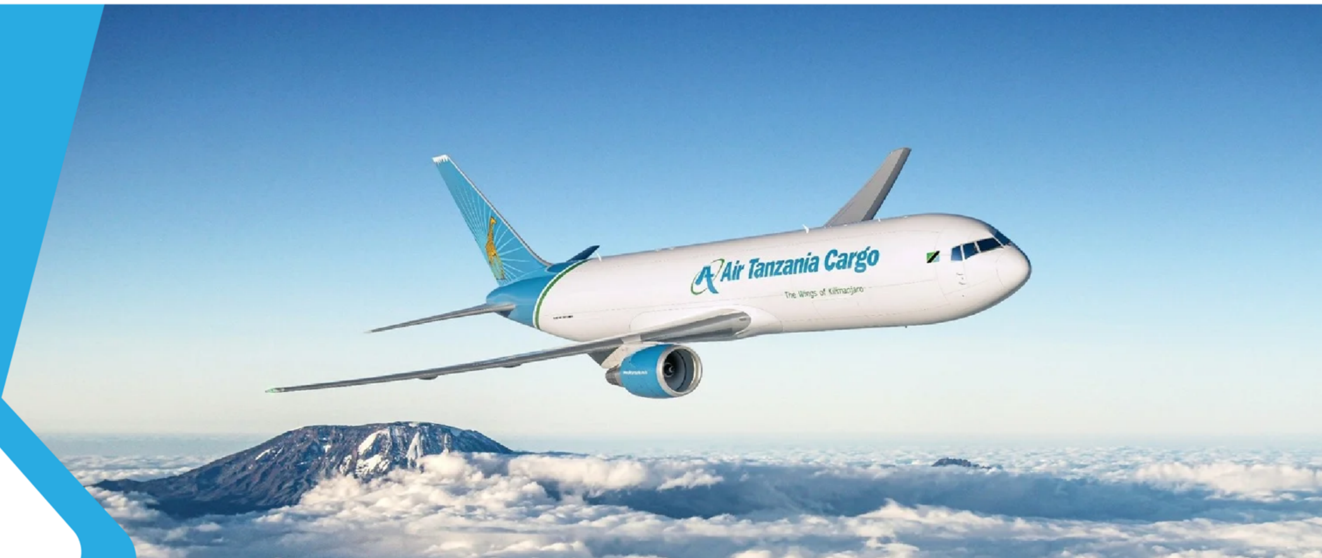
THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

ISO 9001:2015 Certified

ANNUAL GENERAL REPORT ON PUBLIC AUTHORITIES AUDIT FOR THE FINANCIAL YEAR 2022/23



CONTROLLER AND AUDITOR GENERAL
MARCH 2024

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

ISO 9001:2015 Certified

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Ref.No.CGA.319/421/01 **28 March 2024**

H.E. Dr. Samia Suluhu Hassan,
The President of the United Republic of Tanzania,
State House,
P.O. Box 1102,
1 Julius Nyerere Road,
11400 Chamwino,
40400 DODOMA.

RE: ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF PUBLIC AUTHORITIES AND OTHER BODIES FOR THE FINANCIAL YEAR 2022/23

I am pleased to submit my Annual General Report on the audit of Public of Authorities and Other Bodies for the financial year 2022/23 in accordance with Article 143(4) of the Constitution of the United Republic of Tanzania of 1977, and Sect. 34 of the Public Audit Act, Cap. 418.

This report presents audit findings and the recommended measures of redress which aim at fostering accountability in collection and use of the public resources.

I humbly submit,

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

ABOUT THE NATIONAL AUDIT OFFICE

Mandate

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

NAOT Vision, Mission & Motto

01 Vision

To be a credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

02 Mission

To provide high-quality audit services through the modernisation of functions that enhance accountability and transparency in the management of public resources.

03 Motto

Modernising External Audit for Stronger Public Confidence

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.

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STATEMENT OF THE CONTROLLER AND AUDITOR GENERAL

I am delighted to present the audit report for the financial year ended on 30 June 2023, which encompasses public authorities and other bodies. I would like to acknowledge the Government's initiatives, led by H.E. Dr. Samia Suluhu Hassan, the President of the United Republic of Tanzania, in promoting accountability and transparency in public resource management. I also, appreciate the cooperation of the public authorities and other bodies management in providing information and clarifications necessary for the preparation of this audit report.

The audit findings encompass a diverse array of financial management practices among the public authorities and other bodies. While some entities have demonstrated commendable financial management, others have encountered challenges in maintaining financial stability and performance. It is crucial for the Government to intervene and ensure these entities operate efficiently and effectively, contribute to the economy, and deliver high quality services to the citizens.

The report is organized into 19 chapters, each addresses a different area covered in audit, including procurement laws, revenue and cash management, expenditure management, budget management, and tax compliance. The report also identifies areas where these entities need to improve their operations and deliver their mandate more efficiently.

In the report, I have provided recommendations on how to improve the operations of the reported entities, increase transparency and accountability, and foster good governance. I trust that these recommendations will be beneficial for the Government, and other stakeholders in guaranteeing the provision of high-quality services.

Lastly, I would like to express my sincere gratitude to the audit staff and the contracted private audit firms working on my behalf for their relentless efforts in conducting the audits. Their commitment and hard work have been key in the preparation of this report, and I am truly grateful for their contributions.

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

EXECUTIVE SUMMARY

The General Report of Public Authorities and Other Bodies which are party of Public Sector Entities (PSE) for the financial year 2022/23 contains 19 chapters. The following areas have been discussed in detail in this report:

Audit opinions

For the financial year ended 30 June 2023, I completed 215 audit engagements of public sector entities to which I issued opinions. Out of 215 opinions issued, 211 were unqualified opinions, and four were qualified opinions. The annual percentage of unqualified opinions has slightly increased from 97% last year to 98% this year implying a continuous improvement in preparation of financial statements that comply with the financial reporting frameworks (IPSAS and IFRSs).

Implementation status of prior years' audit and PAC Directives

My review found that out of 6,151 previous years audit recommendations issued to 215 PSEs; 2,413 (39%) were fully implemented, 2,776 (45%) were under implementation, 720 (12%) were not implemented, while 242 (4%) were overtaken by events.

I also found that out of 136 Parliamentary Accounts Committee (PAC) directives issued up to financial year 2022/23; 45 (33%) were implemented, 89 (65%) were under implementation, and two (2%) were not implemented.

Generally, the pace of implementing audit recommendations and PAC directives need to be improved to address the risks which were intended to be minimized or eliminated.

Financial performance of the public entities

I reviewed the financial performance of 215 Public Sector Entities (PSEs) for the financial year 2022/23.

I identified 58 PSEs that reported losses or deficits either for 2022/23 or for two consecutive years. This was due to underperformance of business operations or low funding support made from Government.

Further, I found that 11 PSEs had negative equity in the financial year ended 30 June 2023. The major reasons for this negative equity were the accumulation of losses over time and the excessive debts incurred by these PSEs to fund their operations.

I also found 63 entities with more current liabilities than current assets, of which 13 were CPSEs and 50 were NCPSEs. Their liquidity ratio ranged from 0.01 to 0.98. Thus, these entities may default or delay in loans repayments or payments to suppliers.

Moreover, I found 28 PSEs (12 CPSEs and 16 NCPSEs) had unfavourable gearing ratio (total debts/total equity) above 100%, indicating that they relied largely on debts to finance their operations. Such operations were considered more susceptible to financial risk emanating from high cost of debts.

Efficiency of public entities in enhancing business

From the review of operational efficiency of business and strategic public entities with a role of creating conducive business environment, I found that despite signing of Engineering Procurement and Construction contract for Julius Nyerere Hydropower Project (JNHPP) on 12 December 2018, the parties to the contract had not signed the detailed agreement for implementation of Corporate Social Responsibility (CSR) worth TZS 262.34 billion, being a delay of more than four years. The detailed agreement for CSR projects was supposed to be signed by 13 January 2019. Thus, none of CSR projects was undertaken.

At TPA, I found the average ship turnaround time stood at 6.5 days for container vessels, and a maximum of 13.7 days for bulk liquid vessels well exceeding the planned three days and five days.

Revenue management in public entities

My review found revenue collection outside the GePG system amounting to TZS 21.46 billion for seven public sector entities for the financial year 2022/23. This was an increase of TZS 18.14 billion, equivalent to 546% from the prior year amount of TZS 3.32 billion.

Further, TANESCO connected 560,373 customers via the Ni-konekt system. However, registration in the LUKU system was inefficient, with 6,905 customers unregistered for 1-438 days and 12,666 customers experiencing 7-366 days of registration delays. This is non-compliance with the one-day registration rule in the TANESCO Accounting Manual, 2022, due to poor oversight and lack of system integration, leading to potential electricity theft and delayed revenue collection.

I also noted 66 public sector entities that had reported long outstanding receivables amounting to TZS 2.92 trillion.

In addition, I found non-transfer of collected funds to the Railway Infrastructures Fund Account relating to the railway development levy amounting to TZS 192.44 billion. The levy collected by TRA was transferred to the Consolidated fund.

Expenditure management in public entities

My audit on expenditure management for the year ended 30 June 2023 found 17 PSEs with fruitless and wasteful expenditures amounting to TZS 72.36 billion which was an increase of 13% compared to amount of TZS 63.77 billion that involved 12 PSEs recorded in previous year. I also found 11 PSEs with ineligible expenditures amounting to TZS 4.64 billion which was a decrease of 94% compared to the amount of TZS 77.75 billion that involved 21 PSE reported in previous year.

Furthermore, there was uncertainty on whether value for money would be achieved from the payment of TZS 3.09 billion in respect of the equipment of inspection of motor vehicle equipment at the Tanzania Bureau of Standards which may not be utilized as intended.

In addition, there was uncertainty over recovery of paid import taxes of TZS 14.7 billion by TANOIL on fuel cargo that was held by a supplier following TANOIL's failure to pay for the consignments. Eventually, the supplier sold the fuel to other oil marketing companies, but the paid taxes were not refunded to TANOIL.

Budget management in public entities

I found that the Government did not release TZS 1.01 trillion to 50 Public Sector Entities as budgeted during the financial year 2022/23.

Further, I found 66 Public Sector Entities did not collect TZS 284.71 billion as budgeted from their own sources during the financial year 2022/23.

Also, I found eight PSEs overspent TZS 21.14 billion without approval of either Accounting Officer or Board of Directors.

Procurement and contract management

I found persistent anomaly from 22 public sector entities with delayed delivery of goods and services worth TZS 14.84 billion for the period ranging from 30 to 1,140 days compared to 12 entities reported in my report for the financial year 2021/22.

I also found non-adherence to procurement laws by Keko Pharmaceutical Industry for procurement worth USD 4.97 million without a tender board and the tender evaluation team. As a result, the whole procurement was processed and approved by the Director of Finance and the Accounting Officer only. In addition, I found the Tanzania Standard Newspapers outsourced printing services amounting to TZS 1.71 billion without performing procurement process and entering a contract.

Furthermore, I have consistently found entities which implemented contracts worth TZS 31.11 billion without performance securities. Also, I noted none submission of 106 contracts by 4 PSEs for vetting to Attorney General or Legal Officer before signing the contracts by entities worth TZS 9.89 billion and USD 2.95 million.

Human resources management and Governance Systems

I found eight PSEs which were operating without Board of Directors. This limits the execution of governance and oversight functions to the respective PSEs.

I further found that, 40 PSEs did not have operational instruments such as, updated accounting manual, financial regulation, and risk management policy.

Furthermore, I found that eight PSEs did not adhere to Government directives mandating the submission of incentive schemes, collective bargaining schemes, allowances, and organizational structures for approval by the Permanent Secretary (Establishment) President's Office of Public Services Management and Good Governance (PO-PSMGG).

Tax compliances in public entities

I found outstanding tax revenue appeals cases for the period of one to five years at the Tax Revenue Appeal Tribunal and the Tax Revenue Appeal Board with a value of TZS 3,681.36 billion and USD 4.66 million respectively.

Also, I found 16 PSEs did not submit various taxes amounting to TZS 33.45 billion to the Tanzania Revenue Authority for the financial year 2022/23.

Moreover, I found that 12 PSEs delayed submission of tax deductions totalling TZS 29.09 billion to the Tanzania Revenue Authority and payment worth TZS 2.17 billion were not supported by the Electronic Fiscal Device Receipts by nine PSEs.

Performance of Government's banks and other financial institutions

I found that both two banks (TIB Development Bank and Azania Bank) still exceeded the acceptable threshold of Non-Performing Loans (NPL) of 5% set by the Bank of Tanzania. NPL ratio at TIB Development Bank was 21.50% (2022: 20.28%) while at Azania Bank was 7.44% (2022: 18.25%).

At NSSF and PSSSF, I found long outstanding loans that were issued to the Government institutions amounting to TZS 1.73 trillion. The loans have been outstanding for periods ranging from one to 16 years, which limit the pension fund's ability to carry out other investment.

In addition, PSSSF, NSSF and WCF did not collect contributions from eligible beneficiaries amounting to TZS 856.78 billion, weakening the ability of the Funds to service the beneficiaries.

Further, I found that NIC, PSSSF and NSSF failed to collect rentals amounting to TZS 47.20 billion from tenants of their investment properties, and TZS 7.95 billion of untraceable rental receivables from tenants at NIC.

Review of tourism sector in Tanzania

I found inadequate funding of the Digital Command Centre and international tourism promotional events at the Tanzania Tourist Board. Lack of enough funding hampered its operationalization that was intended to enhance efficiency of tourism promotion at both the national and international levels.

Furthermore, I found inadequate tourism facilitating amenities including low capacity of bedding, unreliable power supply, slow implementation pace of the Golf Course project, un-developed and unadvertised craters of Empakai and Olmoti.

In addition, I found risk of failure of the Ngorongoro Conservation Area Indigenous Community Resettlement Project due to unrealistic implementation and assumptions of funding, which resulted in borrowing funds that were not enough to fully execute the project. This project was implemented to restore the degraded environment and potential sustainability of the Ngorongoro Conservation Area.

Performance of water authorities

My review found uncertainty of achieving value for money for the water projects at Dar es Salaam Water Supply and Sanitation Authority and Songea Water Supply and Sanitation Water Authority costing TZS 17.29 billion.

I noted that there was a continuous loss in the management of non-revenue water by water authorities amounting to TZS 163.93 billion (2021/22: TZS 162.14 billion). The loss was specifically occasioned by outdated infrastructure leading to water leakage.

I also noted an increase in Water Supply and Sanitation Authorities debtors to TZS 136.17 billion from TZS 126.23 billion (2021/22). The debt emanated from the provision of water and sanitation services to Government entities, individual customers, and other organizations.

Review of higher learning, training, and research institutions

My review found there was lack of mandatory and reliable unique identifier for the students who received loans. There was absence of integration system with strategic stakeholders as a mechanism for tracing loans beneficiaries of the loan from the Higher Education Students' Loans Board.

Also, I found inadequate enrolment of students and inadequate management of research and consultancies in Higher Learning Institutions.

Furthermore, I found delay in launching of an accredited program at UDOM, non-accreditation of programs after the expiry of initial period at the Open University of Tanzania.

Efficiency of regulatory bodies in executing their mandates

During the audit I found; inadequate management and utilization of ICT in regulatory authorities including Tanzania Mercantile Exchange, Energy and Water Utilities Regulatory Authority and Contractors Registration Board which impede efficiency in delivery of regulatory services.

At Engineers Registration Board, I found inadequate measures to manage deregistered members. This might cause the public to unknowingly deal with unregistered persons who are ineligible, and whose quality of their work is not guaranteed.

At Contractors Registration Board, and Tanzania Communication Regulatory Authority, I found ineffective use of research as a tool to identify and realistically assess and address regulatory gaps within the country.

Existence of exclusive distributorship agreements with anti-competitive clauses on purchase of Government motor vehicles that denied the country an opportunity to realize savings from utilizing competitive market prices by purchasing directly from motor vehicle manufacturers/super dealers.

Efficiency of public entities in the healthcare sector

The National Health Insurance Fund incurred a loss of TZS 156.77 billion during financial year 2022/23 and had total liabilities amounted to TZS 280 billion that Government entities owed NHIF in the financial year 2022/23.

I also found that Keko Pharmaceutical Industries incurred losses for four consecutive years from 2019 (TZS 3.27 billion), 2020 (TZS 1.35 billion), 2021 (TZS 1.48 billion) to 2022 (TZS 1.35 billion).

In addition, I found expired inventories for three consecutive years between 2020/21 and 2022/23 at the Medical Stores Department, with values ranging from TZS 5.92 billion to TZS 11.75 billion.

Review of crops and produce boards

I found deficiencies that deterred efficiency and productivity including Inadequate strengths for crop boards to deliver their mandates; Limited application of agricultural technologies and Information and Communication Technology (ICT) for improved agricultural productivity; Inadequate controls on the quality of crops; Inadequate management of the availability and supply of quality and quantity of fertilizers and inadequate measures to mitigate sugar gap. These weaknesses need thorough interventions for sustainable and enhanced food and cash crop farming.

Also, I found inadequate measures to prevent misconducts in fertilizer subsidy programs, and anomalies in the registration process of farmers under the fertilizer subsidy program.

Performance of extractive industry

I found lack of Comprehensive Plan and inadequate provision of expert services to small-scale miners countrywide by the Geological Survey of Tanzania (GST). Lack of such a plan, slow down the pace of growth of the mining sector and the extractive industry.

Finally, I noted that TPDC, delayed the implementation of the natural gas distribution projects for domestic use, and absence of the National Strategic Petroleum Reserve, exposing the country to vulnerable shortage of fuel during critical situations.

CHAPTER ONE

INTRODUCTION

1.0 Background

The audit was conducted to assess the financial performance, management practices, and legal compliance to the public sector entities for the financial year ended 30 June 2023. This audit is part of the statutory mandate and responsibilities of the Controller and Auditor General as provided for, under Article 143 of the Constitution of the United Republic of Tanzania, 1977 read together with Section 10 (1) of the Public Audit Act, Cap 418. The aim was to ensure that these entities are operating efficiently, contributing to the economy, and delivering quality services to the citizens.

The report is structured into 19 chapters, each focusing on a different aspect, including compliance with procurement laws, revenue management, expenditure management, budget management, and tax compliance. The report also provides recommendations for improving the operations of these entities, enhancing transparency and accountability, and promoting good governance.

1.1 Audit objectives

The audit aimed to provide an independent opinion on whether the financial statements were prepared in accordance with an acceptable financial reporting framework, considering all significant factors. In addition, the audit aimed to evaluate the compliance of public sector entities with Procurement Laws and Regulations, as well as with the Budget Act, Regulations, and guidelines. It also aimed to assess the effectiveness and efficiency of public sector entities in managing the public resources entrusted to them in delivering services to citizens.

1.2 Audit Scope

The audit covered the financial statements and compliance audit of public sector entities for the year ended 30 June 2023, including their management of revenue and expenditure, procurement and contracts, payroll and human resources, operational performance in the education, health, and water sectors, and the implementation of development projects.

The audit also included evaluating risk management, internal controls, and governance systems of the public sector entities.

1.3 Audit methodology

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) and the 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 public authorities and other bodies and assessing their compliance with relevant laws, regulations, and policies. Additionally, comprehensive audits of Information and Communication Technology (ICT) systems were performed. These audits adhered to international standards such as ISSAI, Audit Guideline, Tanzania e-Government standards, COBIT 5, and ISO/IEC 27001. The focus was on evaluating efficiency, effectiveness, security of the system, and other associated risks. The overarching goal was to ensure that ICT systems were securely and efficiently supporting government objectives.

CHAPTER TWO

AUDIT OPINIONS

2.0 Introduction

This chapter summarizes the audit opinions issued to public sector entities (PSEs) during the financial year 2022/23, along with the trend of opinions on financial statements I issued to PSEs for five consecutive years. The opinions issued are based on the evaluation of audit evidence obtained throughout the audit engagements, assessing whether the financial statements complied with the respective applicable financial reporting frameworks such as the International Financial Reporting Standards (IFRSs), the International Public Sector Accounting Standards (IPSASs), and the Tanzania Financial Reporting Standard No. 1 (TFRS1) in all material respect. This evaluation adhered to International Standards of Supreme Audit Institutions (ISSAI) 1200.

2.1 Types of audit opinion

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

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 conclude that the possible effects of undetected misstatements on the financial statements, 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 there is 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 Audit opinions issued during the year

For the financial year 2022/23, I have completed 215 audits engagements of Public Authorities and other Bodies to which I issued opinions. Out of 215 opinions issued, 211 were unqualified opinions, and four were qualified opinions. The increase in number of entities from 203 in prior year to 215 is attributed to inclusion of entities which had no board last year, entities transferred to public authorities section this year and new entities audited for the first time. Details of opinions issued during the year are shown in **Appendix I**.

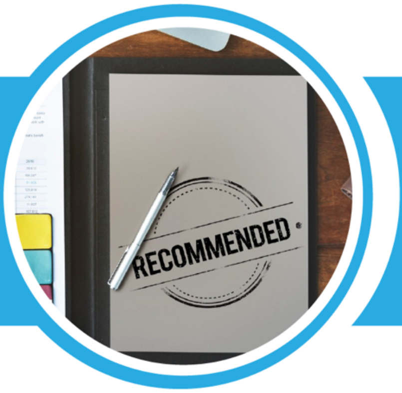
2.3 Trend of audit opinions

Table 1 shows the trend of audit opinions issued to the public sector entities for the five consecutive years from 2018/19 to 2022/23. The increase in the unqualified opinion from 97% in 2021/22 to 98% in 2022/23 is a result of improvement in the preparation of financial statements that complied with the financial reporting frameworks (IPSAS and IFRS).

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

Opinion	2018/19	2019/20	2020/21	2021/22	2022/23
Unqualified	147	162	185	196	211
Qualified	0	3	8	5	4
Disclaimer	0	0	2	2	0
Adverse	1	0	0	0	0
Total	**148**	**165**	**195**	**203**	**215**

Source: *Analysis of the audit reports on financial statements*



CHAPTER THREE

IMPLEMENTATION OF PRIOR YEARS AUDIT RECOMMENDATIONS AND PAC DIRECTIVES

3.0 Introduction

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

My verification found some improvement for which I appreciate the efforts made by the Accounting Officers in responding to my recommendations, and directives of Public Accounts Committee (PAC) in discharging their oversight mandate.

3.1 Implementation status of previous years' audit recommendations on individual audit of Public Sector Entities

My assessment of the implementation status of prior years' audit recommendations up to the financial year 2021/22 revealed the overall status of implementation is satisfactory. Details of the status of implementation of prior year recommendation for the year 2020/21 and 2021/22 are shown in **Table 2.**

Table 2: Implementation status of previous years' audit recommendations

Financial Year	Implemented	Under Implementation	Not Implemented	Overtaken by events	Total
2021/22	2,413 (39%)	2,776 (45%)	720 (12%)	242 (4%)	6,151
2020/21	2,195 (36%)	2,611 (43%)	1,064 (17%)	276 (4%)	6146

Source: *Management letters*

Delays in implementation of my recommendations risks the recurrence of identified anomalies thus exposing the entities to the risk of fraud, inefficiencies, and the failure to discharge their mandate. The Managements are strongly urged to timely implement all outstanding audit recommendations to improve their internal controls systems.

3.2 Implementation status on PAC directives

Section 38(2) of the Public Audit Act, [CAP 418] requires the accounting officers to consider the observations and directives of the Parliamentary Oversight Committee on financial affairs.

The assessment of the implementation status of PAC directives, up to the financial year 2022/23 revealed the status as shown in **Table 3.**

Table 3: Implementation status on PAC directives

Financial Year	Implemented	Under Implementation	Not Implemented	Total
2022/23	45(33%)	89(65%)	2(2%)	136
2021/22	70(43%)	92(56%)	1(1%)	163

Source: Management letters

I further found that, eight PSEs had 20 directives which were not fully implemented for the period ranging from six year up to 12 years, as shown in **Table 4**.

Table 4: Long outstanding PAC's directives

S/n	Name of the entity	Under implementation	Not implemented	Total	Year of directive	No. of years outstanding
1	Lindi Water Supply and Sanitation Authority	3		3	2010/11	12
2	Shinyanga Water Supply and Sanitation Authority	3		3	2010/11	12
3	Tanzania Trade Development Authority	2		2	2011/12	11
4	Institute of Finance Management	2		2	2014/15	9
5	Vocational Education and Training Authority	2		2	2015/16	7
6	Mwanza Water Supply and Sanitation Authority	1		1	2016/17	6
7	Dar es Salaam Water Supply and Sanitation Authority	1	1	2	2016/17	6
8	Muhimbili National Hospital	5		5	2017/18	6
Total				**20**		

Source: Management letters

Long outstanding PAC's directives that were still under implementation are analysed below: -

a) For water supply and sanitation authorities including Lindi, Shinyanga, Mwanza and Dar es Salaam the PAC directives required authorities to minimize the operation cost to align with revenue collections, increase efforts in reduction of Non-Revenue Water (NRW), protect the environment around catchment areas to prevent shortage of water and ensure timely debts collection. My overall assessment found the directives were partly implemented primarily due to shortage of fund. I have learned that PAC directives are partially implemented because the current tariff does not cover operational costs, thus making the authorities to rely on Government support. Additionally, the outstanding debts were predominantly owed by government entities.

b) For Tanzania Trade Development Authority, the long outstanding PAC directive involves clearance of long outstanding debts; and Vocational Education and Training Authority includes clearance of long outstanding imprests as well as staff loan. While Muhimbili National Hospital management was directed to ensure timely submission of PAYE to TRA and resolve the issue of long outstanding unpaid creditors debt. Furthermore, Institute of Finance Management was directed to develop appropriate Incentive Scheme for its employees that is in line with Government directives. The PAC directives were partly implemented due to several issues, including dispute, debts which lack supporting documents and over-reliance on Government to pay suppliers.

CHAPTER FOUR

FINANCIAL PERFORMANCE OF THE PUBLIC ENTITIES

4.0 Introduction

This chapter provides an assessment of the financial performance on profitability, leverage, and liquidity of two types of Public Entities - Commercial Public Sector Entities (CPSEs) and Non-Commercial Public Sector Entities (NCPSEs).

The assessment is based on their financial statements for the year 2022/23 with the comparative period of 2021/22. CPSEs are profit-oriented and do not solely depend on Government funding, whereas NCPSEs are created to offer public services without profit as their main goal and primarily rely on Government funding, fees, and contributions.

This chapter excludes Government-owned banks, social security schemes, and institutions involved in the trading of marketable securities. The following are the deficiencies observed during my audit.

4.1 Entities that made loss or recorded deficit

From the review of financial performance of public entities for the financial year 2022/23, I found that 34 public sector entities (PSEs) reported losses or deficits for two consecutive years. These entities included, 11 CPSEs and 23 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. **Appendix II** shows the list of entities with loss or deficit for two consecutive years.

