply with section 10 of the Mining Act, Cap. 123. Once finalized will enable the Government to enforce the its Non Dilutable Free Carried Interest in Mining Companies	Management response noted. Review of Mining Regulation is on progress. I will keep following up on the implementation in the subsequent audit	Under Implementation

Appendix III:: Dividend payout by PA & oBs

S/N	Public Entity	Profit (Loss) for the year (TZS Million)		Dividend (TZS million)	
		2020/21	2021/22	2020/21	2021/22
1	Tanzania Petroleum Development Corporation	22,915.00	97,783.00	6,900	2,700
2	National Insurance Corporation Tanzania Ltd	40,593.96	38,846.27	-	1,500
3	State Mining Corporation	7,311.00	9,282.00	1,200	1,200
4	National Housing Corporation	66,974.88	65,942.89	1,205	750
5	UTT Assets Management and Investor Services Plc	2,710.58	1,800.87	550	550
6	Arusha International Conference Centre	(1,741.71)	(505.21)	150	100
7	Kilimanjaro Airports Development Company	(4,542.57)	1,113.31	350	-
8	Tanzania Agriculture Development Bank	10,948.11	11,138.84	500	-
9	Self Microfinance Fund	1,474.79	1,646.88	250	-
10	Tanzania Postal Corporation	(895.25)	16,808.43	-	-
11	Tanzania Commercial Bank Plc	9,167.28	-	-	-
12	Cereals and Other Produce Board of Tanzania	3,111.69	3,143.52	-	-
13	Azania Bank Ltd	2,060.46	18,882.79	-	-
14	Tanzania Standard (Newspapers) Ltd	809.76	668.14	-	-
15	Housing and Pensions Company Ltd	261.15	627.69	-	-
16	Watumishi Housing Investment Ltd	(412.37)	114.51	-	-
17	TIB Rasilimali Ltd	(838.02)	(456.04)	-	-
18	Kilimanjaro International Leather Industries Company Ltd	(4,927.48)	(8,251.11)	-	-
19	Marine Services Company Ltd	28,489.17	(9,417.38)	-	-
20	Tanzania Telecommunication Company Ltd	213	(15,509)	-	-
21	National Development Corporation	(31,598.51)	(15,581.01)	-	-
22	TIB Development Bank Ltd	(24,623.00)	(195,467.00)	-	-
23	Tanzania Railways Corporation	(22,872.19)	(31,295.27)	-	-

S/N	Public Entity	Profit (Loss) for the year (TZS Million)		Dividend (TZS million)	
		2020/21	2021/22	2020/21	2021/22
24	Air Tanzania Corporation Ltd	(36,182.50)	(35,238.36)	-	-

Source: Financial statement for the year 2021/22 and Office of Treasury Registrar Statement on Dividend as at 30 June 2022

Appendix IV: 15% Contribution by public entities to Consolidated Fund Account (TZS 'millions')