I further found that, 24 PSEs incurred loss or deficit in the financial year 2022/23 compared to previous financial year 2021/22 when they reported profit or surplus, see **Appendix III.**

The summary of performance details for commercial entities that have incurred losses are as follows:

Air Tanzania Company Limited (ATCL) has incurred persistent financial losses for the past six years, with the trend deteriorating in financial year 2022/23. The company recorded a loss of TZS 56.64 billion, a significant increase compared to the loss of TZS 35.23 billion reported in the previous financial year. The company get consecutive losses despite receiving the Government subventions. For instance, during the financial year 2022/23, ATCL received TZS 31.55 billion for covering employee salaries, pilot training, and capital grants amounting to TZS 7.45 billion for development projects.

The reason for underperformance includes, excessive operating costs, and fixed cost such as leased cost and insurance on grounding of Airbus A220-300 aircraft due to technical issues (corrosion and manufacturer-identified engine faults affecting the global A220-300 fleet).This grounding of the aircraft resulted in significant disruptions of flight, leading to both lost revenue and the inability to recover fixed costs associated with the grounded aircraft. To address these issues, the Government has formed a team of technical experts to investigate and propose solutions to prevent similar occurrences in the future.

T**anzania Telecommunications Company Limited (TTCL)** has experienced consecutive losses over the past two years. In current financial year 2022/23 the company incurred a loss of TZS 894 million compared to the loss of TZS 19.23 billion in 2021/22. This trend shows, TTCL management managed to reduce the loss burden by 94% compared to the previous financial year.

The reason behind this performance improvement is an increase in other income by TZS 8.05 billion. On the other side there is a decrease in cost elements such as costs of sales by TZS 12.58 billion and network operational costs by TZS 6.22 billion as a result of cost containment strategy used by the TTCL in the financial year 2022/23.

On 30 October 2022, the Government announced its intention to transfer ownership of National ICT Broadband Backbone (NICTBB) to TTCL Corporation. This decision is anticipated to significantly improve the Corporation's total assets in the financial year 2023/24, with an increase of over TZS 400 billion from NICTBB. Also, the Corporation's total revenue is expected to rise by more than TZS 20 billion from NICTBB.

Kariakoo Market Corporation has faced consecutive losses over the past two years. In the financial year 2022/23, the corporation recorded a loss of TZS 41.57 billion, which is higher than the loss of TZS 517.97 million incurred in the previous financial year of 2021/22. The financial losses are mainly attributed to a fire incident in 2020 that made the corporation to halt the collection of revenue at Kariakoo market after the building was destroyed.

As a result, the corporation failed to collect revenue at the market at an optimal level throughout the financial years from 2020 to June 2023 due to cessation of market operations to allow for reconstruction of the premises. Also, the corporation recognized the impairment of the investment of TZS 41.25 billion during the year 2022/23 which form part of the expenses for the year under audit 2022/23.

Excluding the fire incident in 2020, which resulted in a decrease in the collection of revenue, the Government consistently steps in to cover the corporation's operational costs, including personnel salaries and other expenses. In the financial year 2022/23, the Government allocated TZS 671.15 million for personnel salaries and TZS 518.68 million for other expenses. Despite this financial support, Kariakoo Market Corporation continues to experience losses.

Tanzania Railways Corporation (TRC) has experienced losses for two consecutive years. In financial year under audit 2022/23 the corporation incurred loss amounting to TZS 100.70 billion compared to the loss of TZS 190.01 billion in financial year 2021/22, despite receiving a total Government subvention of TZS 32.77 billion for salaries and other recurrent expenditures. Among the reasons contributed to the losses are inadequate number of rolling stocks which affect the performance of the freight business and an increase in cost of sales from TZS 44.30 billion to TZS 46.83 billion.

APC Investment Centre has recorded losses for two consecutive years in its operations. In the financial year ended 30 June 2023, it recorded a net loss of TZS 1.2 billion, which is a decrease from the TZS 1.95 billion recorded in the previous financial year ended 30 June 2022. Despite experiencing losses for two years, the Centre managed to reduce its loss by TZS 0.75 billion, equivalent to a 49% decrease. The decrease in loss is mainly attributed to an increase in revenue and a decrease in interest on loan. The main reasons for reported loss for the Centre were increases in cost of sale to TZS 717.49 million from TZS 594.10 million. There was also an increase in administrative costs by 15% during the year 2022/23 from TZS 1.06 billion reported in prior financial year 2021/22.

TANOIL Investment Limited has experienced operating loss during the year 2022/23 amounting to TZS 76.56 billion, compared to the previous financial year loss of TZS 7.84 billion. This displays an increase of TZS 68.72 billion compared to the loss generated in the previous financial year 2021/22. The main reason for company loss among others includes higher fuel storage charges of TZS 12.9 billion compared to TZS 6.1 billion in prior year following TANOIL failure to pay suppliers on the imported cargoes which were held by suppliers.

The other reason was inadequate collection of revenue whereby during the financial year 2022/23, the Company revenue from the sale of oil decreased by TZS 296 billion which is equivalent to 49%. This was attributed to the decrease in volume of oil sold. Whereby only 112 million litres were sold in the financial year 2022/23 compared to previous year sale of 264 million litres.

Tanzania Mercantile Exchange (TMX), despite an increase in revenue from exchange transactions by 7% that means from TZS 162 million in the financial year 2021/22 to TZS 173 million in the financial year 2022/23 TMX still recorded loss over two year's consecutives. An incremental resulted from increase in trading activity following introduction of trading platforms for cocoa, sesame and coffee and Government Subvention of TZS 1.04 billion to facilitate other operational expenditures.

During the financial year 2022/23, TMX reported a loss of TZS 720 million compared to a loss of TZS 512 million in 2021/22. The loss is mainly due to TMX being still operating on auction basis and hence not charging transaction fee corresponding with the operational expenditure.

Tanzania Geothermal Development Company Limited (TGDC) as a subsidiary of TANESCO recorded the loss of TZS 1.24 billion in financial year 2022/23 compared to the loss of TZS 0.79 billion in previous financial year 2021/22. This marked an increase in loss by 57%. One of the reasons for loss was excess operating costs incurred in execution of projects and inadequate capital injections by the parent company TANESCO.

During the financial year 2022/23, the company received TZS 201.48 million as grants from Government and other donners, and the funding from TANESCO was TZS 6.24 billion. Even with financial support from the Government and funding from its parent company TANESCO, the TGDC still operates at a loss.

T-PESA Limited despite the profit of TZS 55.14 million recorded in the previous financial year 2021/22, in current financial year 2022/23 the company recorded a loss of TZS 352.74 million. The loss incurred is five times greater than the profit generated in 2021/22, this was attributed to the decline in revenue by TZS 439.25 million equivalents to 31% compared to the revenue earned in 2021/22 of TZS 1.42 billion. My further analysis of T-PESA's operational performance in the financial year 2022/23 revealed that the company's market share remains relatively low at 3%, compared to its competitors in the mobile money industry, which collectively reached nearly TZS 47 billion.

Tanzania Posts Corporation (TPC) recorded a loss of TZS 1.34 billion in financial year 2022/23 while in previous financial year 2021/22 it generated a profit of TZS 16.21 billion. The profit in previous financial year 2021/22 was a result of gain from assets disposal amounted to TZS 22.65 billion. The loss in current financial year 2022/23 was mainly contributed by decrease in Expedited Mail Services (EMS) from TZS 18.91 billion to TZS 14.86 billion while operating costs remain slightly constant compared to previous year (TZS 37.46 billion, 2022/23: TZS 37.92 billion, 2021/22).

Tabora Water Supply and Sanitation Authority incurred a deficit of TZS 1.28 billion in financial year 2022/23 that was attributed to higher operating cost compared to the revenue generated. Conversely, in the previous year 2021/22, the authority had a surplus of TZS 68.94 billion that was attributed to Government grant of TZS 71.89 billion aimed at enhancing water infrastructure.

Similar incidents occurred with other entities like **Nzega Water Supply and Sanitation Authority, Karatu Water Supply and Sanitation Authority, and Kahama-Shinyanga Water Supply and Sanitation Authority.** Deficit in year 2022/23 resulted from increased operating cost, while surplus in the financial year 2021/22 resulted from Government subvention allocated for water infrastructure improvement.

Three entities involved in tourism activities, namely **TANAPA, Ngorongoro Conservation Area Authority, and Tanzania Tourism Board**, experienced deficit in the financial year 2022/23 amounting to

TZS 5.79 billion, TZS 19.11 billion, and TZS 5.47 billion, respectively. Conversely, in the previous year 2021/22, these entities had a surplus of TZS 21.12 billion, TZS 13.87 billion, and TZS 7.23 billion, respectively. These deficits were primarily due to insufficient government funding to cover their expenditures.

I reiterate my recommendation that: (a) respective 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; and (c) the Government strengthen institutional oversight by appointing board members with expertise and knowledge in the business.

4.2 Public entities with negative equity

I reviewed financial performance of **11** Public Entities and found they had negative equity in the financial year ended 30 June 2023. Among these, five are CPSEs, and six entities are NCPSEs. The Entities with negative equity increased to 11 in 2022/23 from 10 in the financial year 2021/22. The major reasons for this negative equity were the accumulation of losses over time and the excessive debts incurred by the entities to fund their operations. The recorded negative equity raises concerns about the ability of these entities to maintain their services and fulfil their mandates in the future. **Table 5** presents a list of entities with negative equity for the financial year 2022/23.

Table 5: 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 Limited	339,387.93	553,738.27	(214,350.34)
2	STAMIGOLD Company Limited	68,006.90	74,889.79	(6,882.89)
3	Gas Company (Tanzania) Limited	22,424.00	25,707.00	(3,283.00)
4	University Computing Centre	906.8	1,487.12	(580.32)
5	Dar Es Salaam Institute of Technology Company Limited	1,148.04	1,420.04	(272.00)
Non-commercial Public Sector Entities (NCPSE)				
6	Tanzania Fertilizer Regulatory Authority	6,490.47	262,533.49	(256,043.02)
7	Cotton Development Trust	148,392.21	168,274.87	(19,882.65)

S/N	Entity	Total assets (TZS Million)	Total liabilities (TZS Million)	Equity (TZS Million)
	Fund			
8	Tanzania Pyrethrum Board	580.07	2,019.75	(1,439.68)
9	Tanzania Dairy Board	146.75	259.38	(112.63)
10	Tanzania Civil Aviation Authority Consumer Consultative Council	28.11	74.31	(46.19)
11	LATRA Consumer Consultative Council	80.36	82.97	(2.61)

Source: Auditors Analysis on the financial statements 2022/23

I reiterate my recommendation that the respective public sector enterprises (a) undertake a thorough analysis of their financial status, determine the underlying reasons for negative equity, and formulate a strong strategy to tackle these issues. This strategy could incorporate initiatives to cut costs, enhance efficiency, boost revenues, reorganize debt, or dispose of non-core assets; and (b) develop and implement a comprehensive plan for long-term sustainability, including measures to prevent future occurrences of negative equity and ensure ongoing financial viability.

4.3 Public Entities Experiencing Liquidity Stress

My review of 215 PSEs financial position as at 30 June 2023 found 63 entities with more current liabilities than current assets, of which 13 were CPSEs, while 50 were NCPSE. This is a setback compared to 45 entities with liquidity stress reported in my previous report of 2021/22. I further found that the current ratio (total current assets/total current liabilities) of these entities ranged from 0.01 to 0.98 as shown in **Appendix IV**.

This implies that the 63 PSEs signify potential liquidity challenges and the ratio indicate inadequate cash flow management, or overreliance on short-term borrowing. Failing to meet financial obligations can lead to defaulting on loans, delaying payments to suppliers or employees, and damaging the entity's reputation, and impairing its ability to operate effectively. This situation may result in budget constraints, hindering the entity's capacity to deliver essential services and fulfil its mandate.

I reiterate my recommendation that respective PSEs (a) conduct a comprehensive review of the entity's budget to identify areas of overspending or inefficiencies and adjust budget allocations to prioritize essential expenses and reduce discretionary spending;

and (b) emphasize the enhancement of revenue streams and utilize all possible resources to oversee cash flow efficiently.

4.4 Public entities financed by debts

Utilizing debt financing is normal practice among public entities, yet it increases their financial exposure. The gearing ratio, representing the proportion of debt to equity, serves as a key gauge of reliance on debt versus equity financing. A gearing ratio exceeding 100% signifies extensive leveraging, potentially exposing the entity to financial strain amid economic downturns or shifts in the business environment.

From the review of 28 PSEs during the year 2022/23, I found 12 CPSE and 16 NCPSE had unfavorable 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 shows an increase in seven entities compared to the previous financial year 2021/22. 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 **Appendix V**.

I reiterate my recommendation that PSEs (a) control their financial performance and evaluate the potential impact of any changes **in the market or economy on its capability to service its obligations, and (b) reassess their capital structures and loan repayments to prevent interest from accruing due to payment delays; and (c) in addition, I recommend that the Government make an assessment on viability of these entities and determine whether the Government need to maintain these entities or not.**

4.5 Inadequate payment of 15% contribution to consolidated fund account by public sector entities (PSEs) TZS 36.33 billion

I found shortfall in the payment of the 15% of gross revenue as contribution to the Consolidated Fund Account by public sector entities contrary to Section 2 of the Public Finance (Remittance of Revenue to the Consolidated Fund) (Public Corporations, Government Agencies and Authorities) Order 2019. Out of 12 PSEs that were required to pay the contribution, seven contributed below the required amount (**Table 6**).

Table 6: shortfall in the contribution of 15% of gross revenue (TZS 'million')

S/N	Entity	Revenue	Required Contribution	Actual Contribution	Deficit Contributions
1.	Dar es Salaam Water Supply and Sanitation Authority	135,283.23	20,292.48	0	(20,292.48)
2.	Tanzania Bureau of Standards	84,400.07	12,660.01	6,660.36	(5,999.65)
3.	Tanzania Insurance Regulatory Authority	23,681.69	3,552.25	206.90	(3,345.35)
4.	Vocational Educational and Training Authority	16,925.28	2,538.79	200.00	(2,338.79)
5.	The Gaming Board of Tanzania	14,136.18	2,120.43	0	(2,120.43)
6.	National Environment Management Council (NEMC)	13,587.60	2,038.14	300.00	(1,738.14)
7.	Capital Markets and Securities Authority	3,654.51	548.18	51.38	(496.80)
Total		**291,668.56**	**43,750.28**	**7,418.64**	**(36,331.64)**

Source: *Auditors Analysis on the financial statements 2022/23*

Failure to remit these contributions deprives the Government of the much-needed revenue for the provision of public services.

I recommend that the Government strengthen monitoring and enforcement mechanisms to ensure compliance with the Act, including imposing penalties for non-compliance by public sector entities. Also, the Treasury Registrar should make a close follow up to ensure PSEs remit contribution as per the requirements of Public Finance Order, 2019.

4.6 Non - payment and decline in dividend pay-out by Commercial Public Sector Entities (CPES)

My review of 21 Commercial Public Sector Entities (CPESs) found three CPESs did not pay dividend despite of profit earned, and 10 CPSEs reported losses during the year 2022/23, thus were unable to pay dividends (**Table 7**).

The trend shows the improvement compared to previous year 2021/22, where I reported nine profitable CPSEs that did not pay dividend, while CPEs incurred loss were eight. I further found

Watumishi Housing Investment Ltd not paying the dividend despite making profit for two consecutive years.

Table 7: Commercial public entities (CPSEs) which did not pay dividend

S/N	Public Entity	Profit/ (Loss) 2022/23 Amount TZS (Million)
1.	Marine Services Company Ltd	18,993.16
2.	National Housing Corporation	58,673.91
3.	Watumishi Housing Investment Ltd	62.38
4.	Tanzania Railways Corporation	(100,704.74)
5.	Air Tanzania Corporation Ltd	(56,640.69)
6.	Tanzania Commercial Bank	(42,004.22)
7.	National Development Corporation	(5,308.20)
8.	Kilimanjaro International Leather Industries Company Ltd	(4,236.20)
9.	APC investment centre	(1,200.30)
10.	Tanzania Postal Corporation	(1,343.79)
11.	Tanzania Telecommunication Company Ltd (consolidated)	(1,232.00)
12.	Cereals and Other Produce Board of Tanzania	(1,997.00)
13.	Tanzania Standard (Newspaper) Limited	(407.69)

Source: *Auditors Analysis on the financial statements 2022/23*

At Marine service company Ltd I learnt that the company did not pay dividend for the year because it was undergoing a transformation process in its development projects.

I am of the view that non-payment of dividend deprives the Government necessary revenue for other development activities.

I recommend that respective commercial public entities prepare turnaround strategies to enhance profitability and pay dividend to the Government.

CHAPTER FIVE

OPERATIONAL EFFICIENCY OF BUSINESS AND STRATEGIC PUBLIC ENTITIES IN ENHANCING BUSINESS ENVIRONMENT

5.0 Introduction

This chapter provides analysis on effectiveness of public sector entities in promoting conducive business environment. It analyses the role, strategies, policies, and initiatives implemented by these entities to enhance the overall business climate and stimulate sustainable economic growth. The analysis identifies scope for operational improvement in five out of 23 strategic public entities reviewed, namely Air Tanzania Company Limited (ATCL), Tanzania Electric Supply Company (TANESCO), Tanzania Ports Authority (TPA), National Housing Corporation (NHC) and Export Processing Zone Authority (EPZA).

These inefficiencies incorporate delays in project completion, underutilization of resources, and other obstacles highlighted in this chapter that need to be addressed to achieve optimal performance.

5.1 Tanzania Electric Supply Company (TANESCO)

During my review of TANESCO operating efficiency, I identified the following deficiencies: -

a) Failure to settle contractors' claims amounting to TZS 240.28 billion

From the review of National Grid Stabilization Projects implementation and status of settlement of contractors claims I noted that, up to 30 June 2023, there were several claims by contractors including advance payment and compensation amounting to TZS 331.19 billion but only TZS 90.91 billion was released and paid leaving the deficit of TZS 240.28 billion. The failure to settle the contractors' claims on time was largely attributed to lack of funds as the

Government through Ministry of Energy had not released the required funds.

I am of the view that the failure to pay contractors claim on time may pose a risk of huge interest charge that might increase project cost and delay in completion of the projects.

I recommend that the Ministry of Finance release funds in a timely manner to pay all ongoing projects to avoid interest charges in contractors' claims.

b) Contracts signed prior fulfilment of the statutory requirements of payment to PAPs TZS 11.43 billion

My review of projects implementation and status reports of National Grid Stabilization Projects noted that some of the projects require compensation to be paid to Project Affected Persons (PAPs) to pave way for projects implementation. I noted that, although the assessment was conducted and approved by the relevant authority since December 2022 the funds for payments of PAPs amounting to TZS 11.43 billion had not been released by the end of the financial year, 30 June 2023. This situation may lead to Contractor's delay in completion of the projects due to financial constraints caused by the delayed payment.

I recommend that the Ministry of Finance release the project funds to TANESCO and ensure all eligible Project Affected Persons are paid to enhance projects implementation.

5.1.1 Delay in resolving three disputes related to Songas charges TZS 109.07 billion

On October 11, 2001, TANESCO and Songas Limited signed a 20-year Power Purchase Agreement. Under this agreement, Songas expressed its intention to sell, and TANESCO showed its interest to buy, the reliable capacity and all the net electrical output. This transaction was to be carried out following the stipulations outlined in the contract.

My review of contracts implementation and payment trends reveal persistent disputes that have remained unresolved since 2022. TANESCO disputed a payment amounting to TZS 67.94 billion. Moreover, Songas has continued to include sinking charges in monthly invoices from August 2022 to June 2023, amounting to TZS 29.34 billion, despite a dispute notice issued by TANESCO's in December 2022.

Additionally, an invoice dated 4 January 2023, amounting to TZS 23.94 billion and USD 4.02 million for December 2022, raised a dispute related to TZS 11.78 billion in outstanding Value Added Tax (VAT) liability owed to TRA due to lack of supporting documents. However, as of the December 2023, this matter remains unresolved.

The 20-year Power Purchase Agreement is set to expire in October 2024, with a potential for extension. However, the accumulation of unresolved disputes complicates the contract’s conclusion, potentially necessitating a forced extension to allow for dispute resolution.

I recommend that TANESCO involve Attorney General’s Office to interpret clauses of the contracts/agreements that provides Songas the right to charge sinking charges and handle disputes in accordance with contract terms

5.1.2 Unusual replacement of 108,088 electricity meters in shorter periods

My review of meter replacement report found that during the financial year 2022/23, 108,088 out of 602,629 meters were replaced before the required timeframe of its useful life.

Further analysis performed revealed that, 13,493 meters were replaced within a year after installation while 94,595 meters had shorter lifespan, ranging from 1 to 15 years, than to the expected life of 20 years replacement. This was contributed by low quality of meter installed and rapid change of technology resulting in failure in attaining the devices expected useful life. Early replacement of meters causes additional cost which affects Company financial performance.

I recommend that TANESCO (a) investigate the reasons for early replacement of meters than the expected useful life; and (b) ensure meter quality test are performed to enhance achievement of expected useful life to minimize cost incurred by the Company on replacements.

5.1.3 Payments to supplier of Corporate Management System (CMS) for works completed not certified by Consultant USD 10.16 million

During the financial year 2022/23 TANESCO made payments of USD 10.16 million to the contractor engaged for Design, Installation, Implementation, Training and Commissioning of CMS and Supporting Infrastructure under CMS and consultancy contract No.PA/001/2018-2019/HQ/W/31. However, the payment was made while the works performed had not been certified by the Consultant. This is contrary to Para 4.4 of TANESCO Investment Business Unit Operational Guidelines of 2020 and Para 3.3 Accounting Instruction C12 of TANESCO Account Manual of 2022.

The anomaly arose mainly because the appointed project coordinator assumed the responsibilities of both the Project Manager and of the person who certifies the payments in the absence of the Consultant. In my view there is a risk of contractor being paid for works not performed in-line with the requirement of the contract.

I recommend that TANESCO (a) instruct the engaged Consultant to conduct retrospective certification of performed works of already paid invoices to establish their accuracy and if payments were in-line with the contract terms and conditions; and (b) in future, ensure no payments are made to contractor without being certified by both Project Manager and procured Consultant.

5.1.4 Release of retention money without guarantee of TZS 28.59 million and USD 30,000

Sub Clause 14.9 of the Particular Conditions of the EPC Contract for JNHPP which requires Contractor to submit to the employer a retention money guarantee equivalent to half of the amount of retention money, valid and enforceable until the issuance of the performance certificate.

I reviewed the Interim Payment Certificate No. 40 (IPC 40) and noted that the release of retention of TZS 28.59 million and USD 30,000 for eight blocks Type IV houses was released without submission of retention money guarantee by the contractor contrary to Sub Clause 14.9 of the Particular Conditions of the EPC Contract for JNHPP.

This was attributed to inadequate contract management and absence of appropriate valuation of work to be taken over prior signing of agreement. This may lead to risk of non-recovery incase of any default of contract to rectify faults on taken over part.

I recommend that TANESCO resolve the matter of retention money to be released after considering error made during valuation of part taken over and liaise with the contractor to submit retention money guarantee as per Sub Clause 14.9 of the Conditions of the EPC Contract for JNHPP.

5.1.5 Inadequate plans and involvement of stakeholders on power reliability and coverage of distribution networks projects worth TZS 301.1 billion

Para 3.1 of Energy Policy of 2015 provides that, on enhancement of power reliability and coverage of transmission and distribution networks, the Government shall ensure timely investment in construction, rehabilitation and expansion of the transmission and distribution infrastructure.

My review on plans and strategies taken by TANESCO to enhance power reliability noted that, TANESCO initiated a strategic project known as Project Mapato aimed at increasing revenue through connecting strategic customers. The Project expected to be financed through loan of TZS 303.1 billion from commercial banks. However, TANESCO failed to engage project stakeholders during initial stages of the project development, and despite the approval of the loan by Ministry of Finance, the project was not implemented after management notice that current power generation trend would not be able to accommodate additional demand of the expected customers.

In addition, TANESCO obtain the approval from Ministry of Finance to change utilization of loan facility to another project called “Project Mawe” that aimed to procure five generation plants with the capacity of 150 MW in total to increase generation capacity. The project operations will depend on gas availability from TPDC. However, on 27 June 2023, TPDC confirmed the unavailability of gas, resulting in the TANESCO’s failure to continue with the Project Mawe.

I am of the view that, inadequate planning during initiation of both projects led to their failure. As a result, the intended objective of expanding its customer base and enhancing power generation capacity were not attained.

I recommend that TANESCO strengthen the project planning unit to enhance compliance with the requirement of project management guidelines. Also ensure in future prior commencement of project stakeholders are engaged to avoid cancellation of strategic projects.

5.1.6 Significant delays in implementation of Corporate Social Responsibility (CSR) Projects for more than 4 years' worth TZS 262.34 billion

Article 2.1.6 of CSR Agreement specifies that, the detailed agreement will be negotiated and signed within one month of signing the Engineering Procurement and Construction (EPC) contract. The contractor will begin the implementation of the social project within one month of signing the detailed agreement provided that the advance payments have been made under EPC Contract. The CSR projects will be implemented at cost of TZS 262.34 billion (being 4% of the contract price). EPC contract for JNHPP was signed on 12 December 2018, the detailed agreement for CSR projects was supposed to be signed by 13 January 2019.

However, as of 30 June 2023 the Detailed Agreement for CSR Implementation was not yet signed being a delay of almost five years. This was attributed by delay in initiating negotiations for signing the Detailed Agreement on CSR Projects.

Further review on the deliberation of the high-level meeting conducted on 16 December 2019 and correspondences regarding CSR projects noted that, parties agreed to implement CSR projects, specifically the construction of the Dodoma Sports Complex and construction of the road to Asphalt Concrete Standard from Fuga Station to JNHPP. However, the agreement was not signed because the Contractor asserted that the proposed projects did not align with the criteria specified in the CSR Agreement.

I recommend that TANESCO liaise with the Ministry of Energy for the conclusion and selection of projects to be implemented by the contractor, and according to the contractor should be informed to the Contractor to enhance signing of the Detailed Agreement for CSR Projects.

5.2 Tanzania Ports Authority (TPA)

My operational review of TPA noted the following deficiencies: -

5.2.1 Inadequate feasibility studies on terminated projects TZS 26.68 billion

During the audited financial year, TPA terminated projects with a total value of TZS 26.68 billion that were already paid for in full which were carried forward from previous years and classified as work in progress. The decision to terminate these projects was based on the Authority's assessment of their viability. Consequently, the projects were written off as losses, indicating that there was no perceived value for money in continuing with them. This was attributed to inadequate project management due to inadequate feasibility studies. The terminated projects are as tabulated in **Table 8.**

Table 8: Terminated Projects

S/N	Project name	Commencement Date	Contract price (TZS million)
1	Electronic single window	13/04/2018	8,671.94
2	Tanga rehabilitation fendering and cathodic protection to quay No.2	29/02/2016	5,837.46
3	Consultancy and contractor for supply installation config & Commissioning of POS Development project	20/07/2020	5,197.91
4	Kiwira Development of Kiwira port Kyela	09/01/2012	3,334.26
5	Dar es salaam rehabilitation of access road to gate No. 5 and lorry parking area at DSM Port	27/09/2018	2,048.36
6	Dar es salaam development of large ICD (Land acquisition at Kisarawe)	17/08/2015	476.96
7	Kigoma feasibility for development of Dry port at Katosho	18/06/2018	421.76
8	Port community	12/06/2019	253.12
9	Upgrade of POAS for integration with TESWS	13/04/2020	157.320
10	Construction of new fuel station (Phase 1) Mtwara	30/03/2018	93.36
11	Dar es salaam- One (1) No Light Duty Breakdown	16/12/2016	85.09
12	Mtwara Design and Construction of 2 No. 35 Tower lights for New Cashewnut yard at Mtwara	20/11/2017	54.65
13	Dar es salaam Development of lorry parking area and logistics outside the port (EX-Sukita)	12/05/2016	48.73
Total			**26,680.91**

Source: TPA Fixed asset register 2022/23

I recommend that TPA conducts thorough feasibility studies before initiating any projects to mitigate possible losses, and that projects yield intended benefits.

5.2.2 Low Gang and Crane Productivity at Tanga and Dar es salaam ports

Objective D as outlined in the TPA's Corporate Strategic Plan of 2021/22 to 2025/26 has been emphasizing on elevating port productivity and optimizing service delivery. The objective has been cascaded in the Action Plan of 2022/23 highlighting specific performance targets for Dar Es Salaam Port. These targets include achieving 500 Tons/Gang/Shift for General Cargo, 600 Tons/Gang/Shift for Dry Bulk Fertilizer, 1000 Tons/Gang/Shift for Dry Bulk, 125 Number of Cars/Hour, and 390 Moves/per day for Terminal.

Although I have previously addressed this issue in my reports for the financial years 2020/21 and 2021/22, it persists in the current financial year 2022/23. My analysis of the Corporate Performance Report 2022/23 revealed a significant variance in the attainment of the planned milestones related to crane and gang performance to the tune ranging between 12% and 60%. For instance, Dar es Salaam the Port planned a general cargo of 500 tons but managed to attain only 306 tons (61%) while the target for the general cargo deep sea was 300 tons against the 121 tons (40%) that was achieved **(Table 9)**.

Table 9: Gang and Crane Productivity at Tanga & DSM Ports

Port Name	Description	2022/23		Extent of non-attainment	% of non-attainment
		Target	Actual		
Dar es Salaam Port	General Cargo (Tons/Gang/Shift)	500	306	194	39
	Dry Bulk Fertilizer (Tons/Gang/Shift)	600	530	70	12
	Dry Bulk (Tons/Gang/Shift)	1000	777	223	22
	Vehicles (Number of Cars/Hour)	125	79	46	37
	Container Moves/24 hours-Terminal	390	324	66	17
Tanga Port	General Cargo - Deep Sea Vessel (Tons/Gang/Shift)	300	121	179	60
	General Cargo - Coastal Vessel (Tons/Gang/Shift)	250	191	59	24

Source*: Corporate Performance Report for the year 2022/23*

Management explained that a recurring issue is mainly caused by the frequent breakdowns of critical equipment, including the Gottwald, spreader, and reach stacker. I am concerned that delays in execution of planned activities might lead to extended timelines for cargo handling and dispatch and as such this kind of operation have reputation issue to the Port and customers can shift to other competitive ports.

I recommend that TPA institute a comprehensive and scheduled maintenance program for all tools and equipment utilized in port operations, encompassing regular inspections, preventive maintenance routines, and timely repairs to mitigate the risk of unexpected breakdowns.

5.2.3 Failure in the management of ship turnaround time

In 2022/23, the Dar es Salaam Port set ambitious targets, aspiring to achieve an average turnaround time of three days for container vessels, dry bulk, general cargo, and roll on and roll off, while also aiming for a five-day turnaround for bulk liquid vessels.

However, a retrospective analysis from my previous year's audit noted persistent challenges in managing ship turnaround times, particularly surpassing the prescribed targets for container, dry bulk, general cargo, and bulk liquid vessels. The average ship turnaround time currently stands at 6.5 days for container vessels, reaching a maximum of 13.7 days for bulk liquid vessels against the planned three and five days respectively. The details are stipulated in **Table 10.**

Table 10: Details of Ship Turnaround Time for 2022/23

Type of the Deep-Sea Vessel	Target (In Days)	Actual (In Days)				
		Waiting	Pilotage	Berth	Total	Deviation (In Days)
Container Vessel	3	3.4	0.1	3.0	6.5	3.5
Dry Bulk Vessel	3	3.3	0.1	6.4	9.8	6.8
General Cargo Vessel	3	3.6	0.1	4.5	8.1	5.1
Bulk Liquid	5	8.8	0.1	4.9	13.7	8.7

Source: *Auditors Analysis on the Vessel Traffic Report for 2022/23*

This situation carries the potential risk of cargo delays, resulting in escalated demurrage charges imposed by shipping agents on customers, which consequently, leads to an elevated overall cost of goods and services within the country.

I recommend that TPA allocate resources strategically to enhance the port infrastructure, fostering seamless operations and improving the overall efficiency and effectiveness of port activities.

5.2.4 Under-utilization of Ndumbi Port at Lake Nyasa worth TZS 12.28 billion

Tanzania Port Authority (TPA) constructed Ndumbi Port as one of the Country's Strategic Construction Projects located at Nyasa District Council in Ruvuma Region at a total cost of TZS 12.28 billion. During the visit to the Port, I noted that it was dominantly used to carry only passengers despite that the port was intended to facilitate other activities such as shipment of coal to Mbeya Cement, that are not done. This indicate that Ndumbi Port at Lake Nyasa is highly underutilized.

TPA informed me that the reason for not transporting coal via port route was poor and rough road connecting to the coal mines and Songea and inadequate marketing of Ndumbi Port to other users of Lake Nyasa. Under-utilization of the port lead to delay in realisation of return on investment.

I recommend that TPA establish a strategy on how Ndumbi Port can be marketed to other users to achieve an optimal use of the port and get return on investment.

5.2.5 Inadequate port operations leading to waiver of revenue of TZS 1.8 billion

Paragraph 3.2(iii) of the Tanzania Ports Authority Waiver Policy for Port Storage charges, 2019 states that "The storage charges will assume punitive perspective only where the customer has delayed through own defaults and increases the storage charges the cargo overstays for more than 30 days from the lapse of the grace period, the reason is to discourage the use of the TPA's Terminal as the storage facility.

From the review of the waiver report for the Dar es Salaam Port for the year ended 30 June 2023, I found USD 777,956 (equivalent to TZS 1.82 billion) was waived due to the circumstances under the fault of the TPA. The faulty included absence of adequate handling equipment by TPA and oversight on the timely submission of the consignment details to Tanzania Revenue Authority (TRA).

I recommend that TPA take proactive measures to facilitate the port on having adequate handling equipment and timely submission of document details to TRA, as well as timely verification of the consignments.

5.2.6 Over-reliance on consultants for TPA's operations

I found that Tanzania Port Authority (TPA) currently lacks the capacity to extract and analyze data from the database independently. Instead, it is outsourced to an external consultant, creating a significant dependence on external resources.

In addition, I found two contracts involving a consultant on contract No. AE/016/2022-2023/HQ/C/16 and No. AE/016/2022-2023/HQ/C/03 at contract price of TZS 407.49 million and TZS 992.04 million respectively for provision of gap analysis report highlighting areas for improvement in the financial reporting process for the financial year 2021/22 and 2022/23. The dependency on external experts without any clear strategy for self-reliance raises concerns regarding the Authority's long-term cost-effectiveness and sustainability.

I recommend that TPA develop a comprehensive knowledge transfer and succession plan with clear timelines which will identify designated personnel who will undergo training to assume responsibilities currently handled by external consultants.

5.3 Air Tanzania Company Limited (ATCL)

At ATCL I found the following anomaly: -

5.3.1 Limited expansion of international flights

The ATCL's Strategic Plan for 2022/23 to 2026/27 earmarked expansion of international routes by 30 June 2023. These routes included Dzaoudzi-Mayotte France and Johannesburg by June 2023. During the audit I learnt that the international routes that were planned to be launched in year 2022/23 were not launched, thus there is no optimal utilization of airplane for international routes. This was attributed to inadequate strategies for international aircraft routes.

Limited expansion of international routes may lead to denying the company additional revenue by inadequate utilization of the aircraft capacity.

I recommend that ATCL ensure optimal use of aircraft by executing the international routes as planned.

5.4 National Housing Corporation (NHC)

At NHC I noted the following deficiencies: -

5.4.1 Seven projects involved TZS 55.86 billion have been put on hold

My review of 13 ongoing projects with total costs amounting to TZS 213.12 billion, indicated that seven projects, accounting for 53% of the total value at TZS 55.86 billion, were suspended during the current year under review 2022/23 **(Table 11).** These projects were suspended mainly because of lack of funds for projects finalisation.

Table 11: Summary of suspended projects

S/N	Project name	Amount (TZS million)
1	Kawe (Golden Premier Residence) Plot 711/2 (Former Plot 1088 Magore/ Vijibweni Road Upanga High end)	29,817.54
2	Kawe (Seven Eleven) Plot 711/1 (Former PLot79-82 Ngano)	25,935.18
3	Chato plots (5000 plots)	50.67
4	Luguruni Low costing Houses Project	19.71
5	Manyoni - Singida Affordable Housing Project Plot 402 & 422 Block 'MM	15.67
6	Magore/ Vijibweni Alykhan Plot 270, 288 & 289-Upanga	14.07
7	Ipogolo-lringa-Affordable Housing Scheme 4.090/HKT Ipogoro-lringa	11.73
Total		**55,864.57**

Source: *NHC Schedule of ongoing projects as at 30 June 2023*

In my view there is a possibility of high cost of material mobilization of dormant projects which in turn may affect the profitability of the project.

I recommend that NHC (a) mobilize resources to ensure the on-going projects are completed and realize the potential revenue from rental income or sales of such properties; and (b) perform analysis of the on-going projects and dispose off to investors who are willing to acquire the properties at fair prices to avoid losses to the Corporation through deterioration.

5.5 Export Processing Zone Authority (EPZA)

My review at EPZA found the following: -

5.5.1 Non-performing of completed Mtwara Free Port project amounted to TZS 2.56 billion

EPZA engaged in Mtwara Free Port project construction which was completed on 27 October 2020 and the amount spent for the project was TZS 2.56 billion. During my visit to the project on 2 October 2023 I found that there were no investors in the Mtwara Free Port Zone. This was attributed to inadequate gas activities in Mtwara Region as anticipated by EPZA.

In my view, there is a possibility for deterioration of project assets which may attract loss to the entity in long run.

I recommend that EPZA consider alternative uses for the constructed facilities within the Mtwara Zone that could generate revenue or serve other beneficial purposes. This could include repurposing the infrastructure for other industrial or commercial activities that align with local economic needs and opportunities.

CHAPTER SIX

REVENUE MANAGEMENT IN PUBLIC ENTITIES

6.0 Introduction

Revenue management involves the strategic and efficient handling of financial resources to optimize revenue generation and support the delivery of public services.

I highlight the deficiencies below, in internal controls and inefficiencies on revenue management in public sector entities and my recommendations thereon.

6.1 Deficiencies in the management of revenue

Management of revenue comprises compliance with the underlying controls and collection procedures. My review found deficiencies in management of revenue as follows:

6.1.1 Revenue collection outside the GePG system TZS 21.46 billion

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

However, my review found seven public sector entities (PSEs) which collected revenue amounting to TZS 21.46 billion (2021/22, TZS 3.32 billion, involved five PSEs) outside the GePG system contrary to the Treasury Circular No. 3 of 2017 as shown in **Table 12**. This was an increase of TZS 18.14 billion, equivalent to 546% from prior year. Despite the noted anomaly I found no evidence to indicate strict enforcement of the Treasury Circular to ensure compliance.

Table 12: List of entities that collected revenue outside the GePG

S/N	Entities	Amount Collected TZS (million)
1	Cereals and other Produce Board	**16,477.48**
2	Mkulazi Holding Company Limited	**2,383.73**
3	Tanzania Wildlife Research Institute	**1,276.12**

S/N	Entities	Amount Collected TZS (million)
4	Tanzania Plant Health and Pesticides Authority	877.13
5	Tanzania concrete poles manufacturing Co. Ltd	225.51
6	University of Dar Es Salaam	184.35
7	Tanzania Fisheries Research Institute	33.59
Total		21,457.91

Source: PSSE Collection report against GePG report

I consider that failure to collect revenue through the Tanzania Government electronic Payment Gateway (GePG) has significant consequences, including, revenue loss, and lack of transparency.

I recommend that the identified public entities enforce compliance with the Treasury Circular to ensure all revenues are collected through the GePG system to enhance accountability and transparency.

6.1.2 Levies and fees charged based on provisional turnover without post assurance by TASAC and KADCO TZS 33.55 billion

Tanzania Shipping Agencies Corporation (TASAC) and Kilimanjaro Airport Development Company Limited (KADCO) are required to charge service provider's and concessionaires respectively based on provisional operating revenue which is later adjusted with audited accounts.

My review found that TASAC reported service levy amounting to TZS 32.86 billion based on provisional turnover statements provided by port services and cargo handling counterparts without post assurance of their audited accounts to ascertain the actual turnover, contrary to the Service Provider Levies and Fees Rule, 2018.

Furthermore, at KADCO sales concession amounting to TZS 691.38 million was charged based on provisional sales of concessionaires without post assurance of audited accounts to ascertain the actual turnover contrary to the sales agreement clauses.

The failure to reconcile the charged levy based on provisional turnover with the actual levy from audited accounts can result in service providers under declaring their turnover. Consequently, TASAC and KADCO may collect less revenue than required.

I recommend that Tanzania Shipping Agencies Corporation and Kilimanjaro Airport Development Company Limited ensure follow up on ensuring reconciliation of provisional fee or levy to audited turnover, this may be achieved by liaising with other Government Authorities/Agencies such as Tanzania Revenue Authority and

BRELA to obtain financial information filed by the service providers to curb the risk of potential loss of revenue through under declaration of gross revenue.

6.1.3 Inadequate revenue collection

In my audit, I found that inadequate enforcement of revenue collection has negatively impacted the financial performance and goal achievement of several public sector entities as indicated below:

Universal Communication Services Access Fund (UCSAF): I found that potential revenue from licensed entities in posts, courier services, and broadcasting was overlooked, (Radio, Tv, decoder and online Tv) despite UCSAF billing TZS 42.14 billion from 47 telecom and broadcasting providers. This was due to weak enforcement of the UCSAF Act, 2006 and lack of compliance checks.

Tanzania Concrete Poles Manufacturing Company Limited (TCPM): I found that, TCPM relied solely on commission from M/s DERM Electrics (T) Ltd for four years (2019/20 to 2022/23). After the contract ended in June 2023, revenue dropped by 65% from TZS 645 million to TZS 225.51 million due to insufficient capital to invest in its main revenue stream.

Maritime Education and Training Fund (MET Fund): I found that MET Fund received no contributions this year, despite its mandate to collect USD 0.5 per Gross Tonnage per vessel annually from ship owners. This was due to the lack of an agreement with TASAC on revenue collection and insufficient vessel information to enforce compliance with the MET Fund Regulations, 2011.

I recommend that UCSAF, TCPM and MET Fund strengthen controls in the enforcement of regulations and policies to increase revenue collections.

6.1.4 Loss of revenue through unapproved discount at AICC TZS 497.52 million

From my special audit, I found that Arusha International Conference Centre (AICC) incurred a loss of TZS 497.52 million in the financial year 2021/22 because of granting discounted prices for halls and conferences to 70 customers without the approval from the Managing Director.

Inadequate enforcement of compliance with internal regulations and the absence of policies in management of daily operations contributed to the loss of revenue to AICC.

I recommend that the Government take appropriate action against all the concerned officials who caused the losses to the Centre.

6.1.5 Delayed revenue generation due to delays in customer registration delays in the LUKU system

Ni-konekt online application system is a system that enables TANESCO customers to apply power service connection. It enables customers to track submitted applications, provide emergency information, make non-electronic applications, lodge complaints, and make various inquiries.

During the financial year 2022/23, TANESCO connected 560,373 customers to power via Ni-konekt Online Application System. Of these 553,468 were promptly registered in the LUKU system. However, 6,905 Prepaid customers were not registered in the LUKU system, and they were connected to power, for the periods ranging from 1 to 438 days as of 30 June 2023 hence delaying revenue generation. This situation raises concerns about the efficiency of the process.

An additional analysis revealed a delay in registering 12,666 customers in the LUKU system, spanning 7 to 366 days from the connection date in Ni-konekt Online Application System, contrary to TANESCO Accounting Manual, 2022 which requires duration of one working day from Ni-konekt online application to LUKU system. This situation raises concerns about compliance and efficiency in the registration process.

This anomaly is attributed to inadequate supervision in ensuring timely registration of customers in the billing and LUKU systems and lack of integration between Ni-konekt Online Application System and the LUKU system. Delay in registering customers lead to possible theft of electricity by unregistered prepaid customers under the LUKU system as there is a chance for customers to bypass the meters. Also, may cause the company to delay in collection the revenue from customers.

I recommend that TANESCO (a) conduct a comprehensive review of customer data, reconciling information between Ni-konekt Online Application System and the LUKU system, and validating data through field surveys, (b) ensure proper integration of Ni-konekt with Hi-affinity billing (post-paid) and the LUKU-system (pre-paid), conducting regular internal reviews to address discrepancies, and

(c) Periodic field inspections should be carried out to physically verify electricity connections, and identifying unauthorized ones.

6.1.6 Failure to transfer collected revenue to Bank of Tanzania TZS 21.84 billion

Circular No. 3 of 2022/23 of 1 June 2023, issued by the Ministry of Finance requires all Ministries, Departments, Agencies (MDAs), Authorities and Regional Administrative Secretariats to transfer to Bank of Tanzania all Non-tax revenue collected by Ministries, Departments, Agencies (MDAs), Authorities and Regional Administrative Secretariats from Commercial Banks not later than 30 June 2023.

My review noted four public sector entities (PSEs) with balances totalling TZS 21.84 billion at commercial banks, which had not been transferred to the Bank of Tanzania as of 30 June 2023 as detailed in **Table 13**.

Furthermore, of the mentioned PSE's, the Tanzania Port Authority through the Board of Directors approved the closing of TCB Collection accounts and transfer of funds to BOT accounts during its 112th special meeting held on 29 April 2023. However, on 31 July 2023, a total of TZS 19.04 billion was transferred to the TPA - NMB expenditure account by management. Such transfer is contrary to the board's decision and circular directives. Expending collections directly in expenditure account without going through BoT tend to deprive accountability and transparency.

Table 13: PSE with balances not transferred to BOT

S/N	Public sector entities	Amount not transferred to BOT (TZS' Million)
1	Tanzania Ports Authority	19,044.89
2	Institute of Rural Development Project Planning	1,927.20
3	Mtwara Water Supply and Sanitation Authority	468.18
4	Arusha Water Supply and Sanitation Authority	402.90
	Total	21,843.17

Source: Analysis of commercial bank statements

I recommend that respective public sector entities (PSEs) ensure compliance with circular by transferring revenue collection funds to Bank of Tanzania.

6.1.7 Failure to transfer collected funds to Railway Infrastructure Fund account- TZS 192.44 billion

Section 68(3) of the Railway Act, [CAP 170], outlines the Railway Development Levy, a crucial revenue stream for railway infrastructure funds, imposed at a 1.5 percent rate on the customs value of imported goods. Subsection 7 mandates the Commissioner General appointed under the Tanzania Revenue Authority (TRA) Act to collect the levy, directing its deposit into the Railway Infrastructure Fund for exclusive use in railway infrastructure development.

Article 135 (2) of the Constitution of the United Republic of Tanzania, 1997 requires the revenue which has been specified by law to be used for a specified purpose or to be paid into another fund for special use, not to be paid into the Consolidated Fund of the Government of the United Republic.

However, my review of TRA's monthly remittances revealed that during the fiscal year 2022/23, a total of TZS 192.44 billion (44%) was not transferred to the Fund Account, including TZS 4.45 billion from the July 2022 collections, transferred to the consolidated fund in August 2022 by TRA.

Depositing the Railway fund into consolidated fund can hinder the corporation to carry out its planned activities efficiently. Also, non-receipt of the funds may result in the derailment of the TRC's planned activities.

I recommend that TRA and Treasury devise a feasible strategy aimed at ensuring all collected funds are consistently and promptly transferred to the Railway Infrastructure Fund account under TRC, thereby enabling the Corporation to carry out its planned activities effectively.

6.2 Management of trade and other receivables

Management of receivables comprises compliances with underlying controls and collection procedures and agreements with respective debtors. My reviews revealed the following deficiencies regarding management of receivables by public sector entities (PSEs):

6.2.1 Long outstanding receivables amounting to TZS 2.92 trillion

I reviewed trade receivables for the year ended 30 June 2023 in 215 public sector entities (PSEs). I observed that 66 public entities had significant long outstanding receivables amounting to TZS 2.92 trillion, relating to services rendered to customers **(Appendix VI),** but not paid for periods of more than 12 months. I reported similar issue in the previous report 2021/22, whereby 97 public sector entities had inadequate collection of trade receivables amounting to TZS 3.58 trillion. I found no evidence of serious measures being taken to improve recoveries of the long outstanding trade receivables despite their effect on the entities' cash flows and on the planned activities. Further explanation of entities found with this deficiency are as follows: -

a) At Higher Education Students' Loans Board (HELSB), student loans totaling TZS 808.11 billion equivalent to 38% of matured loan of TZS 2.10 trillion was not repaid by the loan beneficiaries. The delayed repayments of the loans is attributed to the lack of loan system integration with strategic stakeholders because the Memorandum of Understanding with some of the strategic stakeholders have not been completed for easy follow up of defaulters.

b) At Tanzania Electric Supply Company Limited (TANESCO), I found that TZS 316.67 billion equivalent to 73% of the total outstanding trade receivable balance of TZS 435.44 billion relates to receivable balances that are under dispute and have been proposed for write-off. The reasons for amounts being under disputes include disagreement on the bills issued to customer, electricity charge rates disputed by ZECO of TZS 73.99 billion and cessation of Government subsidy on ZECO bills of TZS 175.32 billion.

c) Medical Stores Department (MSD) had not been paid a total of TZS 366.32 billion by the Government, an increase of 24% from TZS 295.2 billion reported in the previous year. This evolving outstanding government receivable poses a significant risk to MSD's working capital and its ability to maintain optimal inventory levels to fulfil its core functions.

d) At Tanzania Petroleum Development Corporation, I found a significant amount of long overdue receivables of TZS 373.57 billion being unpaid gas sales by TANESCO for more than 12 months, equivalent to 78.6% of the total debt of TZS 475.16 billion. The trend indicates a consistent increase in the TANESCO outstanding balance over the years. I am of the view that failure to pay invoices on time, have resulted in a lack of funds for TPDC to invest in petroleum and gas development.

e) At Tanzania Telecommunications Corporation Limited, I found that for an entire year there was no collection from customers with a cumulative outstanding balance of TZS 72.20 billion. Among these customers, 1889 customers were active during the year with total outstanding balance of TZS 19.58 billion. The remaining 58,722 customers were inactive, and they had no movement during the year. These inactive customers had outstanding balance of TZS 52.62 billion.

f) At Kilimanjaro Airport Development Company Limited, from the audit assessment of the trade receivables, I noted receivables totaling TZS 7.995 billion have remained unpaid for more than 90 days and have not been subjected to interest charges, contrary to the company's financial manual. The recomputed average interest revenue losses on overdue balances are TZS 1.31 billion.

g) At TANOIL Investment Limited, I noted non-compliance with credit terms limits in respect of reported long outstanding receivable balances. The Company issued petroleum products to customers who had exceeded their credit limits of 14 days. The total amount receivable from these customers at the end of the year who exceeded their credit limit was TZS 15.8 billion out of this TZS 1 billion was provided as bad debts.

h) At Sokoine University of Agriculture, I found that TZS 7.08 billion of students' debts included debts of TZS 3.03 billion from those who are no longer students of the University for various reasons such as being deceased, discontinued, graduated, absconded, unknown, rejected, and terminated which have been outstanding for more than 720 days.

I recommend that the identified public sector entities (PSEs) (a) strengthen internal controls over debtors' collections, including taking legal measures against all debtors to settle their outstanding balances, (b) liaise with the Paymaster General regarding the long outstanding receivables by Government entities, and (c) for HELSB to ensure MoUs with strategic stakeholders are finalized to enhance system integration.

CHAPTER SEVEN

EXPENDITURE MANAGEMENT IN PUBLIC ENTITIES

7.0 Introduction

Effective expenditure management in Public Sector Entities (PSEs) ensures the efficient and responsible use of financial resources entrusted by the Government to fund their day-to-day operations and development activities. Recurrent expenditures primarily cover day-to-day operational costs, including employee salaries, wages, allowances, benefits, and other entitlements.

They also finance the use of goods, consumables, and services needed for operating and administrative activities. Similarly, development expenditures focus on investments in long-term assets, primarily of a capital nature, such as acquisition of intangible assets like intellectual property and physical assets like property, plant, and equipment.

During the year ended 30 June 2023, my audit revealed deficiencies on expenditure management, some of which were repeating and reported in the previous financial years' reports. Repeated anomalies included incurring fruitless and wasteful expenditures due to delays in meeting contractual and statutory obligations, the presence of long outstanding staff imprests and ineligible expenditures.

This chapter summarizes the audit findings on the expenditure management, that, in my opinion, require strict internal and external oversight by those charged with governance and the Parliamentary Committees to enhance the controls and compliance with policies, laws and regulations. The following key issues were observed: -

7.1 Fruitless and wasteful expenditures TZS 72.36 billion

Fruitless and wasteful expenditures are payments to which the respective entity obtains no value for money. These expenditures are considered as avoidable and unnecessary, such as penalties and interests charged on non-compliance with statutory and contractual requirements.

During the year ended 30 June 2023, I found 17 PSEs with fruitless and wasteful expenditure amounting to TZS 72.36 billion, which is an increase of 13% compared to prior financial year which reported TZS 63.77 billion involving 12 PSEs. The analysis further showed that four PSEs, namely; Tanzania Ports Authority, Dar es Salaam Water Supply and Sanitation Authority, Mwanza Water Supply and Sanitation Authority, and Tanzania Electric Supply Company Limited, were reported in my previous report, while **13** PSE were newly identified this year.

Most of the anomalies relate to penalties and interests on delayed payments to suppliers and contractors; delay in filling and remittance of statutory contributions; and purchase of outdated and unrequired products. This results in a wasting of public funds and deters the effectiveness and efficiency use of the resources entrusted to PSEs. **Table 14** shows the list of entities with wasteful and fruitless expenditures in the financial year 2022/23.