S/N	Public Entity	Actual Contribution	Revenue	Required Contribution	Variances
1.	Tanzania Ports Authority	171,668.21	1,016,410.85	152,461.63	(19,206.58)
2.	National Health Insurance Fund	600	622,027.18	93,304.08	92,704.08
3.	Tanzania Communications Regulatory Authority	19,902.35	168,901.68	25,335.25	5,432.90
4.	Dar es Salaam Water Supply and Sanitation Authority	1,000.00	146,396.05	21,959.41	20,959.41
5.	Tanzania Shipping Agencies Corporation	44,253.77	102,319.19	15,347.88	(28,905.89)
6.	Tanzania Bureau of Standards	5,216.87	96,388.83	14,458.32	9,241.45
7.	Energy and Water Utilities Regulatory Authority	8,375.19	55,763.46	8,364.52	(10.67)
8.	Tanzania Civil Aviation Authority	8,428.22	55,104.30	8,265.65	(162.57)
9.	University of Dodoma	700	47,001.27	7,050.19	6,350.19
10.	Tanzania Medicines and Medical Devices Authority	5,092.24	35,661.03	5,349.15	256.91
11.	Mwanza Urban Supply and Sanitation Authority	50	29,477.51	4,421.63	4,371.63
12.	Land Transport Regulatory Authority	4,683.74	28,824.61	4,323.69	(360.05)
13.	Jakaya Kikwete Cardiac Institute	50	28,233.44	4,235.02	4,185.02
14.	Institute of Finance Management	300	25,867.68	3,880.15	3,580.15
15.	Mzumbe University	300	23,788.29	3,568.24	3,268.24
16.	Dar es Salaam Institute of Technology	60	23,332.47	3,499.87	3,439.87
17.	Vocational Education and Training Authority	500	21,825.60	3,273.84	2,773.84
18.	National Institute of Transport	150	21,626.00	3,243.90	3,093.90
19.	National Environmental Management Council	1,200.00	20,429.84	3,064.48	1,864.48
20.	Mbeya University of Science and Technology	100	19,638.22	2,945.73	2,845.73
21.	College of Business Education	50	18,368.70	2,755.30	2,705.30
22.	Tanzania Insurance Regulatory Authority	2,605.48	18,048.96	2,707.34	101.86
23.	Institute of Accountancy Arusha	100	17,064.08	2,559.61	2,459.61
24.	National Board of Accountants and Auditors	100	14,911.93	2,236.79	2,136.79

S/N	Public Entity	Actual Contribution	Revenue	Required Contribution	Variances
25.	Muhimbili University of Health and Allied Sciences	110	14,814.07	2,222.11	2,112.11
26.	Ardhi University	55	14,007.06	2,101.06	2,046.06
27.	Morogoro Urban Water Supply and Sanitation Authority	110	13,935.77	2,090.37	1,980.37
28.	Gaming Board of Tanzania	1,844.27	12,295.11	1,844.27	-
29.	Moshi Urban Water Supply and Sanitation Authority	25	11,747.96	1,762.19	1,737.19
30.	Moshi Co-operative University	151	10,469.91	1,570.49	1,419.49
31.	Tanzania Wildlife Research Institute	72	9,411.85	1,411.78	1,339.78
32.	Public Procurement Regulatory Authority	100	8,992.82	1,348.92	1,248.92
33.	Tanzania Broadcasting Corporation	50	8,777.36	1,316.60	1,266.60
34.	Dar es Salaam Marine Institute	35	7,057.70	1,058.66	1,023.66
35.	Arusha Technical College	60	6,817.91	1,022.69	962.69
36.	Tanzania Fertilizer Regulatory Authority	978.26	6,653.77	998.07	19.81
37.	Fair Competition Commission	271.18	6,623.81	993.57	722.39
38.	Sugar Board of Tanzania	1,261.36	6,570.72	985.61	(275.75)
39.	Tropical Pesticides Research Institute	796.32	6,496.08	974.41	178.09
40.	Tanzania Investment Centre	840.67	6,203.67	930.55	89.88
41.	Tanzania Trade Development Authority	47.13	6,136.87	920.53	873.4
42.	Institute of Social Works	60	6,037.39	905.61	845.61
43.	Petroleum Upstream Regulatory Authority	240	5,722.63	858.39	618.39
44.	Architects And Quantity Surveyors Registration Board	17	3,614.90	542.24	525.24
45.	Tanzania Coffee Board	12.5	3,454.53	518.18	505.68
46.	Capital Markets and Securities Authority	189.81	3,453.68	518.05	328.24
47.	Co-operative Audit and Supervision Corporation	15	1,910.52	286.58	271.58
48.	Kibaha Education Centre	3	1,366.04	204.91	201.91
49.	National Construction Council	20	1,096.57	164.49	144.49
50.	National Bureau of Statistics	58.45	1,019.05	152.86	94.41
51.	Tanzania Tourist Board	10	845.5	126.82	116.82
52.	Tanzania Smallholders Tea Development Agency	1.2	829.21	124.38	123.18
53.	Tanzania Diary Board	5	710.63	106.59	101.59
54.	National Sports Council	15	491.83	73.78	58.78