Table 14: Entities with wasteful and fruitless expenditures in 2022/23

S/N	Entity Name	Details	Amount TZS 'million'
1.	Tanzania Ports Authority (Special audit on the construction projects on the port infrastructure and information system for contracts implemented from 2015/16 to 2019/20)	Fruitless payments noted during the special audit on different construction projects implemented from 2015/16 to 2019/20**	33,861.38
2.	Tanzania Electric Supply Company Limited	Interest and penalties on delayed payment of PAET claims and statutory contributions; and failure to claim VAT input taxes	26,042.32
3.	Tanzania Cotton Board	Accrued Interest due to delays in repayment of loan facilities	6,563.11
4.	Dar es Salaam Water Supply and Sanitation Authority	Interest on delayed payments of contractor's claims for Maji House construction project	3,583.52
5.	Tanzania Railways Corporation	Penalties on delayed land rent payments	1,249.28
6.	Mwanza Water Supply and Sanitation Authority	Additional costs incurred in excess of the original contract price due to issuing new contract for uncompleted works following failure and termination of the prior engaged contractor.	335.65
7.	Tanzania National Parks	Increased maintenance cost due to delays in completion of the Serengeti Golf Course project	270.99
8.	Songea Water Supply and Sanitation Authority	Penalty on delay payment of PSSSF contribution	150.09
9.	Morogoro Water Supply and Sanitation Authority	Penalties on late remittance of pension contributions to PSSSF	83.90
10.	Arusha Water and Sanitation Authority	Accumulated interest due to delay in payments of certified	62.22

S/N	Entity Name	Details	Amount TZS 'million'
		works	
11.	Singida Water Supply and Sanitation Authority	Penalties on late remittance of pension contributions to PSSSF	39.56
12.	Tanzania Forestry Research Institute	Interest on delayed payments of statutory pension contribution	30.11
13.	Tanzania Concrete Poles Manufacturing Company	Interest and penalties on delayed tax returns filling	23.63
14.	Ardhi University	Penalties on delayed filling of tax returns and payments	22.32
15.	Tanzania Petroleum Development Corporation	Additional cost due to delayed payment to supplier	15.79
16.	Tanga Water Supply and Sanitation Authority	Penalty on delayed payment of PAYE and additional interest incurred due to delayed loan repayment	11.78
17.	Korogwe Water Supply and Sanitation Authority	Penalty on delayed payment of pension contributions PSSSF	11.26
	Total		**72,356.91**

Source: General ledgers, payment vouchers or invoices and demand notes

**The reported amount for Tanzania Ports Authority TZS 33.86 billion was revealed during my special audit on different projects implemented by TPA for a period of five years from 2015/16 to 2019/20. The reported amount consisted of:

(i) Payment of USD 0.02 million (TZS 45.76 million) was made for ICT equipment which were not delivered by the supplier under contract No. AE/016/2017-18/CTB/CG/15C;

(ii) Payment of TZS 9.07 billion for 47 arch fenders which were not delivered and for unperformed works during construction of the loading and unloading berth in the RoRo Berth relating to contract No. TPA/W/19-WB/2014-15;

(iii) Payments of TZS 1.48 billion and USD 6.94 million (TZS 10.91 billion) to contractors and subcontractors for works which were not implemented under contract No. AE/016/2011/2012/CTB/W/09-A;

(iv) Payment of TZS 15.93 million for works which were not implemented by the contractor relating to contract No. AE/016/2017/2018/CTB/W/19/48;

(v) Payment of TZS 172.84 million for arch fenders which were not utilized as intended under contract No. AE/016/2018-2019/CG/12/LOT3;

(vi) Payment of USD 0.55 million (TZS 1.26 billion) was made for licenses which were not used relating to contract No. B1E60161 on supplying of ICT equipment.

(vii) Payment of USD 0.06 million (TZS 137.29 million) for outdated ICT equipment and licenses in excess of the required amount relating to contract No. AE/016/2017-18/CTB/CG/15A;

(viii) Loss of TZS 6.57 billion due to incorrect calculation of compensation due to change in price of contract items relating to contract No. TPA/W/19-WB/2014-15;

(ix) A contractor improperly charged TPA price adjustments that resulted in a loss of USD 2.68 million (TZS 4.21 billion) under contract No. AE/016/2011/2012/CTB/W/09-A.

I recommend that those charged with governance of the reported PSEs streamline their expenditure management controls and approaches including preparing and implementing realistic cash flow management strategies to ensure timely settlement of obligations when they fall due and increase oversight on payments to avoid such nugatory expenditures.

7.2 Ineligible expenditures TZS 4.64 billion

Ineligible expenditures are payments that do not meet the set forth criteria and requirements such as statutory and regulatory requirements, contractual agreements, and accounting standards.

During the year ended 30 June 2023, I found 11 PSEs with ineligible expenditures amounting to TZS 4.64 billion which was a decrease of 94% compared to the amount of TZS 77.75 billion that involved 21 PSE reported in previous year.

The analysis further shows that three entities, namely; Cotton Development Trust Fund, University of Dodoma, and Tanzania Electric Supply Company Limited repeated among those reported in the prior year, while eight entities were new.

Some of the anomalies were payments to contractors for unperformed work or in violation of contract terms, unauthorized payments of allowances, unrecovered erroneous payments made to various service providers, and payments to ineligible recipients.

These irregularities highlighted potential misuse of public funds, raising concerns about fraud and jeopardizing the effectiveness and efficiency of resources utilization within PSEs. **Table 15** details the list of entities identified with ineligible expenditures in the financial year 2022/23.

Table 15: Entities with ineligible expenditures in 2022/23

Sn	Entity Name	Details	Amount TZS 'million'
1.	University of Dodoma (special audits)	Special allowances paid to staff without approval of the President's Office - Public Services Management and Good Governance.	1,018.30
2.	Tanzania Ports Authority	Payment of acting allowance to 40 staff without approval of PO-PSMGG	690.65
3.	Arusha International Conference centre (Special audit 2021/22)	Payments of security services without proper guidelines, allowances at unapproved rate, and inadequate procedures for commission computation	603.77
4.	Tanzania Electric Supply Company Limited	Payment of ineligible acting allowances	546.93
5.	Cotton Development Trust Fund (Special audit for period from 2016/17 to 2018/19)	Payments for sitting and night allowances to absent board members; and double payment of gratuity to the then Fund Manager; and overcharged acre packs	508.93
6.	Moshi Water Supply and Sanitation Authority	Payment of monthly incentives for debts collection without board approval	422.21
7.	Tanzania Telecommunications Corporation	Payment of acting allowances to unentitled staff	252.28
8.	University of Dar es Salaam Computing Centre	Staff imprest written-off without board approval and payment of responsibility allowance without approval of the Treasury Registrar	198.53
9.	Muhimbili National Hospital	Payment of acting allowance to 12 staff without approval of PO-PSMGG	175.41
10.	National Insurance Corporation	Payment of acting, housing, utility, risk and fuel allowances to unentitled staff	170.66
11.	National Health Insurance Fund	Erroneous payments to various service providers as a result of wrongly uploading transfer twice when initiating payment.	50.22
Total			**4,637.89**

Source: Payment vouchers on respective PSE

The amount for the University of Dodoma was revealed during my special audits on payment of special allowances to various employees for the period from January 2019 to December 2021. The audit found inappropriate payment of special allowances to various employees amounting to TZS 1.02 billion using invalid guideline that was not approved by the Permanent Secretary President's Office Public Services Management and Good Governance (PS-PSMGG), as directed by Section 8(3)(d) and 8A (1) of Public Service Act, [CAP. 298].

I recommend that those charged with governance of the reported PSEs strengthen controls to ensure compliance with guidelines,

policies, regulations, and laws when incurring expenditures; and ensure the incurred ineligible expenses are recovered.

7.3 Uncertainty over recovery of paid import taxes on fuel cargo that was retained by suppliers TZS 14.7 billion

During the year ended 30 June 2023, TANOIL had ten vessels with fuel cargo which remained held by suppliers due to lack of funds to pay the suppliers for the imported fuel. Seven of these vessels were surrendered and sold to other Oil Marketing Companies (OMCs). At the time of sale, TANOIL had incurred taxes and duties amounting to TZS 19.5 billion.

My inquiry with TANOIL Management found that reconciliations with OMCs who purchased the surrendered cargo were ongoing and up to August 2023, TANOIL had been refunded only TZS 4.8 billion, leaving out TZS 14.7 billion to which its recovery is doubtful. The purpose of reconciliation was to determine whether TANOIL could be refunded or not depending on the market price prevailed when the retained fuel cargo was taken by other OMCs.

I recommend that TANOIL's management ensure the reconciliation for remaining amount of TZS 14.7 billion is done immediately; and going forward liaise with the parent company (Tanzania Petroleum Development Corporation) to ensure that cargos are not retained by suppliers to the point of surrender.

7.4 Long outstanding staff imprests of TZS 4.12 billion

Regulations 96-103 of the Public Finance Regulations, 2001 provides guidelines on imprest management which are reflected in respective PSEs financial regulations. The regulations require that the issued imprest should be retired within 14 days after completion of the corresponding activity, and a staff should not be issued with another imprest before retiring the previous one. Further, in case a staff delayed the retirement then the outstanding imprest should be recovered with immediate effect direct from the staff's salary.

My audit in the financial year 2022/23 found **16** PSEs with long outstanding staff Imprests amounting to TZS **4.12** billion for a period ranging from one month to over a year. This was an increase by **17%** compared to the prior financial year which reported an amount of TZS 3.51 billion involving 31 PSEs.

The long outstanding Imprests were attributed to factors such as some of the Imprests relating to the deceased and ex-staff members, thus making it difficult to recover from the staff salaries.

The existence of long outstanding imprests poses potential risk of fraud and misappropriation of public funds. It also distorts the financial information presented in the financial statements, as the receivables which include unretired Imprests could be overstated, and expenses be understated in case the activities which the Imprests were issued for had been completed but not accounted for. **Table 16** shows the entities with long outstanding staff Imprests in the financial year 2022/23.

Table 16: Entities with long outstanding Imprests in 2022/23

Sn	Entity Name	Amount TZS 'million'
1.	DIT Institute Consultancy Bureau	1,272.11
2.	Sokoine University of Agriculture	916.74
3.	Vocational Education and Training Authority	864.76
4.	Cotton Development Trust Fund	318.15
5.	Arusha International Conference Centre (Special audit 2021/22)	146.22
6.	Small Industries Development Organization	88.63
7.	National Board of Accountants and Auditors	81.80
8.	Mkwawa University College of Education	75.82
9.	Kigoma Water Supply and Sanitation Authority	73.65
10.	Electrical Transmission and Distribution Construction and Maintenance Company	67.38
11.	Mwalimu Nyerere Memorial Academy	62.42
12.	Dar es Salaam University College of Education	44.76
13.	Tanzania Library Services Board	39.43
14.	Warehouse Receipts Regulatory Board	35.26
15.	Tanzania Fisheries Research Institute	20.81
16.	Dar es Salaam Institute of Technology	10.74
Total		**4,118.68**

Source: PSE Imprest registers

I recommend that those charged with governance of the reported PSEs to ensure immediate recovery of these long outstanding imprest including deducting from salaries for the existing staff and submit the evidence for my verification.

7.5 Uncertainty of attaining value for money on procured equipment for motor vehicles inspection at Tanzania Bureau of Standards (TBS) TZS 3.09 billion

On 9 July 2020, the Government instructed Tanzania Bureau of Standards to suspend motor vehicles inspection through agents outside the country which involved pre-shipment verification of conformity to standards by February 2021 after expiry of their contracts.

My special audit at the Tanzania Bureau of Standards (TBS) covering the period from July 2020 to December 2022, found that, TBS signed a contract No.PA/044/2020-2021/HQ/G/24 for supply, installation, testing, training, and commissioning of motor vehicle inspection equipment at the price of EURO 1.24 million equivalent to TZS 3.39 billion on 9 December 2020. I found there was a delay in completion of the procurement process for the contract. The delay caused TBS to sign another contract for the supply of a moveable motor vehicle inspection equipment on 29 January 2021 to have the inspection equipment before expiry of the contracts with external inspection agents. The moveable inspection equipment was delivered in March 2021 at a price of EURO 143,853.42 equivalent to TZS 402.79 million. I further found that, the contract for Tender No PA/044/2020-2021/HQ/G/24 was extended to September 2022 to allow TBS to prepare and build the place where the permanent inspection equipment would be installed. The equipment was delivered on 12 September 2022 and a payment of EURO 1.18 million equivalent to TZS 3.09 billion being 95% of the contract price was made to the supplier.

However, up to the end of my financial audit in November 2023, I found that the permanent motor vehicle inspection equipment had not been installed and it was stationed at TBS premises. This was due to another Government instruction issued in July 2022 to TBS to stop inspection within the country and TBS has resumed conducting inspection through agents outside the country.

As for the moveable equipment, it is being used to inspect motor vehicles imported from countries where TBS has no agents mainly because the country has no significant imports from those countries. The contradicting decision may result to an estimated loss of TZS 3.09 billion being the amount paid for supply, installation, testing, training and commissioning of motor vehicle inspection equipment as the procured equipment may not be used anymore and was neither installed nor tested.

I recommend that Tanzania Bureau of Standard liaise with the Government to find alternative uses for the equipment procured for motor vehicles inspection. Further, the Government should streamline its decision-making process to avoid contradicting decisions that may cause losses of public funds needed for many other pressing needs.

7.6 Fraudulent payments made through MUSE TZS 58.94 million

During my audit of the payment's module at the Institute of Rural Development and Planning, I found five fraudulent cases amounting TZS 58.94 million. Up to the end of my audit the matter was reported to Police for further prosecution procedures.

Upon further scrutiny of the payments made through MUSE for the period from January to June 2023 I revealed deficiencies in the use of the system for payments at IRDP such as payment for some suppliers of goods and services were made without being examined by a senior officer, payment vouchers and their supporting documents passed all stages of payment without being stamped paid to avoid re-use, junior staff being given responsibilities of approving and/or authorizing payments, and newly recruited staff entrusted to sensitive position like cashiers in cash office without background vetting of their integrity.

I recommend that those charged with governance of IRDP, strengthen the internal controls around payments in the system especially on verification and approval for payments, such that only genuine and supported payments are made. Also, in accordance with the Section 2 (c) of the Specified Officers (Recovery of Debt) Act, 1970, the institute needs to determine and take the appropriate disciplinary and recovery measures for the misconduct involved such as negligence or failure to exercise duties in a reasonable manner that might be administrative in nature.

7.7 Long outstanding prepayments TZS 143.58 million

Mzumbe University engaged Tanzania Electrical, Mechanical and Electronics Services Agency (TEMESA) for repair and maintenance of power generator model Perkins WS4501N1134459. On 23 June 2021 TEMESA moved the asset in question to their office in Morogoro for repair, and on 10 February 2022 TEMESA provided cost estimate to Mzumbe University where it was paid an advance payment of TZS 21.02 million on 18 February 2022.

However, up to the end of my audit in September 2023, which was more than two years since TEMESA was engaged, the generator was not returned to Mzumbe University. I noted the latest follow up by Mzumbe University was on 6 May 2022, with no response from TEMESA. Also, my audit found that the Centre for Agricultural Mechanization and Rural Technology (CAMARTEC) made prepayments amounting to TZS 122.56 million (Scan Tanzania Company Limited TZS 120.36 million and other suppliers TZS 2.19 million). However, the amount was outstanding for more than three years because the suppliers could not deliver the items.These long outstanding prepayments caused by the delayed delivery of goods and services means that, the respective PSEs will also fail or delay in delivery of services to its beneficiaries.

I recommend that those charged with governance of Mzumbe University and CAMARTEC liaise with those charged with governance of the respective suppliers such that the pending services and items are delivered without further delay. Also, they may consider charging penalties and interests or seek compensation on lost gains and benefits through court cases.

7.8 Payments for unapproved travels outside the country USD 34,623

From the review of foreign traveling expenses at TANESCO, I found that five employees who were paid USD 34,623 had traveled outside the country without seeking a traveling permit contrary to the requirement of Para 1 of the User Guide for the Travel Permit System (Permits) version 1 of 2016. This was attributed by inadequate internal control which led to payment of subsistence allowance for foreign travel without a travel permit from the Chief Secretary.

I recommend that TANESCO strengthen internal controls to ensure that all staff traveling abroad for personal or official purposes have a traveling permit from the Chief Secretary.

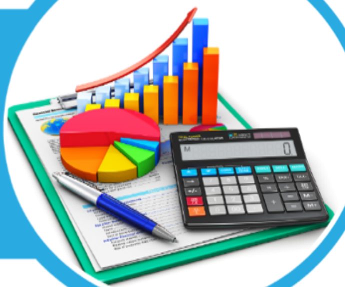
7.9 Outstanding payables TZS 3.49 trillion

Payables represent the amount of money that an entity owes to its creditors mainly for goods supplied, works or services rendered.

My audit found 99 PSEs with outstanding payables amounting to TZS 3.49 trillion as at 30 June 2023, which is a decrease by 54% compared to previous financial year with outstanding payables amounting to TZS 7.65 trillion involving 99 entities. The details for each entity 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 flows management strategies to ensure obligations are timely settled as they become due.

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

I recommend that; (a) for payables relating to business, the PSEs concerned need to enhance performance of their business undertaking to generate adequate cashflows to effectively match with obligations when they fall due; and (b) For other claims requiring Government funding, the Government needs to ensure funds are timely remitted to the respective entities.



CHAPTER EIGHT

BUDGET MANAGEMENT IN PUBLIC ENTITIES

8.0 Introduction

Budget management in public sector entities is guided by the Budget Act, [CAP. 439 R.E 2020] and its regulations together with guidelines and directives set by the Ministry of Finance.

The primary goal of budget management is to facilitate the execution of planned activities, aligning with the objectives outlined in the National Five-Year Development Plan 2021/22-2025/26, and the respective public sector entities' corporate strategic plan.

My audit found non-compliance with budget laws in relation to, engaging stakeholders in the budget process, releasing of budgeted funds, under collection of revenue from own source and over expenditure without approval either by accounting officers or board of directors.

Furthermore, I conducted an assessment of budget formulation and execution for 215 Public Sector Entities (PSEs) and identified that 45 entities complied with the Budget legislation, with some exceptions for improvement **(Appendix I).**

Details on the identified deficiencies and recommendations for improvement on budget compliance are highlighted below.

8.1 Persistent inadequate release of budgeted funds by Government TZS 1.01 trillion

My analysis of the budget performance reports from PSEs receiving Government subventions revealed that 50 out of 195 NCPSEs had budget variances exceeding 10%, between budgeted and disbursed funds. These PSEs received a total subvention of TZS 1.08 trillion, representing 52% of the allocated budget of TZS 2.09 trillion. This indicated a significant under-release of TZS 1.01 trillion, equivalent to 48% of the budgeted funds for the year ended 30 June 2023 **(Appendix VIII).**

The inadequate funding has been a recurring anomaly which I have been reporting consistently. For example, in the financial years 2020/21 and 2021/22, under releases were TZS 1.13 trillion (29%of total budget) and 161.88 billion (30% of total budget) respectively.

Insufficient funding could severely hinder PSEs in effectively and efficiently carrying out their operations. This, in turn, could lead to a decline in the quality and quantity of services delivered to the public. Additionally, under-releasing of the allocated funds often results in delays the project completion and in some cases the project might not be completed, ultimately hindering the achievement of organizational goals.

I recommend that Government ensure credibility of the budget estimates submitted by PSEs and upon approval, full release of the approved budgeted funds should be made to make the budget exercise meaningful and to enhance implementation of the respective public sector entities' planned activities to attain their organizational objectives.

8.2 Under-collection of funds from own source TZS 284.71 billion

Own source revenue in the public sector refers to the funds generated by public sector entities (PSEs) from various internal sources, such as fees, sales, and investment income. Own source revenue provides public entities with financial sustainability and flexibility in managing their day-to-day operations.

In my previous audits, I reported on under collections of own sources revenue and recommended several measures to be taken by Management of respective PSEs. In the current audit for the financial year 2022/23, I continued to note similar challenges, whereby 66 PSEs out of 215 entities had a total budgeted amount of TZS 799.09 billion. Out of which TZS 514.39 billion (64%) was collected, resulting in a shortfall of TZS 284.71 billion (36%) **(Appendix IX).**

This shows that there is a fluctuating trend compared to the previous financial years when the under collection was TZS 174.63 billion (32%

of total budget) and TZS 1.61 trillion (63% of total budget) in 2020/21 and 2021/22 respectively.

The entities which were significantly impacted by funding shortfalls by failing to meet their own source revenue collection targets by at least 50%, include Makambako Water Suppy and Sanitation Authority, Korogwe Water Supply and Sanitation Authority, the Maritime Education and Training Fund, Cotton Development Trust Fund, Cashewnut Board of Tanzania, Tanzania Smallholders Tea Development Agency, Tanzania Biotech Products Limited, Tanzania Education Authority, TTCL PESA, Tanzania Industrial Research and Development Organisation, and the Tanzania Forestry Research Institute. The following instances provided the reasons for under collection of own source revenue by PSEs.

Water supply and sanitation authorities are facing with difficulties in collecting debts from their customers after rendering service, particularly to the government institutions, this is caused by lack of, prepaid water meters.

For higher learning institutions, fewer students enrolled than planned due to relevance of the programme offered and inadequate number of students accessing higher education loans from Higher Education Students' Loans Board. Regulatory authorities lack adequate mechanism to collect annual fees from stakeholders for regulated services.

Uncollected revenue leads to shortage of funds that were planned to undertake certain activities which could enhance the attainment of the intended objectives.

I reiterate my recommendation that respective public sector entities conduct a comprehensive review of their own source revenue collection processes and systems. The review should identify areas of weakness and develop strategies to improve their revenue collection.

8.3 Over expenditure and re-allocations made without proper procedures by PSEs TZS 21.14 billion and TZS 41.42 billion respectively

I found that eight PSEs had approved budgeted expenditure TZS 16.29 billion but incurred TZS 37.43 billion, resulting in an over expenditure of TZS 21.14 billion. The over expenditures were not approved either by the accounting officers or Board of Directors, as shown in **Table 17.**

During the previous year 2021/22, I reported the same issue whereby seven PSEs had over expenditures without approval of the accounting officers or Board of Directors amounting to TZS 118.04 billion. This is attributed to inadequate systems to monitor and control utilization of budgeted fund, inadequate anticipation of all necessary expenditures in budget process and lack of mid-year budget review. Unbudgeted expenditures hinder full implementation of planned activities, hence affecting the overall organization goals.

Table 17: List of PSEs with unbudgeted expenditure items

S/N	Entity	Nature of expenditure	Budget (TZS) Millions	Actual Expenditure (TZS) Millions	Over expenditure (TZS) Millions
1.	Cereals and Other Produce Board of Tanzania	Procurements of fertilizers	100	12,446.5	(12,346.5)
2.	Ngorongoro Conservation Area Authority	Developing and improving infrastructure at Pololeti Game Reserve	0	3,877.68	(3,877.68)
3.	Tanzania Posts Corporation	Recurrent expenditures	3,571.87	5,405.41	(1,833.54)
4.	Muhimbili National Hospital - Mloganzila	Medical and non-medical supplies	4,670.99	5,927.57	(1,256.58)
5.	Muhimbili National Hospital	Recurrent expenditures	7,343.79	8,456.38	(1,112.59)
6.	APC Investment Centre	Recurrent expenditures	603.22	1,118.14	(514.92)
7.	University of Dar es salaam Computing Centre	Responsibility allowances	0	123	(123.00)
8.	Marine Service Company Limited	Recurrent expenditures	0	77.03	(77.03)
Total			**16,289.87**	**37,431.71**	**(21,141.84)**

***Source**: Budget implementation reports*

I found Cereals and other Produce Board incurred a significant deficit due to procurements of fertilizers that exceeded budget by TZS 12.35 billion.

Also, Ngorongoro Conservation Area Authority incurred unbudgeted expenditure of TZS 3.88 billion for developing and improving infrastructure at Pololeti Game Reserve.

Furthermore, I found Babati Water Supply and Sanitation Authority made reallocation of TZS 12.69 billion without the approval from the Ministry of Finance, contrary to Regulations 26 and 27 of the Budget Regulations (amendment), 2015. This was caused by lack of budget review which hinders the implementation of other planned activities.

Moreover, I found Tanzania Electric Supply Company Limited made reallocation of TZS 28.73 billion but did not submit statements of reallocation to paymaster general for control and monitoring, contrary to Section 57(2) of the Budget Act. The deficiency highlights the lack enforcement to ensure compliance with the budget laws.

I recommend that respective public sector entities (a) ensure proper forecasting of budgeted activities and undertake mid-year review to accommodate anticipated activities; (b) seek approval from relevant authorities for budget reallocation; and (c) use budget control system and comply with budget laws.

8.4 Inadequate participation of stakeholders in Budget formulation

Public Sector Entities (PSEs) are required under the Guidelines for the preparation of the Government plan and budget for the year 2022/23 to prepare plans and budget estimates in participatory manner and get approval by their respective Legislative Authorities including the Workers' Councils.

I found 16 PSEs inadequately engaged their stakeholders in budget formulation, as shown in **Table 18.**

PSEs overlooked the importance of engaging all stakeholders for transparency in budget formulation Process. I am of the view that it is difficult to demonstrate transparency in the budgeting process as it raises concerns about the organization's financial practices and accountability to stakeholders.

Table 18:Entities with inadequate participation in budget formulation

S/N	Entity	Issues noted
1.	Bariadi Water Supply & Sanitation Authority	Non-establishment of the Budget Committee and budget estimates were not tabled before Workers Council.
2.	Centre for foreign relations	Budget Committee meetings required under regulation 17(3) of the budget regulations, 2015 were not conducted during the year under review.
3.	Cereals and other Produce Board	Non-establishment of the HQ and branches Budget Committee.
4.	Electrical Transmission and Distribution Construction and Maintenance Company Limited	Inadequately participation of budget formulation at Department level.
5.	Institute of Adult Education	Non-establishment of the Budget Committee.
6.	Karatu Water Supply and sanitation Authority	Budget estimates were not tabled before Workers Council.
7.	Kilimanjaro Airports Development Company	No evidence of budget participation in department level, Budget committee and Workers Council.
8.	Land Transport Regulatory Authority	No evidence of budget participation by Budget committee.
9.	Muhimbili National Hospital	Budget Committee meetings were not conducted during the year.
10.	Muhimbili National Hospital- Mloganzila	No evidence of active participation in department level, Budget Committee and Workers council.
11.	Njombe Water Supply and Sanitation Authority	Budget committee meetings were not conducted during the year.
12.	Songea Water Supply and Sanitation Authority	Non-establishment of the Budget Committee.
13.	Tanzania Petroleum Development Corporation	No evidence of budget participation in department level.
14.	Tanzania Trade Development Authority	Non-establishment of the Budget Committee.
15.	Tanzania Investment Centre	Budget estimates were not tabled before the Workers' Council
16.	Tanzania Engineering and Manufacturing Design Organisation	Budget estimates were not tabled before workers council.

Source: Analysis of management information

I recommend that PSEs acknowledge the importance of participation of all stakeholders in budget formulation for transparency in budgeting process.

CHAPTER NINE

PROCUREMENT AND CONTRACT MANAGEMENT

9.0 Introduction

The Public Procurement Act, [CAP. 410] defines procurement as buying, purchasing, renting, or otherwise acquiring goods, works or services by a procuring entity and includes all functions that pertain to obtain any goods, works or services, including description of requirements, selection and invitation of tenderers, preparation of tenders, award and management of contracts.

I performed procurement and contracts management audit in order to satisfy myself that applicable laws, policies, procedures as well as fairness and transparency were observed throughout the entire process of procurement of goods, works and services.

Further, I issued conclusions on compliance with the procurement of goods, works, and services on 215 PSEs, out of which 85 were compliant with exceptions for improvement (**Appendix I**).

I found noncompliance with the procurement laws such as contracts executed without performance security, ineffective management of contract, and contracts signed without being vetted by the Attorney General.

This chapter highlights issues that were observed during the audit of procurement process and contracts management of goods, works, and services in public sector entities. In particular, I noted the following issues.

9.1 Inefficiencies in management of performance security for awarded contracts

a) Contracts implemented without performance securities TZS 31.11 billion

A total of 14 out of 215 reviewed entities implemented contracts worth TZS 31.11 billion without submission of performance security by suppliers as required by Regulation 29 (1) of Public Procurement

Regulations, 2013 and Paragraph 11.2 of Public Procurement Regulatory Authority's Guideline for securities of February 2022. This indicates a slight deterioration in compliance compared to the position I reported in the financial year 2021/22 where only eight entities did not comply. Also, I found seven entities which signed contracts worth TZS 7.16 billion, USD 3.51 million and EURO 0.67 million prior to the suppliers submission of performance securities. Details are given in **Appendix X.**

Further, I noted submission of securities after signing the contract was a condition set out by their bank which requested them to submit a signed contract by parties for assurance on the existence of a contract which is contrary to Regulation 29(3) of the Public Procurement Regulations, 2013.

b) Submitted performance securities with less than required value TZS 3.31 billion

Para 11.3 of Public Procurement Regulations Authority (PPRA) Guideline issued in February 2022 requires the amount of performance security to be equal to 10% of the tender amount for Bank Guarantee and 15% of the contract value for surety bond of the insurance company.

My review of signed contracts from four entities revealed that the surety bond issued by insurance company was less than 15% of the contract value. The suppliers provided insurance bond as performance securities at amount equivalent to 10% of the contracts price, resulting in securing respective contracts by 5% less in value of a particular bond submitted to entities listed in **Table 19.**

Table 19: Entity with insurance bond less than 15% of contract value

S/N	Entity name	Number of contracts	Contract value amount (TZS) million
1	National Social Security Fund	4	1,624.17
2	Tanzania Electric Supply Company Limited	1	1,056.07
3	Korogwe Water Supply and Sanitation Authority	1	407.17
4	Tanzania Bureau of Standards	1	226.00
	Total	7	**3,313.41**

***Source**: Extracted from Procurement files*

c) Performance securities not securing contractual period for contract worth TZS 86.23 billion

I found that, STAMIGOLD Company Limited, Kilimanjaro International Leather Industries Company Limited (KLICL) and Tanzania Bureau of Standards (TBS) received performance guarantee for contracts worth TZS 31.09 billion, TZS 26.33 billion and TZS 23.64 billion respectively which were not covering the whole duration of the contract.

Furthermore, I found five PSEs which had expired performance securities for contracts worth TZS 5.18 billion and USD 6 million while the contracts were still under implementation contrary to Regulation 29(6) of Public Procurement Regulations, 2013 which requires to keep the security until completion of contract as shown in **Table 20**. This occurs due to extension of contracts without extending performance security period.

Table 20: Entities with performance securities not covering contractual period and contract amount

S/N	Entity Name	Number of Contracts	Contract amount	Performance security status
	Entities with TZS amount in million			
1.	Mkulazi Holding Company Limited	3	1,854.09	Not extended after expiry
2.	Mbeya Water Supply and Sanitation Authority	2	1,347.24	Not extended after expiry
3.	National Social Security Fund	5	1,165.77	Not extended after expiry
4.	Geita Water Supply and Sanitation Authority	1	812.14	Not extended after expiry
	Total		**5,179.24**	
	Entities with USD amount in million			
5.	Marine Services Company Ltd	4	6.00	Not extended after expiry

Source: *Extracted from procurement files*

In the absence of performance securities PSE might be in disadvantage position in-case the supplier or contractor fails to fulfill or abide the terms and conditions of the contracts when such contracts is not covered by the performance guarantee.

I recommend that (a) respective public sector entities ensure all contracts are properly secured to protect their interest and avoid possible financial losses, (b) PPRA take appropriate measure against the respective entities; and (c) enhance the extension process to cover both contracts and performance security.

9.2 Ineffective management of contracts on delivery of goods and services

(a) Delayed delivery of procured goods and services TZS 14.84 billion

In my previous report for the period ended 30 June 2022, I reported that 12 PSEs had delayed delivery of goods and services worth TZS 18.09 billion for a period ranging from 22 to 487 days. In the current audit of procurement contracts for goods and services in public sector entities, I continued to note similar deficiencies whereby the suppliers and service providers in 22 entities delayed delivery of goods and services with total amount of TZS 14.84 billion for the period ranging from 30 days to 1,140 days. Entities with the recurring weakness included Tanzania Telecommunications Corporation, Vocational Education and Training Authority, Mzumbe University, Muhimbili University of Health and Allied Sciences, Tanzania Concrete Poles Manufacturing Company Limited, and University of Dodoma.

The persistency of the anomaly highlights that management are yet to take serious corrective actions to manage and monitor the contractual terms on implementation of contracts. Delays is contrary to Regulation 114 of Public Procurement Regulations, 2013 and the delivery period agreed in signed contracts. List of entities are given in **Appendix XI.**

(b) Delayed completion of projects TZS 56.11 billion

My review of projects implementation found four entities had projects amounted to TZS 56.11 billion that delayed in their completion for periods ranging from 37 days to 1260 days compare to 90 days to 515 days on five entities for the financial year 2021/22, this shows the inefficient in managing projects has not been addressed by entities. The delays emanated from the delayed handover of site to Contractor, delayed approval, rainfall and variation of works. The details of entities are indicated in **Table 21.**

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

S/N	Entity Name	Project Name	Contract Sum (TZS) million	Delayed period (Days)
1	Electrical Transmission and Distribution Construction and Maintenance Company	Construction of Service lines in various places.	25,896.70	37 to 611
2	Mkulazi Holding Company Limited	Construction of Cane Cutters Camp	24,697.18	37 to 228
		Construction of 56.439 Kilometres of 33kv Dedicated Double Circuit		

S/N	Entity Name	Project Name	Contract Sum (TZS) million	Delayed period (Days)
		Line with Conductor Size 150mm2 For Power Supply to Mbigiri Factory		
		Construction of Earth fill Reservoir (Golden Dam) With Capacity of 3,500,000 m3		
		Designing, supply, installation, testing, and commissioning the Enterprise Resources Planning (ERP)		
		Provision of Clearance of 380 Ha Farm		
		Supplied workshop equipment		
		Supplied spare parts		
3	Mzumbe University	Construction of the Maekani Main Campus Administration Building	4,815.69	183
		Supply, Installation, Testing and Commissioning of Fire-Fighting Equipment at Main Campus	187.99	81
4	Tanzania National Parks	Construction of a hydropower project	511.68	1260
Total			**56,109.24**	

Source: Extracted from procurement files

Delays in implementation of respective activities have negative effect in attaining targets of entities and growth of economy country wide.

I further found the listed public sector entities did not take or initiate measures such as charging liquidated damages against suppliers or service providers to correct the deviations for non-compliance with terms and conditions of the contract, despite the requirement of contractual provisions.

I recommend that respective public sector entities take measures that will enhance implemented projects to be completed and procured goods and services to be delivered and rendered in a timely manner; and consider charging liquidated damages for the delayed period as per the terms and conditions of the contract.

9.3 Procurement laws not followed by Keko Pharmaceutical Industry in procurement worth USD 4.97 million

In December 2019 Keko Pharmaceuticals Industries (1997) Limited entered into an agreement on restructuring of ownership and operations with The Government through the Treasury Registrar and Diocare Limited. The shareholding structure of the Company agreed to be 70% to GoT and 30% to Diocare Limited effective from the date of agreement.

I found Keko Pharmaceutical Industry had not established a tender board to oversee procurement of goods, services, works, and disposal of public assets through a tender process contrary to the requirement of Section 31 (1)-(2) of the Public Procurement Act, [CAP. 410]. As a result, I found procurements amounting to USD 4.97 million were processed and approved by the Director of Finance and the Accounting Officer instead of being approved by tender board. This is contrary to Section 33(1) (c) of the Public Procurement Act, [Cap 410].

In addition, I found the Accounting Officer did not appoint the tender evaluation team as required by Regulation 202 of the Public Procurement Regulations, 2013 as amended by Regulation 69 of the Public Procurement (Amendment) Regulations, 2016 as a result the procurement did not involve the tender evaluation process.

In my view, there is a possibility of engaging incapable suppliers due to absence of competitive process which might result in supply of substandard goods and incurring higher costs for goods which do not reflect the value for money.

I recommend that Keko Pharmaceutical Industry comply with procurement controls set in procurement laws to enhance transparency, economy, efficiency, and value for money.

9.4 Contracts worth TZS 9.89 billion and USD 2.95 million were not submitted for vetting to Attorney General or Legal Officers

As reported in my previous report of 2021/22 that contracts worth TZS 45,706.25 million and USD 7.46 million in 8 PSEs were not submitted for vetting to Attorney General. In the current year audit, I found slight improvement that contracts worth TZS 9,885.52 million and USD 2.95 million in four public sector entities were not vetted by either the Attorney General or the Legal Officers before signing the contracts contrary to Regulations 59 and 60 of the Public Procurement Regulations 2013 as amended by regulation 2 and 3 of the Public Procurement (Amendment) Regulations, 2016. List of PSEs with contracts not vetted is shown in **Table 22**.

Table 22: Contracts not vetted by public sector entities

S/N	Entity name	Number of contracts	Amounts (TZS)
Entity with TZS amount in million			
1	University of Dodoma	97	8,515.02
2	Tanzania Tobacco Board	1	1,156.49
3	Vocational Education and Training Authority	4	214.01
	Total	**102**	**9,885.52**
Entity with USD amount in million			
4	Keko Pharmaceutical Industry	4	2.95

Source: Extracted from procurement files

The non-vetting of contracts by the Attorney General or legal officers might result in including unfavourable terms and conditions, exposing entities to unnecessary potential legal risks and liabilities.

I recommend that (a) respective PSEs ensure contracts are submitted for vetting to either the Attorney General or the Legal Officers to avoid loopholes in contracts in case of legal disputes that can lead to losses; and (b) PPRA take appropriate measures against the respective PSE for signing contracts without being vetted.

9.5 Inappropriate and unjustified Procurement Methods

I found Cotton Development Trust Fund and Vocational Education and Training Authority changed procurement method for contracts with total amount of TZS 4.54 billion and TZS 128.20 million respectively from the competitive method indicated in the Annual Procurement Plan to the emergency procurement and single source without justifications. This is contrary to Regulation 149 (1) (3) of the Public Procurement Regulations, 2013 as amended by Regulation 51 of the Public Procurement (Amendment) Regulations, 2016.

In addition, I found Keko Pharmaceutical Industry (owned by the Government by 70% through Treasury Registrar) and Muhimbili University of Health and Allied Sciences procured goods worth TZS 11.21 billion and TZS 307.81 million respectively using quotations for the procurement that exceeded the maximum amount of TZS 120 million accepted for quotation.

Furthermore, I found TANESCO awarded a tender No. PA/001/2022-2023/HQ/W/69 for civil works, installations, testing and commissioning for substations along 132KV Tabora - Katavi and Tabora -Kigoma Transmission Lines under Lot A and Lot B using single source procurement method for Lot A and Lot B at contract price of TZS 19.19 billion and TZS 12.31 billion respectively. TANESCO spent 83 days in tendering process which was enough to use National Competitive tendering which require minimum 14 days. I am concerned about the failure of TANESCO to plan the scope of civil works, installation and commissioning as TANESCO had the signed contract for supply of materials and equipment including designing and testing since 18 September 2021, and therefore the current scope of civil works, installation and commissioning would have been properly planned and hence there was no urgency.

The use of restricted or single source procurement methods limit competition which increases the risk of overpriced procurement and the failure to realise value for money.

I recommend that PSEs ensure proper planning and projection that procurements are competitive to achieve value for money and when there is a need to change methods, justifications on the use of a particular method should be clearly disclosed before approval by the tender board.

9.6 Additional costs of TZS 808.85 million and Euro 4.84 million from delays in completing contracts

On 10 February 2020, Tanzania Ports Authority (TPA) entered into a contract no. AE/016/2019-20/HQ/G/01C for the design, supply, installation, and commissioning of three ship-to-shore gantry cranes. These cranes were intended for use at two ports: two units for Dar es Salaam Port and one unit for Mtwara Port at a contract price of Euro 32.26 million for 16 months. Among the terms was a clause which was subject for paying an Advance payment of 10% against submission of an advance payment bank guarantee of the same amount. However, TPA was unable to make the advance payment on time and to issue a letter of credit thereby delayed the commencement of the contract and caused an increase in the contract costs by 15% (Euro 4.84 million) which made a total adjusted contract price of Euro 37.10 million.

In addition, at Tanzania Ports Authority I found payment dated 28 September 2022 of USD 350,111 (Equivalent to TZS 808.85 million) in respect of additional storage charges due to the delay in delivering Tug - Mwambani to Southern Engineering Co. Ltd Shipyard in Mombasa-Kenya for maintenance and replacement of the main engine and gearbox.

I am concerned about delays which resulted in additional cost of TZS 808.85 million. TPA attributed this due to liquidity issues arise from delays in receiving funds and getting approval for sailing Tug-Mwambani to Mombasa.

I recommend that Tanzania Ports Authority ensure proper planning of projects to be conducted in line with availability of fund; and institute controls in the management of maintenance plans for the equipment to avoid unnecessary price variations to the Authority.

9.7 Interference of procurement process by the Ministry led to additional cost TZS 702.68 million at NCAA

Ngorongoro Conservation Area Authority (NCAA) had a tender No. EA/055/2020-2021/HQ/W/01 for construction of NCAA's Head Quarter. The tender awarded on 9 March 2022 after post qualification processes at a contract price of TZS 9.80 billion.

On 21 April 2022, the tender was cancelled in response to the Ministry of Natural Resources and Tourism instructions to the NCAA to cancel and to restart the tendering process. The tendering was restarted on 06 May 2022, and the same bidder was awarded the contract at TZS 10.48 billion which was higher by TZS 686.60 million and other tendering costs of TZS 16.08 million. I am of the view that there was no rationale for tender cancellation.

In my view as per Regulation 231 of the Public Procurement Regulations 2013 as amended by Regulation 75 of the Public Procurement Regulations 2016, if there were any disputes regarding the selection of the winning bidder in the tender process, the unsuccessful bidders were expected to address the matter either by bringing it up with the Accounting Officer during the cooling-off period or by lodging an appeal with the PPRA and not otherwise.

This is attributed to contraventions of procurement law and non-adherence to procedures which resulted in additional contract price and delaying implementation of construction.

I recommend that Ngorongoro Conservation Area Authority and Ministry of Natural Resources and Tourism observe the requirement of procurement laws and procedures to avoid costs which are not necessary and enhance accomplishment of the Authority's goals. The Government also need to determine whether the loss was caused by negligence or failure to exercise duties in a reasonable manner as per the Section 2 (c) of the Specified Officers (Recovery of Debt) Act, 1970 and consider recovery of the loss from the officers concerned.

9.8 Purchase of motor vehicle without permit from Prime Minister TZS 2.34 billion

I found Tanzania Electricity Supply Company (TANESCO) procured 19 motor vehicles for Julius Nyerere Hydropower Plant (JNHPP) project and supply of mechanized machines for distribution works (Hydraulic Digger Derrick) at total cost of TZS 2.34 billion without seeking permit from Prime Minister contrary to Circular No. 2 with reference CEA/188/292/03/2 issued by Chief Secretary on 30 September 2021.

I am of the view that overriding control instituted by Chief Secretary Circular on vehicle management might result in procurement without considering priorities in the use of resources and increases the risk of procuring unsuitable vehicles that do not conform to the government criteria and specifications.

I recommend that TANESCO ensure compliance with guideline and directives on handling procurement and management of public vehicles by obtaining appropriate approvals from the Prime Minister.

9.9 Award of tender to non-responsive bidder TZS 53.71 billion

On 2 June 2023, TANESCO and M/s TBEA CO LTD signed a contract for Engineering Design, Supply, Installation, Testing and Commissioning of 220/33Kv, 2x120MVA Substation at Dundani at contract price of TZS 53.71 billion. From the review of the contract file, I found evaluation committee recommended the award to M/s TBEA CO LTD Lot 2 despite that the bidder did not meet some technical requirements as follows: - (a) **on Power Transformer**; the supplier had supply experience of 26 years contrary to requirement of 30 years, (b) **on Circuit Breaker**; had not reached the experience requirement of 30 years, (c) **on Current Transformer and Voltage Transformer**, had not reached the experience requirement of 30 years (d) **on 33KV GIS system**, bidder submitted value for fault current as 16KA instead of the requirement which is 40KA and maximum short circuit rating of 16KA instead of 25KA.

Despite the deviation noted, the team recommend the bidder for award subject to negotiation for all the above-mentioned technical deviations. The Tender Board considered all technical deviations as minor deviations rectified by the bidder contrary to regulations (204) (1)(2) (f), 205 and 206(2) of Public Procurement Regulations, 2013.

I am of the view that all technical deviations identified during evaluation were major deviations and substantial according to the PPRA guideline. Acceptance of the bidder may affect substantially the scope, quality or performance of the works specified in the contract as well as unfairly affect the competitive position of other bidders presenting substantially responsive bids. By accepting the bidder, TANESCO failed to exercise principle of integrity, accountability, fairness and transparency in procurement processes and under such circumstances value for money may hardly be achieved.

I recommend that TANESCO evaluate tenders in accordance with the requirement of tender documents and in compliance with laws and regulations to enhance fairness and transparency and value for money and avoid possible loss of public monies through procurement of substandard goods.

9.10 Outsourcing printing services without contract and undertaking procurement process TZS 1.71 billion

My audit at Tanzania Standard Newspapers Limited (TSN) found payments of TZS 1.71 billion made to a media company for the costing of printing newspaper, but these transactions lack supporting contract or local purchase orders. During the inquiry regarding procurement process, I was informed that no formal procurement process was conducted to procure the services from a media company, instead TSN signed a memorandum of understanding for use across various service whenever need arise such as printing of Government Newspaper. This is contrary to Section 4A (1) of the Public Procurement Act, [Cap 410] read together with Regulation 233(1) (2) of the Public Procurement Regulations, 2013, as amended by Regulation 75 of the Public Procurement (Amendment) Regulations, 2016.

In the absence of formal contract, TSN may face a risk of losses due to lack of clear enforceable terms and conditions covering payment, non-delivery of goods and disputes that may arise during execution. Also, increases the risk of inflated costs, fraudulent practices, poor quality and violates basic principles and standards for fair competition.

I recommend that Tanzania Standard Newspapers Ltd observe the requirements of public procurement laws to enhance integrity, competition, accountability, economy, efficiency, transparency and achieves value for money and ensure all procurements have formal contracts in the prescribed form and are duly signed by both parties.

9.11 Loss of TZS 1.99 billion incurred by MSD in the procurement of reagents that do not meet the technical specification

I performed forensic audit at the Medical Store Department (MSD) regarding the procurement of reagents for COVID-19 of Next Generation Sequencing (NGS) reagents. On 15 July 2021, I found MSD wrote a letter to the supplier for procurement of reagents at the cost of TZS 2.08 billion which were needed as a matter of urgency. The procurement included Next Generation Sequencing (NGS) reagents compatible with Ion Torrent Next Generation Sequencing Platform with a value of TZS 1.99 billion and Nasal Pharyngeal Swabs worth TZS 86.91 million for the purpose to be used by National Public Health Laboratory (NPHL).

On 24 August 2021, MSD paid TZS 997.82 million to the supplier. Subsequently, on 11 December 2021 the supplier delivered one package. Upon inspection and confirmation, the NPHL experts, found that the delivered goods were incompatible with the requirement of the NPHL machine therefore were rendered useless for the NPHL needs. On 19 January 2022 NPHL Director General informed MSD on the incompatibility. However, in unclear circumstances the supplier persisted in delivering the remaining four packages of the incompatible supplies on 11 February 2022. Despite these anomalies, on 25 February 2022 MSD made the final payments of TZS 997.82 million for the delivered goods which were incompatible with NPHL machine and in complete disregard of the caution given by NPHL Director General. This resulted in a total loss of TZS 1.99 billion.

This was attributed to engaging a non-manufacturer supplier led to acquiring unsuitable reagents. The tender evaluation committee failed to include a member with the necessary technical expertise, as mandated by Section 40(4) of the Public Procurement Act.

I recommend that the Government (a) take appropriate action against all the employees who caused the loss of TZS 1.99 billion to

the Government, (b) determine whether the loss was caused by negligence or failure to exercise duties in a reasonable manner as per the Section 2 (c) of the Specified Officers (Recovery of Debt) Act No. 7 of 1970 for recovery of the loss from the officers concerned; and (c) involve law enforcing organs to determine the motivation for MSD to proceed with the procurement after being notified by NPHL that the delivered reagents were incompatible with NPHL machines.

CHAPTER TEN

EVALUATION OF HUMAN RESOURCES AND GOVERNANCE SYSTEM

10.0 Introduction

To improve performance in Public Sector Entities, the Government has taken various steps to ensure they operate efficiently and meet their established objectives. Public Sector Entities are required to ensure they fulfill their responsibilities by adhering to principles of performance that prioritize good governance, accountability, and transparency in the conduct of institutional operations. This need to be supported by competent personnel and hence need for proper human resource managements.

However, through my audit, I uncovered several areas of concern that required immediate attention and improvement. These challenges ranges from absence of Boards of Directors in public sector entities (PSEs), prolonged service of public officers in temporary roles and non-compliance with Government circulars issued by Treasury Registrar (TR), President's Office Public Services Management and Good Governance (PO-PSMGG) and Ministry of Finance.

This chapter, explores findings in detail, providing insights into the underlying causes and offering recommendations for improvement. In particular, I noted the following anomalies.

10.1 Public Entity without Board of Directors

Board of directors provide high-level oversight of public sector entity (PSE) activities and oversees management of entity's day to day operation. The board of directors is responsible in making decisions that provide direction of an organization in the public interest. It takes overall responsibility, including identifying key risk areas, considering, and monitoring investment decisions, significant financial matters, and reviewing management business plans and budgets performance.

I found that the Government took initiatives and appointed the board of directors in 11 PSEs that operated without board out of 13 PSEs which I reported in my previous year general report of the financial year 2021/22, except for the Muhimbili Orthopedic Institute and the National Kiswahili Council. Further, I found that a total of 8 PSEs had no board of directors as of February 2024. The details are shown in **Table 23.**

Table 23: PSEs with no board of directors

S/N	Entity	Expired date	Months without board up to February 2024
1.	National Kiswahili Council	Jan-21	37
2.	Tukuyu Water Supply and Sanitation Authority	Feb-22	24
3.	Tanzania Education Authority	Jan-23	13
4.	Tanzania Civil Aviation Authority-Consumer Consultative Council	May-23	9
5.	Kigoma Water Supply and Sanitation Authority	May-23	9
6.	Tanzania Pyrethrum Board	May-23	9
7.	Marine Park Reserves Unit	Jun-23	8
8.	Masasi Nachingwea Water and Sanitation Authority	Oct-23	4

Source: PSEs director's reports for 2022/23

I also found three entities which are: Muhimbili Orthopedic Institute, College of African Wildlife - Mweka, and Tanzania Sisal Board had chairpersons only while other board members were not appointed for the period that ranged from two to 25 months. The Board members for the Institute of Rural Development Planning were appointed but the chairperson whose tenure ended on 31 January 2023 had not been appointed for 13 months.

Absence of board of directors impedes internal oversight function and; strategic direction of entities. It also leads to delayed strategic decision making and execution of crucial activities such as approving guidelines, regulations, budgets, and policies.

I recommend that respective public entities liaise with the Government to ensure board of directors are appointed without further delays. Additionally, the Government, through the Treasury Registrar Office, should establish a mechanism to track the expiration dates of all board memberships to enable proactive action to be taken six months before expiration of their tenure.

10.2 Public sector entities (PSEs) not complied with Government directives

Section 8A-(1) of the Public Service Act CAP 298 requires that salaries, allowances, incentives, and fringe benefits within the Government and public institutions must receive approval from the Permanent Secretary, President's Office Public Service Management and Good Governance (PO-PSMGG), regardless of other provisions in the written law. My review noted the anomalies as highlighted below:

a) Using of operational instrument without approval of Permanent Secretary

I found that eight entities have failed to submit either of the following; incentive schemes, collective bargaining schemes, allowances, organizational structure, and managerial instruments for approval by the President's Office Public Services Management and Good Governance (PO-PSMGG) and as required by the Public Service Circular Number 1 of 2017. The details are shown in **Table 24.**

Table 24: PSEs not complied with Government Circular

S/N	Entity name	Item not approved by Permanent Secretary
1.	Arusha Water Supply and Sanitation Authority	Staff Regulations
2.	College of Business Education	The College Incentive Scheme
3.	Dar es Salaam Water Supply and Sanitation Authority	DAWASA Incentive Scheme
4.	Jakaya Kikwete Cardiac Institute	Institute's incentive scheme
5.	National Housing Corporation	Fringe Benefits (Health Care Supplementary Package Service), collective bargaining agreement, and existing scheme of service does not align with the new approved organization structure)
6.	MKULAZI Holding Company Limited	Implementation of MHCL reviewed Functions and Organization Structure without approval of PO-PSMGG
		95 staff under permanent terms without obtaining recruitment permits from the President's Office, Public Service Management and Good Governance (PO PSMGG) contrary to Para D.4 (2) & (3) of the standing Orders
7.	Workers Compensation Fund	Staff Rules and Regulations, 2017 and Staff Loan Policy, 2017
8.	Energy and Water Utility Regulatory Authority	No approved organization structure by the PO-PSMGG) as it has been using draft organization structure since 2021

__Source:__ Auditor's analysis in compliance with government circular

I also found two entities; the Universal Communications Service Access Fund, and the Vocational Education and Training Authority had delayed implementing their approved organization Structures whereby up to 30 June 2023 they delayed for 12 months and 39 months respectively. I consider that non implementation of the approved organizational structures may impact their operations and affect their planned objectives.

I recommend that respective identified public sector entities ensure they comply with government laws and circulars issued and ensure that allowances applied by PSEs are in line with issued circulars.

b) Outsourcing Corporate Strategic Plan (CSP) preparation function worth TZS 941.18 million to private firm at TANESCO

Para 6 of Treasury Circular Number 12 with reference number CEA.III/372/01/15 dated 8 December 2015 provides that, the consultancy services to Public Authority and Government institutions will be conducted by internal experts of respective entity or from other government entities.