Source: Financial Statements for the period 2021/22

Appendix V: Public Entities not contributed to Consolidated fund Account in year 2021/22

S/N	Public Entity
1	Arusha Urban Water Supply and Sanitation Authority
2	Babati Urban Water Supply and Sanitation Authority
3	Bukoba Urban Water and Sewerage Authority
4	Centre for Agricultural Mechanization and Rural Technology
5	Cereals & Other Produce Board of Tanzania
6	Contractors Registration Board
7	Copy Right Society of Tanzania
8	Dar es Salaam University College of Education
9	Dar-es-Salaam Maritime Institute
10	Deposit Insurance Board
11	Dodoma Urban Water and Sewerage Authority
12	Export Processing Zone Authority
13	Institute of Adult Education
14	Iringa Urban Water Supply and Sanitation Authority
15	Kahama Urban Water Supply and Sanitation Authority
16	Kilimanjaro Airport Development Company Ltd
17	Lindi Urban Water and Sewerage Authority
18	Makambako Urban Water Supply and Sanitation Authority
19	Marine Parks and Reserves Unit
20	Masasi Nachingwea Urban Supply and Sanitation Authority
21	Mbeya Water Supply and Sanitation Authority
22	Mkwawa University College of Education
23	Muhimbili National Hospital
24	Muhimbili Orthopaedic Institute
25	Mwalimu Nyerere Memorial Academy
26	National Development Corporation
27	National Economic Empowerment Council
28	National examination Council of Tanzania
29	National Institute for Medical Research
30	Open University of Tanzania
31	Procurement & Supplies Professionals &Technicians Board
32	Sokoine University of Agriculture
33	State Mining Corporation
34	Sumbawanga Urban Water and Sewerage Authority
35	Tanzania National Parks Authority
36	Tanga Urban water Supply and Sanitation Authority
37	Tanzania Atomic Energy Commission
38	Tanzania Cashewnut Board
39	Tanzania Commission for Universities
40	Tanzania Cotton Board
41	Tanzania Education Authority
42	Tanzania Electric Supply Company
43	Tanzania Engineering & Manufacturing Design
44	Tanzania Fertilizer Company
45	Tanzania Food and Nutrition Centre
46	Tanzania Forest Research Institute
47	Tanzania Institute of Education
48	Tanzania Merchantile Exchange Plc
49	Tanzania Pyrethrum Board
50	Tanzania Sisal Board
51	Tanzania Small Holders Tea development
52	Tanzania Standard Newspapers

S/N	Public Entity
53	Tanzania Tobacco Board
54	The national Council for technical and vocational education and training
55	TIB Development Bank
56	University of Dar es Salaam
57	Workers Compensation Fund
58	Ngorongoro Conservation Area Authority

Source: Financial Statements for the year 2021/22 and Office of Treasury Registrar

Appendix VI:: Public entities with long outstanding receivables

S/N	Public entities	TZS (Million)
1.	Higher Education Students' Loans Board	611,000.00
2.	Tanzania Railways Corporation	553,185.80
3.	Tanzania Electric Supply Company Limited	461,760.96
4.	National Social Security Fund	408,626.33
5.	Tanzania Petroleum Development Corporation	378,089.45
6.	Medical Stores Department	255,656.85
7.	National Health Insurance Funds	210,291.30
8.	Tanzania Telecommunications Corporation Limited	195,000.00
9.	Tanzania Ports Authority	159,716.11
10.	Public Service Social Security Fund	92,908.26
11.	National Housing Corporation	22,622.71
12.	Air Tanzania Company Limited	13,510.17
13.	Contractors Registration Board	12,446.02
14.	Cashewnut Industry Development Trust Fund	12,026.08
15.	Ubungu Plaza Limited	11,203.19
16.	Energy and Water Utilities Regulatory Authority	11,084.81
17.	Sokoine University of Agriculture	9,671.15
18.	Tanoil Investment Limited	8,619.78
19.	Tanzania Broadcasting Corporation	7,953.14
20.	National Development Corporation	7,604.49
21.	Tanzania Shipping Agencies Corporation	6,903.31
22.	Export Processing Zones Authority	6,331.97
23.	Institute of Finance Management	5,615.01
24.	Tanzania Insurance Regulatory Authority	5,567.84
25.	National Institute of Transport	5,204.78
26.	Cashewnut Board of Tanzania	5,114.91
27.	Arusha International Conference Centre	5,051.95
28.	College of Business Education	4,629.15
29.	Moshi Co-Operative University	4,459.77
30.	Tanzania Civil Aviation Authority	4,415.33
31.	Institute of Rural Development Planning	3,522.97
32.	Tanzania Commission for Science and Technology	3,497.15
33.	Co-Operative Audit and Supervision Corporation	3,351.01
34.	Mbeya University of Science and Technology	3,097.43
35.	Tanzania Coffee Board	3,058.66