Despite the responsibility of CSP preparation being vested to internal experts from government institutions but TANESCO had engaged a private Consultant for preparation of the TANESCO-CSP at a contract price of TZS 941.18 million contrary to the cited Circular. The third part could have been involved solely for reviewing the prepared CSP and assessing the implementation of the previous CSP to mitigate potential results biasness.

I am convinced that such an act was a misappropriation of public funds by outsourcing function that could have been performed by Company’s internal resources or by other government institutions.

I recommend that TANESCO strengthen in house capacity to ensure in future the Corporate Strategic Plan (CSP) are prepared internally to avoid engagement of private consultant in preparation stage. The external consultant should only be considered for reviewing the prepared document and analysis of the implementation of the previous CSP to mitigate any potential bias, particularly on assessment of achievements, challenges, and proposed way forward.

10.3 Non-adherence to the use of Government systems by public sector entities

Government Asset Management Information System (GAMIS) and Human Capital Management Information System (HCMIS) were introduced to bring efficiency in managing government assets and human resources, respectively. Assessment of utilization on the referred systems revealed the following;

10.3.1 Assessment on use of the Government Asset Management Information System (GAMIS)

The Ministry of Finance issued a circular requiring all public organizations to upload their asset data into the Government Assets Management Information System (GAMIS) by 31 August 2021. The GAMIS enhance reliability of government assets information and management and make informed decision on acquisition to disposal of assets.

During the audit, I found that 18 PSEs (**Table 25**) were not maintaining their assets in the GAMIS, contrary to the directives issued by the Ministry of Finance. This was also reported in my previous year report (2021/22) where 28 PSEs were deemed to have not been recording asset using GAMIS.

I also found nine entities which were using GAMIS partially due to lack of asset codes and failure to conduct asset verification. Most of the PSEs attributed the non- compliance to lack of awareness and training on updating fixed assets in the system.

Entities that used GAMIS partially included; Cashewnut Board, Contractors Registration Board, Institute of Finance Management, Lindi Water Supply and Sanitation Authority, Procurement Supplies Professionals and Technicians Board, Tanzania Meat Board, Tanzania Wildlife Research Institute, Tanzania Railways Corporation and Tanga Water Supply and Sanitation Authority.

Table 25: PSEs whose assets were not recorded in GAMIS

S/N	Name of the entity
1.	Arusha Water Supply and Sanitation Authority
2.	Bariadi Water Supply and Sanitation Authority

S/N	Name of the entity
3.	Dar es salaam Institute of Technology
4.	Dar es salaam Maritime Institute
5.	Electrical Transmission and Distribution Construction and Maintenance Company
6.	Fair Competition Commission
7.	Geita Water Supply and Sanitation Authority
8.	Keko Pharmaceutical Industries
9.	Kilimanjaro Airport Development Company Limited
10.	Marine Services Company Limited
11.	National Board of Accountants and Auditors
12.	National Insurance Corporation
13.	Ngara Water Supply and Sanitation Authority
14.	Nzega Water Supply and Sanitation Authority
15.	Sumbawanga Water Supply and Sanitation Authority
16.	Tanzania Library Services Board
17.	Tanzania Smallholders Tea Development Agency
18.	Cereals and other produce Board

Source: GAMIS

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

I recommend that all public sector entities not recorded their assets in 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, the Paymaster General need to provide support and training to ensure the intended objectives are achieved.

10.3.2 Assessment on the use of Human Capital Management Information System

Circular no 1 of Public Service 2021 required all Government entities to start using Human Capital Management Information System (HCMIS) for all staff management, payroll, recruitment, promotion, re-categorisation, transfers, staff claims and personnel actions effective from May 2021.

During the audit, I noted that 56 out of 215 reviewed Public Sector Entities (PSEs) did not use Human Capital Management Information System (HCMIS), which was contrary to the Circular no 1 of Public Service 2021 **(Appendix XII).**

Further, I found that the National Health Insurance Fund (NHIF) and the Tanzania Civil Aviation Authority (TCAA) were partially implementing the HCMIS system, while Dar es Salaam University College of Education (DUCE) had unrealistic information of employees in the system and the University of Dodoma (UDOM) does not update the employee's information in HCMIS.

I recommend that the respective public sector entities expedite automation of the payroll to be compliant with the requirement of President's Office of the Public Services Management and Good Governance, regularly review, and update of employees' records within the system.

10.4 Public sector entities with inadequate operational instruments

I found that 40 out of 215 reviewed public sector entities had no sufficient operational instruments to support their activities. The missing instruments included: - standard operating procedures, long-term strategic plans, annual operational plan and legal framework for establishment of entities, updated accounting manual, policies, financial regulations, and risk management policy as detailed in **Appendix XIII.**

This was caused by prolonged review by management and approving authorities on standard operating procedures; and reliance of subsidiary company on the parent entity regulations without developing their own regulations.

The absence of these fundamental operational guidelines poses significant challenges to the entities' ability to function consistently, efficiently and in accordance with established standards and regulations. Also, without strategic plans, PSEs could operate without clear vision, direction, and focus on their activities, which exposing them to wastage of resources and failure to attain important goals.

This could compromise the quality of 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 the respective public entities ensure their operational instruments are prepared, updated, and approved by

the relevant authorities to enhance compliance and efficiency of their operations.

10.5 Public officers in acting positions for more than six months

I found that 11 public sector entities with employees in acting positions for more than six months, whose number increased by 81 from 109 reported in financial year 2021/22 to 190 in financial year 2022/23. These referred to employees who were in acting position for the period ranging from 17 months to 69 months (**Table 26**), contrary to Order D.24 (3) of the Standing Orders for Public Service, 2009 which requires employees not to be in acting position for a period exceeding six months.

The President's Office of Public Services Management and Good Governance attributed this problem to delay in vetting process for the individuals nominated for the position.

Table 26: Officers in acting position for more than six months

S/N	Name of the Entity	Officers in acting position	Period in acting position (months)
1.	Marine Services Company Limited	5	69
2.	Morogoro Water Supply and Sanitation Authority	17	45
3.	Ardhi University	7	42
4.	Tanzania Fisheries Research Institute	3	42
5.	University of Dar es salaam	1	41
6.	Tanzania Insurance Regulatory Authority	10	37
7.	University of Dodoma	26	32
8.	Tanzania Meat Board	5	28
9.	Vocational Education and Training Authority	101	24
10.	Arusha Water Supply and Sanitation Authority	14	11
11.	Ngorongoro Conservation Area Authority	1	17
Total		**190**	

Source: Human resource reports and personal files

Failure to appoint and promote employees in a timely manner may negatively impact their working morale, decision-making abilities, accountability, and ultimately overall performances.

I recommend that respective public entities in liaison with the PO-PSMGG take immediate action to address this issue by expediting the appointment of staff members who have been acting for an

extended period and appointing new employees in cases where the existing acting staff members not meeting the qualifications requirements of the posts concerned.

10.6 Engagement of casual labour without formalized procedures

I noted that Ngorongoro Conservation Area Authority, Mwanza Water Supply and Sanitation Authority, and Dar es Salaam Water Supply and Sanitation Authority engaged casual labours to undertake some of its activities, which include maintenance and cleaning various areas, sales, and production operations.

However, there were no clear qualification, need assessment, documented procedures, contracts and guidelines for recruiting, managing casual labours and disciplinary measures in case of misconduct despite performing a significant part of their work force. The anomaly was caused by the absence of internal guidance on outsourcing/recruitment of casual labours. Details are shown in **Table 27**.

Table 27: Entities using short term contract without formalised procedures

S/N	Name of the entity	Noted Issues
1.	Dar es Salaam Water Supply and Sanitation Authority	Engaged 50 casual labours without short term contract
2.	Ngorongoro Conservation Area Authority	Sum of TZS 617 million were incurred and paid to 217 casual labours while there was no documented procedures and guidelines for recruiting and managing casual labours
3.	Mwanza Water Supply and Sanitation Authority	Engaged 95 casual labours for 1 to 19 years without contracts

Source: Human resource reports

Engaging casual labours without formal contracts poses operational risks to the PSE in case of misconduct and can result in legal liabilities to the employer due to lack of enforceable contract terms.

I recommend that respective public sector entities establish and implement documented internal procedures for recruiting and managing casual laborers.

10.7 Recruitment of staff without following procedures

My review of recruitment procedures at TANESCO, I found employment of six employees was not publicly advertised and did not follow normal approved recruitment procedures by sourcing candidates from labour market to ensure equal opportunity for every citizen. Further, I could not get evidence on the way the employees were recruited as there were no competitive interviews conducted to obtain the engaged employees which is contrary to Para 11(1) of the Public Service Regulations of 2003 (R.E 2022). This was caused by inadequate enforcement of the service regulation.

I recommend that TANESCCO ensure all available posts are filled by conducting an openly competitive recruitment process or making internal promotions.

CHAPTER ELEVEN

TAX COMPLIANCES IN PUBLIC ENTITIES

11.0 Introduction

The Tanzania Revenue Authority (TRA) is a semi-autonomous Government Agency responsible for administering and enforcing tax laws. Disputes or appeals related to taxation affairs are handled through the Tax Revenue Appeals Board (TRAB) and the Tax Revenue Appeals Tribunal (TRAT).

This chapter presents audit findings on the compliance with tax laws and the management of tax litigations. The findings highlight various deficiencies observed in Withholding Tax from payment for services, filling of VAT return and corporate tax, payment of provisional tax and deduction and remittance of PAYE taxes.

My findings aim to shed light on areas of weaknesses and recommend measures to enhance compliance with tax laws and efficient management of tax income to public sector entities.

11.1 Unremitted taxes to TRA TZS 33.45 billion

During the audit of tax compliances, I found that 16 (7%) out of 215 reviewed public sector entities (PSEs) did not submit various taxes amounting to TZS 33.45 billion to Tanzania Revenue Authority (TRA) for financial year 2022/23 contrary to tax laws. This reflects no improvement when compared to the financial year 2021/22 where 13 (6%) out of 203 reviewed PSEs did not submit various taxes totalling TZS 46.83 billion to TRA. ***Appendix XIV*** shows the breakdown of the various taxes not submitted to TRA, which include Value Added Tax (VAT), Withholding Tax, Pay As You Earn (PAYE), and Skills Development Levy (SDL).

Non-remittance of taxes was mainly caused by cash flow problems in the identified entities. Non-remittance of taxes could increase the cost to PSEs due to possible penalties by TRA.

For DAWASA, non-remittance was caused by the Government extension of the DAWASA operations by merging the functions of DAWASA and DAWASCO and extended its operational service to include areas that were previously served by Chalinze WSSA, Mkuranga WSSA and Kisarawe WSSA. DAWASA also took over assets and liabilities owned by Maji Central Store. Following merging of PSEs, DAWASA liabilities grew substantially.

I recommend that identified PSEs comply with tax laws and ensure they pay respective taxes to TRA.

11.2 Delayed taxes remittance to TRA TZS 29.09 billion

My review found increase in delayed remittance of taxes to TRA by PSEs. In financial year 2022/23, I found 12 PSEs delayed submission of tax deductions totalling TZS 29.09 billion ranging from one up to 1015 days to TRA, which does not reflect significant improvement compared to the previous financial year 2021/22, where I found 18 PSEs delayed the submission of tax deductions totalling TZS 5.09 billion to TRA contrary to the tax laws. 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 attributed to the failure of the respective management to either comply with the tax laws and or diverting the funds to other activities.

Table 28 shows the breakdown of the delayed tax remittance, which ranged from 1 to 1015 days.

Table 28: Delayed taxes remitted to TRA

S/N	Name of Reporting Entity	Statutory Deductions	Amount (TZS) (million)	Days Delayed
1.	Tanzania Electric Supply Company Limited	Withholding Tax	2,006.29	37 - 1,015
2.	University of Dodoma	Withholding Taxe	15.59	29 - 394
3.	Tanzania Posts Corporation	PAYE	1,036.40	16-327
4.	Mwalimu Nyerere Memorial Academy	PAYE	21.62	2-290

S/N	Name of Reporting Entity	Statutory Deductions	Amount (TZS) (million)	Days Delayed
5.	Higher Education Students' Loans Board	Withholding Taxe	25.12	2-232
6.	Tanzania Institute of Education	Withholding Tax	279.92	11-206
7.	Tanzania Ports Authority	Withholding Tax	13,286.29	28-187
8.	Jakaya Kikwete Cardiac Institute	PAYE	40.09	30-183
9.	Tanzania Railway Corporation (SGR Project)	Withholding Taxe	12,095.68	27-124
10.	Nzega Water Supply and Sanitation Authority	PAYE	24.43	1-62
11.	Tanzania Concrete Poles Manufacturing Company Limited	PAYE	98.27	23-57
		SDL	15.91	23-57
12.	Tanzania Geothermal Development Company Limited	PAYE	123.51	9-32
		SDL	24.67	9-32
Total			**29,093.79**	

Source: General ledgers and payment vouchers

Delay in payments of taxes to TRA exposes the PSEs to the risk of interests and denies the Government its revenue on time.

I recommend that PSEs ensure timely remittance of taxes to TRA to avoid interests.

11.3 Payments not supported by EFD receipts TZS 2.17 billion

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, Regulations 21-25 of the same Regulations provide 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 an increase in payments not supported by EFD receipts from the financial year 2021/22. In the financial year 2022/23, payments made for goods and services by nine PSEs amounting to TZS 2.17 billion were not supported by EFD receipts as shown in **Table 29**, while in financial year 2021/22 payments made for goods and services by 11 PSEs amounting to TZS 556.83 million were not supported by EFD receipts.

This is caused by deficiencies of PSEs to contact the respective suppliers to provide EFD receipts and gap in internal controls to enforce compliance with laws and regulations.

Table 29: Payment not supported by EFD

S/N	Name of the entity	Amount TZS (Million)
1.	Iringa Water Supply and Sanitation Authority	1,400.00
2.	National Insurance Corporation	363.99
3.	Cereals and Other Produce Board of Tanzania	175.76
4.	Tanzania Tourist Board	65.60
5.	Marine Service Company Limited	57.78
6.	Mwalimu Nyerere Memorial Academy	47.58
7.	Jakaya Kikwete Cardiac Institute	21.82
8.	Tanzania Fisheries Research Institute	21.08
9.	Lindi Water Supply and Sanitation Authority	14.54
Total		**2,168.15**

Source: PSE Payment Vouchers

Furthermore, Tanzania Meat Board received unauthentic EFD receipts from suppliers amounting to TZS 16.30 million. This was caused by staff's lack of awareness in determining authenticity of the EFD receipt.

I consider that PSEs should set an example for tax compliance especially in issuing and demanding EFD receipts. Penalties might be imposed on PSEs 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. Furthermore, the Government loses revenue that could have been received if EFD receipts were issued.

I recommend that PSEs comply with the Income Tax Electronic Fiscal Device Regulations on demanding and retaining fiscal receipts.

11.4 Difference in revenue and VAT input between VAT returns, EFD report, VAT control account and financial statements

Section 86(1) of the Value added Tax Act, 2014, states that, "a registered person who makes a taxable supply shall, no later than the day on which value added tax becomes payable on the supply under section 15, issue a serially numbered true and correct tax invoice generated by electronic fiscal device for the supply".

During my review I found the difference in revenues between the VAT return and financial records for three PSEs ranging from TZS 0.37 billion to TZS 9.07 billion, as shown in **Table 30.** I also found difference in Input tax between E-filling system and VAT control account for two PSEs ranging from TZS 1.31 billion to TZS 2.66 billion, as detailed in **Table 31**.

Table 30: Difference in Revenue Between VAT Return and financial records

S/N	Name of the Entity	Revenue as per VAT Return (TZS Billion)	Revenue as per financial statement TZS (Billion)	Difference TZS (Billion)
1	Tanzania Posts Corporation	21.17	30.24	9.07
2	MCB Company Limited	2.38	6.43	4.05
3	Tanzania Shipping Agency Corporation	6.95	6.58	0.37

Source: VAT returns and financial statements of FY 2022/23

Table 31: Difference in VAT Input between E-filling system and VAT Control Account

S/N	Name of entity	Input Tax as per E-filling system TZS "Billion"	Input tax as per VAT Control account TZS "Billion"	Differen ce TZS "Billion"
1	Tanzania Telecommunications Company	5.89	7.21	1.31
2	Tanzania Electric Supply Company Limited	183.83	181.17	2.66

Source: e- filling system and VAT control account

For MCB Company Limited, the difference is attributed to the management's tendency to only raise EFD Receipts upon payment i.e., when cash is paid, while income is recognized based on accrual concept. For the Tanzania Posts Corporation, the management did not take initiative to periodically reconcile the revenue as per VAT return and revenue as per the financial statements.

For TASAC, the difference was caused by cancellation of Tax invoices after the VAT returns had already been filed resulting in the overpayment of VAT amounting to TZS 63.26 million. The main reason for the cancellation was duplication of invoices and errors that were detected after the invoices were already posted.

The difference for TTCL and TANESCO is mainly caused by delays in posting invoices after they were issued by the suppliers while they already claimed in VAT returns through the integrated taxpayer portal. This resulted in mismatch of the timing of the input tax reported in e_ filing VAT and reported in VAT Control Account.

I recommend that respective public sector entities (a) issue EFD receipt when revenue is earned to assist the Government to realise revenue in time; (b) file accurately all taxes return and pay the amounts due to TRA; and (c) ensure they make reconciliation of information in VAT returns, and VAT Control Account.

11.5 Outstanding tax revenue appeals cases for the period of one to five years at TRAT and TRAB TZS 3,681.36 billion and USD 4.66 million

Para. 2.4 of the Tax Revenue Appeals Tribunal's (TRAT) Five years' rolling Strategic plan 2021/22-2025/26 requires the Tribunal to deliver judgement by 80% of the tax appeals emanating from the Board and 90% of tax applications filed at the Tribunal annually.

My review of Tax Revenue Appeals Tribunal's case management files for the year found 141 cases with a tax value of TZS 284.16 billion, including 67 cases appealed with tax amount of TZS 205.07 billion which were outstanding beyond one to five years, indicating a slow pace in tax disputes settlement.

I also reviewed the application and appeals register at Tax Revenue Appeal Board (TRAB) for the financial year 2022/23 and found that 767 appeals totalling TZS 6.01 trillion and USD 5.22 million relating to tax disputes remained undecided from the financial year 2017/18 through 2022/23. Notably, 441 cases (58% of pending appeals) were outstanding for the period ranging from 184 to 1,935 days, raising concerns on the TRAB ability to deal with cases in accordance with its objectives outlined in the TRAB Strategic Plan for 2021/22-2025/26 that requires disputes to be determined in a timely manner.

While as of October 2023, TRAB managed to determine 124 of those appeals with tax amount of TZS 2.61 trillion and USD 554,761, the rest of 643 appeals in disputes with tax amounts of TZS 3.40 trillion and USD 4.66 million remained undecided.

This is attributed to the delay in appointing TRAB Board members, chairpersons, and vice-chairpersons and budget constraints.

I recommend that TRAT and TRAB in collaboration with the Minister of Finance ensure members, chairperson, and vice-chairpersons

are appointed in a timely manner to ensure efficient determination of tax appeals.

11.6 Absence of time limit for resolving appeals under amicable settlement

Section 22 of the Tax Revenue Appeals Act, [CAP.408] as amended by section 71 of the Finance Act, 2021 and section 117 of the Finance Act, 2022 provides that a party to an appeal may at any stage of the proceedings before the judgment is delivered by the Board or Tribunal as the case may be, apply for the appeal to be settled amicably. Further, the board or tribunal shall require the parties to report the outcome of the amicable settlement within a specified time and the Board or Tribunal shall issue final order with respect to such amicable settlement.

My review of the application and appeals register from TRAB for the financial year 2022/23, identified 139 appeals with a total tax amount of TZS 1.38 trillion and USD 1.73 million, where the involved parties had applied for amicable settlement. From a sample of 39 out of 139 appeals with a tax dispute amounting to TZS 398.06 billion, I found that all 39 appeals remained unresolved for more than six months, raising concerns about the ability of the tribunal to resolve cases in a timely manner.

I recommend that Tax Revenue Appeal Board establish a clear and reasonable timeframe for the resolution of appeals when amicable settlement is pursued, aiming to enhance timely settlements.

11.7 Ambiguity of a phrase "substantial funding" in determining taxable employment income

During the audit I found inconsistent application of Sect. 7 (3)(k) of Income Tax Act [Cap 332], which excludes from being taxed; housing allowance, transport allowance, responsibility allowance, overtime allowance, extra duty allowance, hardship allowance or honoraria payable to an employee of the government or institutions whose budget is fully or substantially paid out by the government subvention. However, the Income Tax Act has not clearly defined what does the word 'substantial' refers to.

From a sample of 75 PSEs, I found that employees of 35 PSEs (47%) were taxed, while employees of 39 PSEs (52%) were not taxed, and 1 PSEs (1%) had no allowances for its employees.

The 35 PSEs that applied taxes on employee allowances consisted of 8 PSEs whose employees were taxed on all allowances and 27 PSEs whose employees were taxed on some of the allowances.

I also noted that, out of the 39 PSEs that did not apply taxes on employees' allowances, 23 PSEs explained that they did not apply the taxes because their budgets are substantially funded from the government subvention.

I further found that, even commercial public entities whose budget was substantially funded by the Government, were inconsistent in taxing their employees' allowances. I found that two commercial entities did not tax their employees' allowance, two taxed some of the allowances and 1 entity taxed all employees' allowances.

My review of Income Tax Act revealed that the Act has not clearly defined the criteria or guidance of what level of PSEs budget are to be classified as substantially paid out of Government budget subvention. It is also not very clear whether every time the extent of government subvention provided change, the entities should revisit allowance paid to its employees to include or remove the taxation element on allowances. This brings about confusion that results in inconsistency in application of the exemption clause under Sect. 7 (3) (k) of Income Tax Act

I recommend that the law specify the threshold or criteria that will enable classification of government institutions whose employees are eligible for exemption.

CHAPTER TWELVE

PERFORMANCE OF GOVERNMENT BANKS AND OTHER FINANCIAL INSTITUTIONS

12.0 Introduction

I reviewed the operations of Government-owned banks, social security schemes, National Insurance Corporation, and institutions dealing in capital markets and securities in Tanzania. I identified several areas where these institutions had operational deficiencies which requires improvements to ensure their optimal operational performance.

My performance review of three Government banks namely TIB Development Bank, Azania Bank and Tanzania Commercial Bank (TCB), I identified several deficiencies. Some of the deficiencies included inadequate management of loans, and noncompliance with regulatory requirements.

In pension funds (PSSSF and NSSF), Workers Compensation Fund and National Insurance Corporation, the deficiencies mainly include: inadequate management of issued loans, inadequate enforcement of agreements for rental collection from the investment properties, and unsatisfactory rendering of services to the beneficiaries: -

More details of deficiencies noted are provided below:

12.1 Concerns over the performance of Government banks

I have reviewed the performance of three government commercial banks consisting of TIB Development Bank, Azania Bank and Tanzania Commercial Bank (TCB). I identified several issues as follows:-

12.1.1 Non-adherence to control instituted to the loan disbursement to customers

(i) Inadequate management of the pledged collaterals by TCB and Azania bank on the loans issued amounting to TZS 403.62 billion

The Tanzania Commercial Bank provided loan facilities amounting to TZS 6.56 billion to six customers who had not provided collaterals as stipulated in the loans contract. Also, the Bank extended additional loans amounting to TZS 5.50 billion to two customers without revising their mortgage deeds to secure the new liabilities. Further, valuation reports and spouse consent of the pledged securities of six corporate customers involving TZS 8.34 billion were not perfect as required by the Lending Manual (2022).

Also, my review found that Azania Bank's PLC collateral information used in the computation of the expected credit losses was incomplete as it missed documents such as the valuation reports and insurance covers involving TZS 383.22 billion from 60 borrowers.

I am of the view that incomplete collateral documents create a credit risk that the bank may not be able to recover the loan in the event of default.

I recommend Azania Bank Plc and Tanzania Commercial Bank ensure the loans issued are backed up by adequate and quality securities; and controls on management of the issued loans including monitoring and tracking of the issued loans and its collaterals are strengthened.

(ii) Issued loans by TCB above limit of TZS 734.28 billion and without board's approval

Paragraph 6.3 (i) of Tanzania Commercial Bank Lending Manual of 2022 stipulates that, in order to attain and maintain a loan portfolio that is safely diversified in terms of exposure to various industries, management will continuously monitor sectors performance and propose changes to the Board of Directors for review of the quantitative limits.

TCB extended loans amounting to TZS 728.07 billion to five sectors namely personal, transportation and communication, hotels, restaurant and tourism, building and construction, as well as education. These loans exceeded the approved limits set out in the TCB Policy and were disbursed without obtaining the board's approval. Also, the Bank issued loans totalling TZS 6.21 billion to the sectors including warehousing and storage, water, electricity, fishing and health. These sectors were neither approved by the board nor addressed in the existing Lending Manual. TCB explained that the sectors with their corresponding limits were updated in the Lending Manual 2023 to be in line with sectors allocated by the Regulator in their reporting schedules while the Lending Manual 2023 was already approved internally awaiting approval from the Regulator. TCB also stated that the updated sectors include all sectors mentioned as unapproved in the findings and the TCB undertakes to regularize sectors by encouraging borrowing in other sectors.

There is an increased risk of potential losses for loans issued to unapproved sectors since the loans disbursed above limit involve large volume.

I recommend that Tanzania Commercial Bank strengthens controls on management of the issued loans including monitoring and tracking the issued loans and ensure loans are issued after the appropriate approval of the Board of Directors and fall within the limit stipulated in the Policy.

12.1.2 Non-performing loans, and loss-making banks

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

My review found, TIB Development Group continued making a loss before tax, in 2023 the loss amounted to TZS 5.92 billion (2022: TZS 131.97 billion). The Group has accumulated losses of TZS 221.62 billion (2022: accumulated losses of TZS 215.03 billion). While TCB made a loss before tax of TZS 41.40 billion (2022 profit before tax of TZS 6.87 billion) an increase of TZS 48.27 billion equivalent to 703%. The reported loss by TCB was mainly contributed by impairment loss from non-performing loans inherited from merger of TIB corporate bank.

Also, the Non-Performing Loans (NPL) records indicate that TIB Development Bank had NPL ratio of 21.50% as of 31 December 2023 (2022: 20.28%), while Azania Bank had NPL ratio of 7.44% as of 31 December 2023 (2022: 18.25%). Despite the notable decrease in NPL ratios at Azania Bank from the preceding year, I observed that both banks still exceeded the acceptable threshold set by the Bank of Tanzania (BOT) which is 5%. TIB Development Bank and Azania Bank altogether had Non-Performing Loans of TZS 206.04 billion (2022: NPL TZS 262.72 billion), a decrease of TZS 56.68 billion. The reason was charging off non-performing loans (**Table 32**).