36.	Capital Markets and Securities Authority	3,010.92
37.	Muhimbili National Hospital	2,777.87
38.	Tanzania Bureau of Standards	2,775.67
39.	Tanzania Education Authority	2,646.73
40.	Petroleum Upstream Regulatory Authority	2,517.78
41.	Tanzania Cotton Board	2,462.28
42.	Kariakoo Market Corporation	2,414.81
43.	State Mining Corporation	2,367.82
44.	Vocational Education Training Authority	2,241.73
45.	Tanzania Commission for Universities	2,155.90
46.	Engineers Registration Board	2,134.29
47.	Muhimbili National Hospital - Mloganzila	2,098.55
48.	Cereals and Other Produce Board	2,060.71
49.	Muhimbili University of Health and Allied Sciences	1,738.00
50.	Architects and Quantity Surveyors Registration Board	1,728.55
51.	Kilimanjaro Airports Development Company	1,694.60
52.	Tanzania Trade Development Authority	1,537.47
53.	Arusha Technical College	1,410.75
54.	Dar es Salaam Institute of Technology (Main)	1,380.50
55.	Tanzania Biotech Products Limited	1,297.37
56.	Marine Services Company Limited	1,268.70
57.	Kibaha Education Centre	1,262.41
58.	Tropical Pesticides Research Institute	1,255.49
59.	Institute of Adult Education	1,253.19
60.	National Institute for Medical Research	1,236.90
61.	Sugar Board of Tanzania	1,137.05
62.	T-PESA	1,125.88
63.	Tanzania Industrial Research and Development Organization	1,059.30
64.	Muhimbili Orthopaedic Institute	1,041.91
65.	College of African Wildlife Management, Mweka	990.73
66.	Mwalimu Nyerere Memorial Academy	974.95
67.	Dar es Salaam Institute of Technology (ICB)	822.1
68.	Tanzania Institute of Education	776.79
69.	Deposit Insurance Board	717.42
70.	Tanzania National Parks	709.49
71.	Centre for Foreign Relations	690.91
72.	National Examinations Council of Tanzania	674.55
73.	Marine Parks and Reserve Unit	653.27
74.	Tanzania Library Services Board	563.06
75.	Tanzania Food and Nutrition Centre	545.02
76.	Institute of Social Work	535.12
77.	Copyright Society of Tanzania	512.94
78.	MCB Company limited	506.74
79.	National Construction Council	468.7
80.	Gaming Board of Tanzania	375.86
81.	National Sugar Institute	353.1

82.	Housing and Pensions Company Ltd	333.1
83.	Open University of Tanzania	318.38
84.	Dar es Salaam Institute of Technology (Coy)	317.51
85.	Ocean Road Cancer Institute	309.51
86.	Mkwawa University College of Education	265.57
87.	Ngorongoro Conservation Area Authority	258.13
88.	Mzumbe University	252.99
89.	Dar Es Salaam Maritime Institute	251.16
90.	Jakaya Kikwete Cardiac Institute	186.72
91.	Procurement and Supplies Professionals and Technicians Board	171.18
92.	Tanzania Standard (newspaper) Limited	154.36
93.	Centre for Agriculture Mechanization and Rural Technology	149.55
94.	Tanzania Wildlife Research Institute	120.58
95.	National Board of Accountants and Auditors	109.22
96.	Warehouse Receipts Regulatory Board	68.91
97.	Small Industries Development Organisation	13.67
	TOTAL	3,580,042.26

Appendix VII:: Entities with material payables balance as at 30 June 2022

S/N	Name of entity	2021/22 TZS (Million)
1.	Tanzania Electricity Supply Company Limited	2,590,842.00
2.	Tanzania Ports Authority	1,003,597.83
3.	Tanzania Railway Corporation	875,702.35
4.	Public Service Social Security Fund	613,333.12
5.	Tanzania Petroleum Development Corporation	432,347.00
6.	National Health Insurance Fund	309,589.03
7.	Tanzania Telecommunication Corporation Limited	241,277.00
8.	Higher Education Student Loans Boards	215,853.36
9.	Medical Store Department	175,511.27
10.	Dar es Salaam Water Supply and Sanitation Authority	156,085.17
11.	Cotton Development Trust Fund	131,294.07
12.	Muhimbili National Hospital	84,545.03
13.	Air Tanzania Company Limited	78,993.58
14.	National Housing Corporation	70,110.57
15.	National Insurance Corporation	69,196.12
16.	State Mining Corporation	65,664.00
17.	STAMIGOLD Company Limited	47,396.71
18.	Deposit Insurance Board	43,422.77
19.	Azania Bank	38,058.68
20.	Muhimbili Orthopaedic Institute	31,670.81
21.	Tanzania National Parks	24,487.83
22.	Tanzania Standard Newspaper	23,725.13
23.	Ocean Road Cancer Institute	22,386.01
24.	Tanzania Civil Aviation Authority	19,115.03
25.	Cashewnut Board of Tanzania	16,775.61
26.	National Development Corporation	16,624.75
27.	Muhimbili National Hospital -Mloganzila	16,584.85
28.	Tanzania Communication Regulatory Authority	14,413.51
29.	Sokoine University of Agriculture	14,141.49
30.	Tanzania Investment Bank Development	11,308.00

31.	Tanzania Bureau of Standard	10,620.79
32.	University of Dodoma	10,474.88
33.	Workers Compensation Fund	9,685.52
34.	Muhimbili University of Health and Allied Science	9,043.20
35.	University of Dar es Salaam	8,457.47
36.	Tanzania Broadcasting Corporation	8,453.83
37.	Arusha Urban Water Supply and Sanitation Authority	7,904.46
38.	Tanzania Shipping Agencies Corporation	7,798.58
39.	Mwanza Urban Water Supply and Sanitation Authority	7,259.35
40.	Jakaya Kikwete Cardiac Institute	6,565.16
41.	Ardhi University	6,239.62
42.	Mzumbe University	6,099.53
43.	Tabora Water Supply and Sanitation Authority	5,758.24
44.	Ngorongoro Conservation Area Authority	5,602.17
45.	Tanga Water Supply and Sanitation Authority	5,236.55
46.	Tanzania Trade Development Authority	5,017.27
47.	Tanzania Biotech Products Ltd	4,014.26
48.	Shinyanga Water Supply and Sanitation Authority	3,954.99
49.	Institute of Accountancy Arusha	3,723.98
50.	Dar es Salaam Institute of Technology	3,541.86
51.	Mkulazi Holding Company Limited	3,515.84
52.	Institute of Finance Management	3,278.61
53.	Moshi Co-operative University	3,206.15
54.	Babati Urban Water Supply And Sanitation Authority	3,167.50
55.	Land Transport Regulatory Authority	2,813.06
56.	Open University of Tanzania	2,736.00
57.	Morogoro Water Supply and Sanitation Authority	2,634.19
58.	Watumishi Housing Company Real Estate Investment Trust	2,034.58
59.	Tanzania Cotton Board	2,026.76
60.	Kilimanjaro International Leather Industry Company Ltd	1,944.36
61.	Arusha International Conference Centre	1,877.13
62.	Iringa Urban Water Supply and Sanitation Authority	1,833.22
63.	Energy and Water Utilities Regulatory Authority	1,706.00
64.	Songea Urban Water Supply and Sanitation Authority	1,677.05
65.	Tanzania Fisheries Research Institutes	1,609.56
66.	Collage of Business Education	1,607.55
67.	Institute of Rural Development Planning	1,541.16
68.	Kahama Urban Water Supply and Sanitation Authority	1,496.34
69.	Tanzania Investment Bank Rasilimali	1,473.58
70.	Vocational Education and Training Authority	1,464.69
71.	Lindi Urban Water Supply and Sanitation Authority	1,460.65
72.	Moshi Urban Water Supply and Sanitation Authority	1,459.50
73.	Kariakoo Market Corporation	1,359.66
74.	Centre For Foreign Relations	1,356.62
75.	Singida Urban Water Supply and Sanitation Authority	1,237.65
76.	Dar es Salaam University Collage of Education	1,219.08
77.	Kilimanjaro Airport Development Company	1,085.99
78.	Tanzania Commission for Science and Technology	1,035.98
79.	Marine Parks and Reserves Unit	989.44
80.	Tanzania Forestry Research Institute	955.24
81.	Centre for Agricultural Mechanization and Rural Technology	951.46
82.	Tanzania Food and Nutrition Centre	923.47
83.	National Bureau of Statistics	827.97
84.	Tanzania Investment Centre	731.48