Table 32: Details of NPL to two Government banks

Details	TIB Development		Azania Bank	
	2023	2022	2023	2022
NPL (TZS' billion) (Customers &Staff)	80.94	75.09	125.10	187.63
Loans and advances (gross) (TZS' billion)	376.00	370.26	1,680.70	1,027.70
NPL Ratio	21.50%	20.28%	7.44%	18.25%

Source: Loan Portfolio Report 2023

I am concerned that the deterioration of the quality of the loan portfolio erodes the Bank's core capital which in turn affects the capital adequacy ratio and performance of the Banks.

I recommend that the Government take prompt measures to address issues facing these banks, including injection of additional capital for TIB Development, improving management of expenses and reducing the NPL ratio to an acceptable targeted level of 5%.

12.1.3 Un-favourable core capital for TIB Development Bank

Regulation 22(1) of Banking and Financial Institutions (Development Finance) Regulations, 2021 details that a development finance institution shall commence operations with and always maintain a minimum core capital of not less than TZS 200 billion, or such higher amount as the bank may determine.

However, TIB Development Bank core capital as at 31 December 2023 was TZS 88.12 billion which is below the minimum regulatory capital requirement of TZS 200 billion that fall short by TZS 111.88 billion equivalent to 127%. Further, the bank explained that the Ministry of Finance through Treasury Registrar (TR) aims to disburse TZS 118 billion through the Government budget of 2023/24, to improve capital position as the core capital has been affected by the recurring losses.

Also, I noticed a balance of TZS 37 billion which is not recovered since 2019, a period of five years from the Treasury Registrar. In 2019 TR was obligated to pay TZS 37 billion to TIB Development Bank being an amount that TIB Development Bank owed the TIB Corporate Bank Limited that ceased its operations and taken over by Tanzania Commercial Bank. However, until my audit on 6 March 2024, the amount was still not settled by TR. TIB Development Bank explained that the equity investment worth TZS 37 billion was recorded as receivable from the TR following the TR commitment via letter with Re No CAB.25/337/01 dated 5 May 2021 but up to March 2024 the funds had not been released.

Unfavourable capital adequacy ratio poses a risk for the Bank to lose its eligibility to operate, therefore, it might cause the Bank to be put under the statutory administration of BOT. In addition, long outstanding receivable of TZS 37 billion is crucial to TIB Development Bank as it could improve the core capital of the Bank.

I recommend that (a) the Government take necessary and timely measures which include disbursement of additional capital to rescue the Government Bank from operating with un-favourable capital adequacy ratios; and (b) TIB Development Bank, while in the process of soliciting that fund, involve the Ministry of Finance to engage the TR to settle its obligations of TZS 37 billion.

12.1.4 Unsatisfactory performance of TIB Rasilimali Limited

TIB Rasilimali Ltd was initially established as Property Developers and later transformed into capital markets intermediary in the 1980s. The Company is licensed by the Capital Markets and Securities Authority (CMSA), Dar es Salaam Stock Exchange (DSE) and Tanzania Insurance Regulatory Agency (TIRA) to deal in Securities brokerage services, Investment advisories, Business valuations, and Insurance Agency.

TIB Rasilimali Limited (TRL) has continued making a loss before tax, whereby in 2023 it reported a loss of TZS 503 million (2022: Loss before tax TZS 546 million). Also, as at 31 December 2023, the TRL's current liabilities exceeded its current assets by TZS 942 million, an indication of liquidity concern. TRL explained that it is making deliberate efforts to increase revenue generation of the company by engaging outside partners in advisory assignments through fee sharing arrangements, enhance business diversification within the company mandates, increase marketing and sales of the company products. According to the Company, the shareholder and the company have converted the sum of TZS 1.795 billion from Advance towards share capital to issued share capital.

I recommend that TIB Rasilimali Limited (a) enhance business strategy to improve the performance of the company through diversification of revenue generation; and (b) request for adequate funding in terms of additional capital to be provided by the owners to support operations of the Company.

12.1.5 Non-Compliance with regulatory ratios issued by Bank of Tanzania

Regulations 9 (a) and (b) of the Banking and Financial Institutions (Capital Adequacy) 2014 require that a bank or financial institution to maintain a minimum core capital of not less than 12.5% and total capital of not less than 14.5%. Also, Circular No. FA.130/170/01/5 dated 22 January 2022 issued by BOT on cost to income and non-performing loans requiring all banks and financial institutions to maintain a cost to income ratio of 55%; and if it is above 55%, they are required to regularize the ratio by 31 December 2022 and a non-performing loans (NPL) ratio of 5%.

My review noted that as of 31 December 2023, TCB's core capital and the total capital were 13.26% and 13.26% respectively. Based on these ratios, the Bank met the required core capital but remained below the minimum required level for the total capital which is 14.5%. My further TCB's performance assessment revealed that, TCB's cost to income ratio was 81.82% which exceeded the required minimum ratio of 55%. Non achievement of the total capital ratio is attributed to non-performing loans and continued reported loss which is eroding the core capital.

I am of the view that non-compliance with the laws and regulations may attract penalties, and sanctions by the Regulator.

I recommend that TCB Bank (a) ensure its long-term business viability, by taking necessary actions to monitor capital adequacy and non-performing loans; and (b) closely monitor the operating expenses to comply with the Circular requirement of 55% of cost to income ratio.

12.2 Performance deficiencies of SELF-Microfinance in 2022

i) Inadequate management of investment amounting to TZS19.97 billion

Paragraph 6.3 of SELF MF Investment Policy, 2018 requires the deposits with licensed banks and financial institutions with initial maturity of at least three months to be at a minimum of 30% and maximum of 50% against all investments. My review of total investment balance of TZS 23.03 billion as at 31 December 2022, found that the Fund has invested TZS 19.77 billion equivalent to 86% in fixed deposit. This is above the maximum limit of 50% stipulated in under paragraph 6.3 of SELF Microfinance Investment Policy, 2018.

I am concerned about the risk stemming from investment exposure surpassing the limit in the event of non-performance by the respective financial institutions.

I recommend that SELF-Microfinance strengthen its control by ensuring that investment exposure in fixed deposit does not exceed the maximum limit of 50% of total investments to comply with its Investment Policy.

ii) Long outstanding interest receivables on matured fixed deposits of TZS 204.15 million

Paragraph 5.1 of Investment Policy, 2018 allows the Fund to invest either in Treasury Bills issued by the Bank of Tanzania or Fixed Deposit Receipt (FDR) with Commercial banks. My review found that, as at 31 December 2022, the Fund had an outstanding interest receivable of TZS 204.15 million due from 14 matured fixed deposits for the periods ranging from 29 to 49 months. I attribute this deficiency to inadequate management initiatives to make follow-up with the respective commercial banks and microfinance on the outstanding interest receivable balance.

Long outstanding interest receivables limits the Fund from undertaking other investment options.

I recommend that SELF-Microfinance liaise with respective banks on remittance of outstanding interest receivable on matured fixed deposits of TZS 204.15 million.

iii) Inadequate management of loan facilities of TZS 38.89 billion

Regulation 35 (1) (2) of the Microfinance (Non deposit taking microfinance service providers) Regulations, 2019 requires a microfinance to ascertain the proper identities of borrowers and report to the Credit Reference Bureau on monthly basis a detailed information about all credit facilities extended to each borrower.

As at 30 June 2022, SELF Microfinance had credit facilities amounting to TZS 38.89 billion that were extended to 4252 customers. However, SELF MF did not submit the borrowers' credit information to the Credit Reference Bureau (CRB) which provides a room for borrowers to engage into another credit facilities from other microfinances/banks. Also, SELF MF systems, Oracle and IMFAS systems that were aimed to generate reports with detailed information to be uploaded in the Credit Reference Bureau were not properly configured to generate such report.

SELF-MF informed me that the Fund is finalizing the process to access credit bureau platform (portal) for uploading the report and upon finalization the

Fund will start uploading client information to Credit Bureau Portal after receiving a training from CRB for the purpose.

I am of the view that there is a risk of increase in non-performing loans due to borrowers' engagement into multiple loans from different financial Institutions without being noticed.

I recommend that SELF-Microfinance ensure systems in use are properly configured and capable of generating detailed information necessary for uploading to Credit Reference Bureau to reduce the risk of non-performing loans from borrowers across the financial system.

12.3 Operational review of Deposit Insurance Board

12.3.1 Uninsured deposits at TADB and TIB development

Section 38 (1) of the Banking and Financial Institutions Act, 2006 requires every bank or financial institution which is licensed to carry on banking business in the United Republic of Tanzania to contribute to the Fund and to pay into the Fund such annual amount and at such times, as DIB may determine.

I found that DIB collected premiums directly from only 46 out of 48 banks for financial institutions registered under the Banking and Financial Institutions Act, 2006. The two missing institutions are the Tanzania Agricultural Development Bank (TADB) and the TIB Development Bank.

My review found that TIB and TADB accept fixed deposits from depositors that take more than one year to mature. However, the deposits made by their customers are not protected, as TIB and TADB were not paying insurance premium to DIB for the deposits they accept. TIB Development Bank and TADB argued that the accepted deposits were maintained by the commercial banks where their accounts were held and therefore the premiums on their deposits are paid by commercial banks. However, those deposits in commercial banks were owned by respective banks and not individual customers holding deposits.

I am concerned about the risk of exposing depositors not being covered by the insurance plan as required by the law and hence subjected to loss in case of bank failure.

I recommend that DIB hold a consultative meeting with TIB Development, TADB and Bank of Tanzania to agree on the appropriate modality of securing their customer's deposits.

12.3.2 Uncovered customers' deposit from Mobile Network Operators

The DIB's Five-Year Strategic Plan 2022/23 to 2026/27 addresses the East African Community protocols to participate and comply with the agreed action plans for the EAC Monetary Affairs Committee (MAC) Deposit Insurance convergence criteria for coverage level, target fund size and implementation of pass-through deposit insurance mechanism for mobile money. These protocols among others include the trust entities to enter into deposit agreements with banks that explicitly recognize the existence of multiple beneficiaries of the Trust Account; and Mobile Network Operators (MNOs) to have system in place capable of always identifying balances individual mobile money.

My audit of the DIB's performance found that while up to 30 June 2023 there were six licenced mobile network operators (MNOs), the current deposit insurance scheme and related laws do not cover the deposits held by mobile network operators (MNOs). Currently MNO operated deposits in Trustees accounts are covered under the National Payment System Act, 2015, which recognizes only trust accounts held with banks. According to the National Payment Regulations of 2015, deposits in Trustee accounts within a single commercial bank should not exceed 25% of the total trust account fund as a means of risk diversification. However, in my view this protection needs to be extended to individual depositors of MNOs. I am concerned that under the existing arrangement individual depositors are exposed to the risk of losing deposits in the event of the collapse of the commercial bank.

I recommend that Deposit Insurance Board engage with the stakeholders including regulatory authorities, Mobile Network Operators, and industry experts for carrying out a survey to assess the level of coverage and protection of individual depositors of MNOs.

12.4 Performance of social security schemes

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

12.4.1 Outstanding balance of TZS 2.28 trillion in respect of ex-PSPF members from the Government

In 2023 the PSSSF appointed an independent firm to carry out actuarial assessment of the fund. My review of the report found that the Actuarial Valuation for the Fund established the level of funding to be 22.30% which was below the recommended level of 40% by 17.7%. After the report was issued PSSSF engaged the Government to pay the liability associated with pre-1999 service which was inherited from ex-PSPF amounting to TZS 4.46 trillion to address the deficit.

The Government issued Non-Cash Special Bond of TZS 2.18 trillion on 15 December 2021 and committed to pay the remaining balance of TZS 2.28 trillion that could be issued upon the completion of the verification exercise which was expected to end by 31 March 2024.

I am of the view that, for the PSSSF to enhance its cash flows for investment and to pay its liability in a timely manner, the Government needs to inject TZS 2.28 trillion owed to PSSSF.

I recommend that the Government expedite the verification exercise and issue a report on the verification and complete payment of the remaining pre-1999 contribution liability of TZS 2.28 trillion which will improve PSSSF's funding level to the recommended level of 40%.

12.4.2 Inadequate management of loans and members contribution by pension funds

i) Long outstanding loans issued to Government institutions TZS 1.73 trillion

In my previous report for the financial year 2021/22, I raised concerns about long outstanding loans issued by pension funds to Government institutions and recommended that the Ministry of Finance 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 were recovered.

In the current year, as of 30 June 2023, both NSSF and PSSSF had outstanding loans to Government institutions and other organization. NSSF had outstanding loans amounting to TZS 1.50 trillion (2021/22 TZS 1.17 trillion) an increase of TZS 330 billion (3%), while PSSSF had outstanding loans of TZS 231.40 billion same as in 2021/22 where the loan was TZS 231.40 billion. These loans have been outstanding for periods ranging from

1 to 16 years, and the failure of the borrowers to repay them impacts the solvency and ability of pension funds to exercise their core functions effectively and efficiently. Also, there is long outstanding loan of TZS 148.08 billion as 40% of the total construction cost of Nyerere Bridge project. The Government committed to settle the balance together with other Government loans in form of non-cash bonds.

I reiterate my previous recommendation that the Ministry of Finance in collaboration with Government institutions borrowed from pension funds make fruitful arrangements for loan repayments, while Pension Funds need to enhance controls before issuing loans and continue to make follow-ups with loaned Government institutions to ensure that all overdue loans are recovered.

ii) Questionable recoverability of staff loans issued by WCF's and NIC TZS 1.26 billion

Unsecured loans: My review of WCF's found housing loans amounting to TZS 5.05 billion out of which the loan balance of TZS 669.37 million was unsecured contrary to Para 9 of WCF Staff Loan Policy, 2017. Also, NIC had staff loans amounting to TZS 65.95 million in respect of 34 staff which have been outstanding for over one year and were not included in the monthly payroll for easy collection of repayment.

Outstanding loans to existed staff: Also, I found personal loans amounting to TZS 1.43 billion of which TZS 472.22 million was in respect of 10 staff who were no longer employees of WCF. However, their outstanding loans were not accruing the 12% annual interest as required by loans agreements. At NIC, I found staff loans balance of TZS 50.21 million relating to 38 exited staff. I am concerned on the recoverability of these loans as there was no post loan recovery agreements for the exited staff with pending loan.

Absence of collaterals against loans issued has an adverse impact on the collectability and absence of recovery agreement with the exited staff could not motivate to honour their repayment schedules which might result in loss to the Fund through write off.

I recommend that both Workers Compensation Fund (WCF) and the National Insurance Corporation (NIC) ensure staff loans are secured with collaterals, sign recovery agreement with the separated staff in collaboration with their employers and include staff loans advances in the monthly payroll to control the monthly deductions. Also ensure

separated staff from WCF are charged 12% interest as stated in the loan agreement.

iii) Outstanding contribution receivables TZS 856.78 billion at Pension Funds

My review of NSSF found a contribution receivable amounting to TZS 710 billion that was supposed to be collected but was not collected. My analysis indicated that TZS 330 billion (46%) out of TZS 710 billion remained outstanding for more than 12 months contrary to NSSF Act, 2018 that require the contributing employer to pay contributions to the Fund within one month after the month in respect of which the contributions are due and payable. NSSF informed me on the efforts that have been taken to enforce remittance of contributions from defaulting employers. The efforts include issuance of demand letters to all defaulting employers, filed 126 contribution cases worth TZS 35.89 billion against defaulting employers and formation of special collection enforcement team drawing members from five government institutions.

At WCF, I found the contribution receivable amounting to TZS 13.54 billion (44%) out of TZS 30.83 billion of the contribution receivable have collectability issues due to the fact that TZS 12.65 billion was in respect of 4,124 employers with dormant businesses and TZS 891.14 million was in respect of 590 employers who had closed businesses.

Further, my review of the PSSSF's debtors aging report found the outstanding contribution receivable amounting to TZS 102.36 billion (77%) out of TZS 133.24 billion remained outstanding for over 122 days contrary to PSSSF's Act, 2018 that requires an employer to contribute within one month after the end of each month to which it relates. I am of the view that delay in collection of contributions receivable could affect ability of the Fund to meet its maturing benefit commitments. In addition, there is likelihood of non-collection of some receivables such as those due to WCF due to their status.

I recommend that NSSF, PSSSF, and WCF continue engaging with the members and encourage them to sign settlement deeds that include a payment plan of the outstanding contributions as this approach will ensure commitment from the members to settle the outstanding arrears in a structured manner.

iv) Registered employers not contributing to WCF

I noted that out of 30,866 employers registered with WCF, 2,402 had closed business, leaving 28,464 active employers. My audit analysis found that, 10,216 out of 28,464 active customers did not contribute to the Fund. In my view the failure of 36% of the active registered customers to meet their contributions denied revenue to WCF their staff to be covered by the Fund in case of injuries at work place.

I recommend that WCF deploy strategies to ensure that every registered employer remit contribution to the Fund in accordance with Workers Compensation Act, 2015.

12.4.3 Unsatisfactory collection of rentals from NSSF, PSSSF and NIC investment properties TZS 47.10 billion

As at 30 June 2023, NSSF had the rentals receivable balance amounting to TZS 22.86 billion. My assessment from the aging report found that TZS 20.22 billion (88%) rentals receivable were outstanding for more than 12 months while TZS 2.64 billion were outstanding for less than 12 months. At the same time NSSF had a total of 491 hire purchase agreements from Kijichi and Kinyerezi projects, whose total rental collections was projected to be TZS 33.38 billion. However, the Fund managed to collect only TZS 18.63 billion (56%) while the remaining balance of TZS 14.75 billion (44%) remained uncollected.

Also, my review of PSSSF's tenants' schedule of payments found three tenants did not pay theirs rents for a period of three years which have accrued to TZS 102 million and besides there was neither close follow up nor action taken to make the tenants vacate the houses.

NIC has outstanding rental receivables of TZS 9.35 billion as at 30 June 2023. My audit analysis revealed that TZS 8.05 billion (86%) out of TZS 9.35 billion rental receivable were outstanding for more than one year. NIC informed me that the total rental receivables of TZS 9.35 billion recorded on 30 June 2023 included untraceable debtors for more than 85% equivalent to TZS 7.95 billion.

Inadequate effort in collection of rentals could limit further developments of the Funds due to insufficiency revenue generation from the existing investment properties.

I recommend that PSSSF, NSSF and NIC ensure the clauses in the lease agreements are enforceable to allow revenue collection from the

investment properties through establishing appropriate and robust collection strategies to ensure rentals collection.

12.4.4 Deficiency in services delivered to members of Pension Funds

i) Delay in enrolling new pensioners in the Hazina payroll at PSSSF

From the scrutiny of the process of payments of pension for new pensioners for the months of September 2022, November 2022, and May 2023 I found six retirees were delayed being enrolled in the Hazina Payroll for the periods ranging from 6 to 83 months. Delay in enrolling new retired staff in Hazina Payroll denied their rights to receive monthly pensions.

ii) Delays in processing claims to the beneficiaries up to 60 days at WCF

I reviewed and analysed 40 out 1836 claims recorded in 2022/23. I found while Section 75 (1) of the Workers Compensation Act [CAP. 263] has set a maximum of 30 days for processing and finalizing claims, a total of 19 (48%) out 40 claims processed for periods ranging from 32 to 90 days. The indicated delay ranged from 2 to 60 days against the time set in the legislation. Delay in processing lodged claims has impact on the occupational injury victims.

I am of the view that delays in settlement of claims had negative perception from the beneficiaries.

I recommend that PSSSF and WCF, strengthen and institute mechanism that will allow beneficiaries to be served in a timely manner.

12.4.5 Inadequate management of pension funds' Investment in subsidiaries

i) Unsatisfactory performance of Kilimanjaro Leather Industry Company Limited (KLICL)

In 2022/23 KLICL projected a sale of TZS 6.78 billion while the actual sales were TZS 3.48 billion falling short of the target by TZS 3.3 billion (49%). Also, the Company managed to produce 59,272 out of the target of 88,111 units of footwear and other leather articles that fall short by 28,839 (33%) units. Additionally, the Company failed to deliver the orders of 14,261 units that could generate revenue of TZS1.06 billion due to lack of raw materials.

Additionally, I found that KLICL had a five-year Corporate Strategic Plan of 2021/22 to 2025/26 being the road map for the Company's operation. My assessment of the CSP's implementation showed that the plan is not aligned with the annual operational plans that was evidently confirmed from the projected annual sales under the Corporate Strategic Plan amounting to TZS 39.57 billion against the projected sales of TZS 6.78 billion under the annual plan. That created a divergent of TZS 32.79 billion which was an indication of over ambitious targets that could not be achievable.

Continued trend of not meeting the target and failure to deliver the footwear ordered by customers had an adverse impact on the financial viability of the Company and the growth of business. Also, I am of the view that non-alignment of Company's CSP with other operational plans leads to the CSP to be irrelevant and the set goals and objectives could not be attained.

I recommend that PSSSF in collaboration with KLICL (a) come up with turnaround strategy to increase the market share of footwear products produced; and (b) initiate the process of CSP review that will allow cascading the objectives and goals to the annual operational plans.

(i) Deficiencies in managing Mkulazi Holding Company Limited with capital invested TZS 312.98 billion

Mkulazi Holding Company Limited is jointly owned by National Social Security Fund (NSSF) by 96% and Prisons Corporation Sole (PCS) by 4%. For the period 30 June 2023 the company recorded a loss before tax of TZS 21.97 billion compared to the loss before tax of TZS 10.35 billion reported in 2021/22. Further, audit analysis revealed that the loss had increased to TZS 11.62 billion equivalent to 112% mainly caused by increase by administrative, farm operations and personnel emolument expenses.

I conducted performance review of the project implementation reports and identified that up to 30 June 2023 shareholders have injected TZS 312.98 billion. However, it was long overdue since the project inception in 2016 and as at 30 June 2023 it was still a work in progress after seven years. In the original plan, sugar production was supposed to start in September 2018 but up to the time of audit the project was still under testing.

I further found Mkulazi Holding Company Limited (MHCL) has irrigation systems with the capacity of irrigating 2,731 hectares of farms while the cultivated sugar cane farms are 3,133 hectares leaving 402 hectares without being covered by the irrigation system. The Company informed me that it has procured the contractor for installation of semisolid irrigation system in the financial year 2023/24 that will cover 500 hectares. Those uncovered 402 hectares would be part of the 500 hectares.

Operating 402 hectares without irrigation infrastructure created an increased risk during the drought season which could affect the productivity of sugar cane.

I am of the view that the Government was not getting real value for money from the project as the intended objectives were delayed.

I recommend that (a) NSSF, Prison Corporation Sole in Collaboration with Mkulazi Holding Company Limited (MHCL) ensure the project is implemented without further delay; and (b) MHCL expeditiously install the Semisolid Irrigation Infrastructure system that will warrant the sugar can yield even during the drought seasons.

(ii) Uncertainty over recoverability of rentals receivable by Ubungo Plaza Limited TZS 10.98 billion

Ubungo Plaza Limited is jointly owned by PSSSF, NSSF and NIC. My audit analysis from the debtors aging analysis found that TZS 10.98 billion are the debts that were outstanding for more than 360 days. Further I noticed that a significant amount totaling to TZS 8.89 billion equivalent to 79% of the total debts was from one trade debtor namely Blue Pearl Hotel and Apartment Ltd.

For the period ended 30 June 2023, the company recorded a loss before tax of TZS 8.83 billion compared to the profit before tax of TZS 605.42 million reported in 2021/22 indicating a decrease of TZS 9.44 billion while the main reason was full provision for bad and doubtful debt in respect of the amount receivable from the Blue Pearl Hotel and Apartment Ltd that has been evicted from the premises.

I am of view that, there is a possibility that the Ubungo Plaza Ltd might not be able to make further developments due to insufficiency of revenue generation from the existing investment property.

CHAPTER THIRTEEN

REVIEW OF TOURISM SECTOR IN TANZANIA

13.0 Introduction

Tourism accounts for more than 17% of GDP and 25% of foreign earnings. The tourist attractions which are present in Tanzania include national parks, game reserves, and coastal areas[1]. Among the key Institutions for promoting tourism includes TANAPA, that manages 22 National Parks, while the Ngorongoro Conservation Area Authority (NCAA) operates two areas; the conservation area and Poloreti Game Controlled Area. Tanzania Tourism Board (TTB) is mandated with promotion and development of "all the aspects of tourism" industry in Tanzania.

According to the Five-Year-Development Plan III (FYDP III) of 2021/22 to 2025/26, the Government intends to increase the number of tourists from 1,527,230 in 2019/20 to 5,000,000 in 2025/26 that is expected to generate USD 6 billion by 2025/26. In 2023, the international visitors' arrivals were 1,808,205, an increase of 353,285 (24%) compared to 1,454,920 visitors registered in 2022[2]. The tourism sector recorded USD 3.37 billion in 2023 from the international visitors.

Despite the increase in the number of tourists compared to previous years, my review found that tourism attractions faced challenges and uncertainties which need deliberate actions to address them. Some of these challenges include Inadequate funding of tourism promoting activities; Low bedding capacity in terms of hotels and tented campsites in national parks; Wide spread of invasive species beyond the control of the national parks; Frequent power outage that disrupt the parks operations and encroachment of National Parks boundaries.

[1] Five Year Development Plan III (FYDP III) of 2021/22 to 2025/26

[2] Tourism Bulletin 2023 released by the Ministry of Natural Resources and Tourism

13 Review Of Tourism Sector In Tanzania

This chapter highlights challenges facing tourism sector and recommendations as an intervention to curb them.

13.1 Inadequate funding of tourism promotion activities

13.1.1 Idleness of Digital Command Centre

Tanzania Tourist Board (TTB) has Digital Command Centre that was completed in April 2022, at a total cost of TZS 1.06 billion. The main goal of the project was 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 former twitter, Facebook.

During the audit of current year, I assessed the operationalization of the Digital Command Centre and found that the Centre was not operationalized since its completion (20 months ago). Further, my review of the Board's budget for 2022/23 found a budget of TZS 228.52 million for Digital Command Centre operationalization but the funds were not released by the Government. The delay in opening the centre is delaying and denying the tourist industry benefits of the digital command centre in promoting tourist attractions.

I recommend that Tanzania Tourist Board in collaboration with Ministry of Natural Resources and Tourism make follow up with the Government to solicit the required funds for Digital Command Centre operationalization.

13.1.2 Unconducted international tourism promotional events

My review of the TTB's market promotions budget noted that in 2022/23 the Board's budget was TZS 4.50 billion for local and international markets promotion but the Government released only TZS 3.15 billion while TZS 1.35 billion was not released.

In 2022/23, TTB planned to participate in international tourism promotional events as part of the strategic marketing approach for tourism attractions. Among the planned events were four tourism fairs in Europe, two Tourism Road shows in Asia and Europe, three Tourism and Travel exhibitions/fairs in North and South America and promotion of the Royal Tour activities, Meetings, Incentives, Conferences and Exhibitions while budgeted at TZS 1.13 billion. My performance assessment of TTB in promoting Tanzania's tourism activities noted that, the planned events were not conducted because the funds for international tourism promotion were not released by the Government.

I am of the view that optimal utilization of international promotion events has significant impact on promoting Tanzania's attractions and in return could increase the number of tourists visiting Tanzania.