85.	Sugar Board of Tanzania	626.40
86.	Kibaha Education Centre	577.23
87.	Bukoba Urban Water Supply and Sanitation Authority	527.49
88.	Public Procurement Regulatory Authority	509.35
89.	Tanzania Commission for University	435.75
90.	Institute of Social Work	398.96
91.	Engineer Registration Board	388.53
92.	National Economic Empowerment Council	373.02
93.	Architects and Quantity Surveyors Registration Board	209.29
94.	Capital Markets and Securities Authority	166.10
95.	Tanzania Dairy Board	162.49
96.	National Social Security Fund	80.45
97.	National Sport Council	76.59
98.	Co-operative Audit and Supervision Corporation	64.35
99.	Tanzania National Business Council	52.01
	Total	7,653,389.92



Appendix VIII: Under collection of own source revenue

S/N	Name of the entity	Approved budget TZS Millions	Own source collection TZS Millions	Budget deficit TZS Millions	% Deficit
1	Tanzania Food and Nutrition Centre	793	255	538	68%
2	Tanzania Education Authority	2,260	797	1,464	65%
3	National Arts Council	1,448	518	930	64%
4	Cotton Development Trust Fund	76,008	30,326	45,682	60%
5	Marine Parks and Reserve Unit	2,922	1,287	1,635	56%
6	Procurement and Supplies Professionals and Technicians Board	4,159	2,110	2,049	49%
7	National Construction Council	2,187	1,146	1,041	48%
8	Centre for Agricultural Mechanization and Rural Technology	1,078	612	466	43%
9	Dar es Salaam Maritime Institute	16,970	9,684	7,286	43%
10	Dar es Salaam University College of Education	477	283	194	41%
11	Tanzania Industrial Research and Development Organization	3,037	1,813	1,224	40%
12	Arusha Urban Water Supply and Sanitation Authority	30,122	18,228	11,893	39%
13	Fair Competition Commission	11,931	7,223	4,708	39%
14	Mtwara Urban Water Supply and Sanitation Authority	6,162	3,827	2,335	38%
15	National Museum of Tanzania	1,055	664	391	37%
16	Lindi Urban Water and Sanitation Authority	1,691	1,065	626	37%
17	College of African Wildlife Management, Mweka	8,063	5,216	2,847	35%
18	Tanzania Mercantile Exchange PLC	250	162	88	35%
19	Tax Revenue Appeals Board	130	85	45	35%
20	Tanzania Broadcasting Corporation	14,045	9,225	4,820	34%
21	Capital market & Security Authority	3,740	2,481	1,259	34%
22	Cooperative Audit and Supervision Corporation	2,750	1,911	839	31%
23	National Kiswahili Council	559	390	169	30%
24	Tanzania Bureau of Standards	128,615	90,435	38,180	30%

25	Tax Revenue Appeals Tribunal	24	17	7	29%
26	Warehouse Receipt Regulatory Board	857	609	248	29%
27	Geita Urban Water Supply and Sanitation Authority	2,884	2,073	811	28%
28	National Economic Empowerment Council	1,405	1,011	394	28%
29	National Institute for Medical Research	7,795	5,642	2,153	28%
30	Tanzania Engineering and Manufacturing Design Organisation	1,045	757	288	28%
31	Mkwawa University College of Education	9,282	6,728	2,554	28%
32	Tanzania Meat Board	1,186	866	320	27%
33	Shinyanga Urban Water Supply and Sanitation Authority	10,996	8,076	2,920	27%
34	Tanzania Atomic Energy Commission	14,100	10,632	3,468	25%
35	College of Business Education	20,783	15,790	4,993	24%
36	National Institute of Transport	27,114	20,892	6,222	23%
37	Mwalimu Nyerere Memorial Academy	14,339	11,215	3,124	22%
38	Tanzania Fertilizer Regulatory Authority	8,470	6,654	1,816	21%
39	Tanzania Wildlife Research Institute	2,000	1,639	361	18%
40	National Council for Technical and Vocational Education and Training	9,098	7,470	1,628	18%
41	Kahama Shinyanga Water Supply and Sanitation Authority	14,154	11,768	2,386	17%
42	Open University of Tanzania	16,960	14,178	2,782	16%
43	Singida Urban Water and Sanitation Authority	4,337	3,652	685	16%
44	Engineers Registration Board	7,457	6,304	1,153	15%
45	Tanzania Commission of Science and Technology	1,431	1,211	220	15%
46	Morogoro Urban Water Supply and Sanitation Authority	16,447	14,055	2,392	15%
47	Institute of Adult Education	5,742	4,921	821	14%
48	Tanzania Library Service Board	1,500	1,300	200	13%
49	Sugar Board of Tanzania	1,881	1,640	241	13%
50	Institute of Accountancy Arusha	17,380	15,650	1,730	10%
	Total	539,119	364,492	174,627	

Source: Entity's audit reports 2021/22

Appendix IX: Entities faced challenge while using muse in the financial year 2021/22

S/n	Name of the entity
1	Architects and Quantity Surveyors Registration Board
2	Ardhi University
3	Arusha Technical College
4	Centre for Foreign Relations
5	College of Business Education
6	Co-operative Audit and Supervision Corporation
7	Copyright Society of Tanzania
8	Engineers Registration Board
9	Fair Competition Tribunal
10	Institute of Accountancy Arusha
11	Institute of Social Work
12	Kariakoo Market Corporation
13	Land Transport Regulatory Authority
14	Marine Parks and Reserves Unit
15	Marine Services Company Limited
16	Muhimbili Orthopaedic Institute
17	Mwalimu Julius K. Nyerere University of Agriculture and Technology
18	National Construction Council
19	National Development Corporation
20	National Economic Empowerment Council
21	National Environment Management Council
22	National Institute of Transport
23	Open University of Tanzania
24	Public Procurement Appeals Authority
25	Public Procurement Regulatory Authority
26	Sokoine University of Agriculture
27	State Mining Corporation
28	Tanzania Atomic Energy Commission
29	Tanzania Broadcasting Corporation
30	Tanzania Bureau of Standards
31	Tanzania Dairy Board
32	Tanzania Engineering and Manufacturing Design Organization
33	Tanzania Fertilizer Regulatory Authority
34	Tanzania Forestry Research Institute
35	Tanzania Investment Center
36	Tanzania Library Services Board
37	Tanzania National Business Council
38	Tanzania Tobacco Board
39	Tanzania Tourist Board
40	Tanzania Trade Development Authority
41	Universal Communications Service Access Fund
42	Warehouse Receipts Regulatory Board

Source: PA & oBs views & data