I recommend that the Tanzania Tourist Board in collaboration with the Ministry of Natural Resources and Tourism make follow up with the Ministry of Finance to ensure the approved budget of tourism promotion is released to implement the planned events and operationalization of the Digital Command Centre.

13.2 Inadequate measures instituted to manage National Parks boundaries and human activities at Manyara and Arusha National Parks

My audit scrutiny of the borderlines of the national parks found human activities overlapping the boundary demarcations of the national parks. Further, my audit found that 10km^2 of Lake Manyara National Park was encroached by Buger villagers. Also, I visited Hatari Lodge in Arusha National Park and found non-tourism activities being carried out within the National Park. I observed the small sheds being constructed for the purpose of planting new trees within the park without the consent of TANAPA which was contrary to the lease of agreement. Also, I saw the garden around the kitchen area was planted with non-indigenous plants such as bananas, vegetables, and sweet potatoes.

TANAPA explained that Hatari Lodge fell within the 608 acres owned by TANAPA but the farm in which Hatari Lodge is situated was not yet been annexed to Arusha National Park. According to TANAPA the license Agreement issued to the investor was a Standardized License Agreement issued to all investors who invest in National Parks and was issued with an anticipation that, the farm would be annexed to the park at the soonest possible time. However, the area was not annexed as expected due to cases filed in the court by some villagers and uncompensated households which remained in the TANAPA farm.

I am of the view that carrying out human activities within national parks has the potential to cause damage to the natural vegetation through facilitating the spread of invasive species and diseases to wild animals.

I recommend that Government in collaboration with TANAPA strictly enforce the existing laws to protect Manyara and Arusha National Parks boundaries.

13.3 Encroachment of Antiquity sites

NCAA operates five cultural heritages namely Mbozi Meteorite, Amboni Caves, Engaruka ruins, Engare-sero footprints, and Eyasi Stone Age (Mumba Rock Shelter). My review of NCAA quarterly reports on the management of antiquities noticed that three out of five antiquities namely Engare-sero footprints site, Mumba Rock shelter and Engaruka historical site were encroached. My visit to the areas witnessed on-going human activities such as agriculture, quarrying and collection of sands and stones from these areas.

NCAA stated that there was ongoing consultation with the Ministry of Natural Resources and Tourism (MNRT) on translating the boundaries because the GN documenting the boundary features are older and certain boundary features have vanished with time. I am of the view that NCAA to work together with the MNRT for clearly establishing the boundaries as soon as possible to mitigate any future conflict between the communities and the Authority.

I recommend that the NCAA in collaboration with the MNRT expeditiously resolve the issues of boundaries in the GN to allow development on the antiquities.

13.4 Wide 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 that the Government 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 in four consecutive financial years, yet no significant efforts have been made by the Government to address it.

In the current audit I have continued to note that problem still persist. For instance, in 2022/23 TANAPA planned to uproot and remove alien invasive species from 3,384.22 Ha across 15 national parks, however, the Authority managed to uproot only 2,352.53 (69.5%) of the planned coverage. Also, TANAPA conducted a survey on other two national parks of Kilimanjaro and Burigi-Chato and found 507.01 Ha that were affected by the invasive species.

I reiterate my recommendation that the Government declare the problem of invasive alien species as a "national disaster" and ensure stakeholders at all levels are taken on board to eliminate, control and prevent the existence of the invasive plants within Ngorongoro Conservation Area, National Parks, and other invaded areas countrywide.

13.5 Risk of failure of Ngorongoro Conservation Area indigenous community 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.

In 2022/23, I found that the progress has been made for the resettlement as NCAA established guidelines and plans for relocating people from NCA phase II. NCAA borrowed TZS 266.68 billion and Government topped up TZS 20 billion making the total funds available for relocation to be TZS 286.68 billion. The Authority believed the amount was sufficient to accomplish the exercise for relocating people households from the NCA.

The NCAA's assumption of TZS 286.68 billion would accomplish the relocation exercise was not backed up with the consultant's estimate as such it was far divergent with the contractor namely SUMA JKT estimate. For instance, a house under phase II was estimated to be built at TZS 9.97 million but the actual agreement with the contractor (SUMA JKT) was TZS 19.48 million per house. This resulted in an increase of TZS 9.51 million (95%) and as such the amount available would be able to build half of the projected houses.

I reiterate my recommendation that the Government in collaboration with all stakeholders develop and implement a comprehensive project implementation plan and a roadmap that would ensure successful completion of the resettlement project.

13.6 Inadequate tourism environment amenities within the national parks

13.6.1 Low bedding capacity at National Parks

My review of Carrying Capacity of Beds in the National Parks reports of 2022/23, revealed that the maximum required bed capacity for tourists was 30,825, while the existing bed capacity for all 22 national parks operated by TANAPA was 10,094 equivalents to 33% of the maximum required bed capacity **(Table 33).**

Table 33: Details of maximum bed capacity against existing bed capacity

S/n	Category	Maximum bed capacity	Existing bed capacity	shortage of bedding
1	Seasonal/Public Campsites	16,203	6,515	9,688
2	Permanent Tented Campsites	7,230	1,154	6,076
3	Bandas/Cottages/Hurts/Rest House	2,817	1,175	1,642
4	Lodges	4,575	1,250	3,325
Total		**30,825**	**10,094**	20,731

Source: Carrying Capacity of Beds in National Parks report of 2022/23

To remedy the shortage in bedding capacity, Saadani National Park designated 10 investment sites namely Saadani, Sable, Kwamsuko, Igimba, Makenene, Maguruwe, Kidunda, Mlima Dumi, Mabumo, and Forodha ulaya for hotels and tented camps for investments.

However, I noted that only two out of 10 designated sites were developed into hotels investments leaving eight sites undeveloped at Saadani National Park. Consequently, the number of visitors for the year 2022/23 exceeded Saadani's National Park projection by 22% as there was an increase of 6,496 above 29,552 projected visitors. That increase in the number of tourists necessitated the need to increase bedding capacity.

I was informed that TANAPA has been promoting the investment sites through using various platforms such as trade fairs and electronic media as well as invitation of the tour operators and potential investors to visit the parks investment sites. As a result of these efforts, four investors have initiated the investment process in Saadani National Park. I am of the view that the shortage of accommodation could contribute to missed opportunities to host more visitors, thereby limiting potential to earn additional revenue through loyalties and levies from the hotels and operators of tented camps.

I recommend that TANAPA expedite the process of enhancing the bedding capacity at the parks through soliciting funds for development from the Government and attracting potential investors for hotels and camp sites constructions to curb the reported shortage.

13.6.2 Unreliable power supply at Nyerere National Park

Mtemele Gate is the most accessible entry and exit gate at Nyerere Park serving approximately 90% of all park's visitors. Through my physical observation at Nyerere Park, I noted that the gate is neither connected to electricity from TANESCO nor supported by any generator for power supply, instead the gate depends on solar panel system which was not reliable. In the absence of the reliable source of power supply, there could be some delays in clearance of visitors at the gate as payments were done electronically.

I recommend that TANAPA in short term solution install the standby generator that will alleviate the experienced power outage; and for long term solution liaise with TANESCO to ensure the electricity is connected to Mtemele gate.

13.6.3 Slow pace in implementation of golf course project at Serengeti

Serengeti National Park Golf course is among the projects that were introduced by TANAPA Board of Trustees. It aims at diversifying tourism products in the national parks to enhance achievement of the Government target to get at least 5 million international tourists in the country and forex earning of at least 6 billion US dollars by the year 2025. The introduction of golf course as a new tourism product in the Serengeti is targeting attraction of international golfers worldwide, a reliable tourism segment that has been left aside since the establishment of the park in 1959.

My review of the Golf Course Inception Report Ref No d.170/235/01 F of 28 March 2022 revealed that the project will cover an area measuring 450 acres to accommodate 18-Holesat strategic setup and layout, range, an exclusive airstrip and a number of luxurious accommodation cottages. My further assessment noted that the project was estimated to cost TZS 9.5 billion and it was expected to end in December 2023 after its inauguration by the Board of Trustees on 29 December 2022. As of December 2023, I assessed the progress made and noted that the project was implemented by only 20% due to slow pace in releasing the project development funds. As at 30 June 2023 only TZS 1.55 billion (16%) had been released out of the project cost of TZS 9.5 billion. I consider that the slow pace in releasing funds delayed the completion of the project as planned and inhibit the achievement of the intended objective of attracting more tourists through golf tourism.

I recommend that Tanzania National Park in collaboration with the Ministry of Natural Resource and Tourism liaise with the Ministry of Finance to expeditiously release the remaining funds for completion of the Golf Course Project.

13.6.4 The need for improvement of infrastructure in Empakai and Olmoti Craters to diversify tourism in NCAA

NCAA has three craters namely Ngorongoro, Empakai and Olmoti Craters. The most famous and most visited is Ngorongoro Crater while Empakai and Omoti are the least visited craters. I visited Empakai Crater and observed a number of challenges that inhibits the accessibility of the area for tourism and which need NCAA's immediate actions for improvement. It is my view that intervention such as construction of the access roads to the crater and attracting potential investors for construction of hotels and camp sites around the crater are necessary to obtain tourism potential of the areas. NCAA explained that the Authority was planning to conduct a thorough analysis for improving other tourism areas and diversify the Authority's products portfolio including Empakai crater and Olmoti crater.

The initiatives will include improvement of infrastructure such as roads and walking trails which to allow tourists to engage more with nature and culture at the tourism destinations. The Authority further explained that it was setting a price strategy for maximization of its revenue and managing traffic of tourists in the Ngorongoro Crater. It is my view that improving the infrastructures and amenities as well as promoting the Empakai and Olmoti craters are likely to improve revenue earning because tourists will have more options to choose on the tourist attractions to visit.

I recommend that Ngorongoro Conversation Area Authority establishes a living blueprint document in respect of the Empakai and Olmoti craters development and other areas to enhance tourism products.

CHAPTER FOURTEEN

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 sources of water.

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

14.1 Persistent water production shortages by WSSA

Water Supply and Sanitation Act, Cap 272 mandates the Water Supply and Sanitation Authorities (WSSAs) to provide water supply and sanitation services in allocated cities and clusters.

However, my review found 31 out of 36 WSSAs had shortage of water supply ranging from 8% to 92% daily as shown **in Table 34**. 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. In my previous financial year 2021/22, I reported that 25 WSSA had a shortage of water supply ranging from 11% to 80% of demand on daily basis, however this problem still persists.

Table 34: Shortage of water supply in regions (M^3 per day)

S/N	WSSAs	Demand	Actual water Production	Water Shortage	Water Shortage
1.	Bariadi	21,292	1,633	19,659	92.33%
2.	Namtumbo	4,731	625	4,106	86.79%
3.	Korogwe	13,943	1901	12,042	86.00%

S/N	WSSAs	Demand	Actual water Production	Water Shortage	Water Shortage
4.	Makambako	9,125	2,122	7,003	76.75%
5.	Babati	31,826	11,265	20,561	64.60%
6.	Bukoba	26,200	10,500	15,700	59.92%
7.	Songea	20,366	8,680	11,686	57.38%
8.	Morogoro	87,335	37,509	49,826	57.05%
9.	Mpanda	12,234	5,375	6,859	56.07%
10.	Sumbawanga	27,890	13,450	14,440	52.00%
11.	Masasi Nachingwea	14,934	7,299	7,635	51.12%
12.	Karatu	8,454	4,227	4,227	50.00%
13.	Mtwara	25,200	12,700	12,500	49.60%
14.	Dodoma	133,400	68,400	65,000	49.00%
15.	Mwanza	160,000	84,407	75,593	47.25%
16.	Kyela Kasumulu	9,301	5,023	4,279	46.00%
17.	Arusha	127,392	68,920	58,472	45.90%
18.	Moshi	73,246	40,409	32,837	44.83%
19.	Kigoma Ujiji	22,747	12,824	9,923	43.62%
20.	Lindi	7,270	4,186	3,084	42.42%
21.	Ngara	3,000	1,741	1,260	42.00%
22.	Tabora	29,519	17,184	12,335	41.79%
23.	Mbeya	90,206	53,632	36,574	40.54%
24.	Nzega	5,680	3,390	2,290	40.31%
25.	Singida	16,179	9,815	6,364	39.33%
26.	Kahama	23,000	14,500	8,500	36.96%
27.	Tanga	46,544	32,082	14,462	31.07%
28.	Geita	7,256	5,220	2,036	28.06%
29.	Tukuyu	15,000	10,834	4,166	27.77%
30.	Shinyanga	18,833	14,300	4,533	24.07%
31.	Iringa	19,000	17,451	1,549	8.15%

Source: -WSSAs annual performance reports

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 release of the required funds and close monitoring of ongoing projects.

14.2 Uncertainty on value for money on water projects TZS 17.29 billion

In my previous report for the year 2021/22, I reported that Dar es Salaam Water Supply and Sanitation Authority (DAWASA) water project to drill 20 boreholes in Kigamboni had been delayed for about eight years, resulting in a cost overrun of TZS 7.97 billion. During the current year's audit, I noted some progress was made, whereby seven out the 20 boreholes were completed. However, at the current pace, there was uncertainty on whether the remaining 13 boreholes requiring the total amount of TZS 17.2 billion could be completed.

I further noted that on 11 April 2023, the Ministry of Water approved the consultant's recommendation to close the project of drilling the remaining boreholes in Kigamboni. I attribute this to inadequate project management and underperformance by the contractor.

Also, at Songea WSSA the project for the extension of the water distribution network in Tunduru was terminated before the completion of project on the ground that the contractor had breached the terms of the contract. A total of TZS 94.39 million had already been used out of the contract amount of TZS 596.97 million while pending works were estimated to cost TZS 502.58 million.

I recommend that the Dar es Salam Water Supply and Sanitation Authority, and Songea Water Supply Sanitation Authority in collaboration with the Ministry of Water conduct a thorough analysis of the implementation of the remaining project's activities and ensure adequate project management for future endeavours.

14.3 Delayed implementation of water projects

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 implemented projects, noted deficiencies in DAWASA, Karatu WSSA, KASHWASA, Njombe WSSA, Songea WSSA and Lindi WSSA as follows: -

My verification of the physical works in the ongoing projects at DAWASA found significant delays in the implementation of planned projects. In Ubungo Msakuzi North line extension project, Kitopeni zone and Mshikamano zone were not implemented by 53% and 69% respectively. In Magomeni zone 37 planned line extension projects were not implemented at all and out of 36 planned line replacements, only three were completed.

In Kigamboni two out of three planned line extension projects were not implemented and one in Magogoni was not implemented by 73%. Also, in Makongo area, only 8 out of the 26 planned projects had commenced.

Further, at Karatu WSSA the project for the construction of the Bwawani project was delayed and not implemented by 30%.

At KASHWASA, there were delays of four months in starting the project for the expansion of the water transmission pipeline from the Lake Victoria Water Supply Scheme to Malampaka and Malya Town.

At Lindi WSSA, Angaza project with a contract sum of TZS 1.14 billion experienced a delay in completion. This delay was mainly due to the overdue payment of the certified certificate, amounting to TZS 287.47 million (35% completion), which was delayed beyond three months. As a result, the project was suspended, despite the contractor having received an advance payment of TZS 170.75 million.

At Njombe WSSA, I found there were delays of more than eight months in the commencement of the faecal disposal facility construction at Ngalanga with a contract value of TZS 1.24 billion. Also, in Songea WSSA, I noted that the construction of a water project at Subira was delayed for more than three months to be completed with a contract value of TZS 1.17 billion.

These deficiencies were mainly attributed to delays in disbursement of funds from the Ministry of Water which hindered the achievement of the intended objective of supplying clean water and provision of sanitation services to the community.

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

14.4 Continuous loss on Non-Revenue Water TZS 162.25 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. It is calculated by subtracting the quantity of water sold to consumers from the total amount generated or produced. 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 production.

Over the past four years, I have consistently reported on this issue and recommended the Government intercede and review the water infrastructure in WSSAs, along with devising strategies to improve infrastructure management and reduce NRW. However, the problem has worsened in the current financial year.

I found that 30 WSSAs (23 WSSAs in 2021/22) had NRW above the tolerable level of 20% whereby the level of NRW ranged from 21% to 65% (**Table 35**). The total loss for 2022/23 was equivalent to TZS 162.25 billion compared to a loss of TZS 162.14 billion in 2021/22.

Table 35: Non-Revenue Water

S/N	Name of WSSA's	2019/20 (%)	2020/21 (%)	2021/22 (%)	2022/23(%)
1.	Kigoma	30	30	30	65
2.	Ngara	45	40	40	48
3.	Mtwara	21	26	29	48
4.	Arusha	48	50	37	46
5.	Korogwe	42	41	38	45
6.	Karatu	40	40	45	45
7.	Dar es Salaam	41	39	39	42
8.	Kyela Kasumulu				41
9.	Njombe	29	29	39	39
10.	Bukoba	44	44	43	39
11.	Morogoro	43	44	40	39
12.	Musoma	50	43	40	38
13.	Sumbawanga	31	31	31	35
14.	Mwanza	37	37	36	34
15.	Tanga	36	33	31	34
16.	Lindi	33	37	35	33
17.	Makambako	44	45	44	32
18.	Singida	33	31	29	31
19.	Bariadi	28	28	28	31
20.	Geita	38	38	28	30
21.	Namtumbo				29
22.	Dodoma	26	35	34	28
23.	Mbeya	30	28	28	28
24.	Tukuyu	26	26	27	28
25.	Masasi Nachingwea	24	23	20	26
26.	Iringa	24	24	23	25
27.	Moshi	22	20	27	23
28.	Babati	32	31	25	23
29.	Songea	23	21	21	22
30.	Shinyanga	23	21	24	21

Source: WSSAs annual performance reports

I reiterate my recommendation that the Government intercedes and reviews the water infrastructure in WSSAs and develops mitigating plans to improve infrastructure management and reduce Non-Revenue Water.

14.5 Non- existence of sanitation infrastructures

WSSAs are obliged to provide sanitation services provision of appropriate facilities and services for the collection and disposal of human excreta and waste waters including ensuring safe treatment and disposal of sewage. My audit found 12 Water Supply and

Sanitation Authorities (WSSAs) had not started implementing the construction of sanitation infrastructure.

WSSAs which delayed in constructing sanitation infrastructures included: - Karatu, Makambako, Mtwara, Bariadi, Bukoba, Kahama, Kigoma Ujiji, Korogwe, Kyela, Lindi, Shinyanga, and Babati. This was caused by financial constraints as sanitation projects required a substantial investment to be completed.

Such delays hinder human development due to delay in the economic utilization of sanitation services as it posed significant public health risk which might lead to diseases and compromised the well-being of the community. Further, due to lack of these services, the authorities were deprived of revenue necessary for provision of such services to the community.

I recommend that the respective Water Supply and Sanitation Authorities in collaboration with the Ministry of Water solicit funds from Donors, or internal sources and ensure the construction of the sanitation infrastructure.

14.6 Increase in the debts for WSSAs to TZS 136.17 billion

To improve revenue collection, WSSAs implemented a credit policy to receive bills due within a month and disconnect customers who did not settled their bills within 90 days. However, despite this policy, WSSAs still experienced an increase in outstanding debts that were beyond the credit limit period.

My review of 27 WSSAs still found an increase in debtors over the past four years as shown in **Table 36**. In 2022/23, WSSAs had debtors amounting to TZS 136.17 billion (2021/22: TZS 126.23 billion) for the provision of water and sanitation services to Government entities and other organizations as well as individual customers.

Further, I found that DAWASA, Arusha, and Mtwara WSSAs had not disconnected customers who had outstanding bills of TZS 10.87 billion, TZS 809.2 million, and 1 billion respectively. Inefficiency in the recoverability of debts adversely impacts WSSA’s liquidity and could lead to financial constraints in meeting other operational requirements.

Table 36: Trend of debtor's WSSAs

S/N	WSSAs	2019/20 TZS (Million)	2020/21 TZS (Million)	2021/22 TZS (Million)	2022/23 TZS (Million)
1.	Dar es Salaam	58,165.64	69,643.53	62,285.22	65,225.88
2.	Kahama-Shinyanga	3,818.42	5,355.51	10,920.76	13,544.38
3.	Dodoma	6,596.58	6,757.49	6,717.27	7,434.28
4.	Mwanza	6,705.41	7,039.29	7,097.50	6,892.95
5.	Arusha	1,714.52	4,040.01	5,446.45	6,432.10
6.	Tanga	5,460.36	5,579.85	5,639.37	6,066.78
7.	Mbeya	5,863.61	6,263.26	5,565.19	5,061.02
8.	Moshi	4,572.02	5,003.53	4,232.85	4,709.95
9.	Tabora	1,971.13	1,930.08	2,058.73	3,082.34
10.	Morogoro	2,748.14	2,832.71	2,954.89	2,512.81
11.	Iringa	1,492.71	1,815.64	2,145.12	2,137.05
12.	Shinyanga	1,886.69	1,625.01	1,455.15	2,098.81
13.	Kahama	1,552.79	1590.47	1,592.61	1,817.08
14.	Musoma	2,167.94	2,353.91	1,430.22	1,678.85
15.	Songea	1,692.80	1,412.78	1,139.43	1,201.49
16.	Bukoba	768.41	834.27	836.37	1,070.94
17.	Mtwara	1,860.82	1,783.66	842.38	1,002.17
18.	Singida	606.65	706.49	677.31	842.63
19.	Masasi Nachingwea	672.79	587.84	725.14	841.52
20.	Lindi	786.21	776.27	797.71	565.07
21.	Babati	446.52	522.04	522.24	522.02
22.	Karatu	21.41	40.17	54.3	431.01
23.	Sumbawanga	557.84	529.12	466.88	410.05
24.	Njombe	273.8	337.71	334.7	286.45
25.	Geita	105.77	90.44	131.73	130.66
26.	Bariadi	69.97	65.18	92.32	116.47
27.	Ngara	75.03	43.08	63.37	56.11
Total		**112,653.98**	**129,559.34**	**126,225.21**	**136,170.87**

Source: WSSAs Financial Statements

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

14.7 Delay in provision of water services to customers

Para 5.1(iv) of the client service charter requires a new water connection to be made within 7 days from the date of request. However, I still noted delays in the new customer connection in Dar es Salaam Water Supply and Sanitation Authority (DAWASA), Geita, Mwanza, and Tanga Water Supply and Sanitation Authority.

The delay in the new connection ranged from 5 to 408 days from the WSSAs. This was attributed to a shortage of fittings materials, especially pipes, and meters for new connections. In turn, this led to customer dissatisfaction and caused delays in reaching Government goals of providing clean and safe water to the public.

Further, I noted there were also delays in solving customers' complaints within WSSAs. The delays ranged from 8 days to 129 days which was contrary to WSSA's client services charter. The charter requires the investigation of complaints to be completed and the matter to be resolved within 5 working days. This anomaly was noted in DAWASA and Tanga WSSAs.

Also, at Bariadi WSSA the complaints register was incomplete, it had no proper registration of the complaints from the date of receipts to the date of solving the complaints. That led to ineffectiveness in managing complaints.

I recommend that WSSA ensure there is an adequate buffer stock for meters and fittings to cover for new connections, this will be achieved through performing realistic assessments and real-time predictions of new connection demands. Ensure there is compliance with client service charter in solving customers complaints.

14.8 Un-reviewed water tariffs charged to customers

At Tanga Water and Sanitation Authority, I reviewed the tariff used to charge customers for water and sewage services for the year ended 30 June 2023 and noted the tariff in use was approved in 2018 by EWURA and published in 2021. Despite an increase in operational and maintenance expenses such as water chemicals, reagents, fuel and pipes at an average of 69% by 2023, Tanga WSSA was not yet granted a no objection letter by the Ministry of Water for proposed new tariff.

At KASHWASA, I reviewed the submitted tariff order to the Ministry of Water through a letter with Ref. No. AD.32/45/01G/75 for obtaining a letter of no objection for implementation of new tariff. However, there was no response from the Ministry for two years since its application was submitted on 26 July 2021.

Non-review was caused by a delay in the release of no objection letter by the Ministry as required by Energy and Water Utilities Regulatory Authority (Water Tariff Application and Rate Setting) Rules, 2020.

Delay in approval of new tariffs might lead to financial difficulties and the failure to meet its operational cost due to mismatches between revenue collected based on old tariff and operational cost which were on higher side.

Liquidity challenges could cause failure to conduct maintenance and upgrade infrastructure, potentially resulting in deterioration of reliability of quality and supply of water and ultimately compromise the sustainability and efficiency of the water supply system.

I recommend that TANGA WSSA and KASHWASA liaise with the Ministry of Water for the implementation of new tariff which at least match with the operational cost to enhance delivery of water service to the community.

CHAPTER FIFTEEN

REVIEW OF HIGHER LEARNING, TRAINING AND RESEARCH INSTITUTIONS

15.0 Introduction

Higher learning, training, and research institutions encompass universities, colleges, research centres, and vocational training organizations. These institutions serve as critical pillars in our nation by; Disseminating knowledge and fostering human capital development; Promoting innovation and instilling entrepreneurial spirit; Contributing to socio-economic development; and enhancing global competitiveness.

While the Government through Higher Education for Economic Transformation (HEET) Project's efforts are commendable in aiming to strengthen learning environments, improve higher education management, and align institutions with labour market needs. My review identified a number of deficiencies in the performance and management of these institutions and centres including limited students enrolment; Scarcity of research projects, consultancy services and short courses; Inadequate infrastructure; and Lack of teaching tools and equipment, as detailed below.

15.1 Deficiency in research and consultancy activities at universities

An academic institution has three primary main functions: teaching, research, public services and consulting. My review of research and consultancy functions at Mzumbe University, University of Dodoma and Bandari College found the following anomalies:

- **Mzumbe University** lacks a research and publication management system that led to decrease in revenue from consultancy activities by TZS 156.26 million from TZS 408.85 million (Target: TZS 400 million) in the year 2021/22 to TZS 252.59 million (Target: TZS 450 million) in 2022/23. In the absence of such system, it becomes difficult to identify trends, measure progress, and evaluate the effectiveness of research and consultancy activities. Unsatisfactory incentives given to consultants for their significant research contributions have been discouraging them from registering projects at the University.

I recommend that Mzumbe University develop the research and consultancy management system and incentivize staff to conduct more consultancies.

- **University of Dodoma (UDOM)** did not meet annual publication and research targets in its colleges, schools and institutes. Six academic units failed to meet annual publications targets; the performance ranged from 0% to 65% (**Table 37**).

Table 37: Actual publications vs annual target

S/N	College/School/Institute	University target	Number of Publications	% Achieved
1	School of Law	20	13	65
2	College of Earth Sciences and Engineering	40	18	45
3	Directorate of Library Services	10	4	40
4	College of Education	30	8	27
5	School of Medicine and Dentistry	70	11	16
6	Confucius Institute	10	0	0

Source: Directorate of research publications and consultancy annual report 2022/23

Also, five academic units of the University of Dodoma (UDOM) (School of Law, Confucius Institute, Institute of Development Studies, School of Medicine and Dentistry, and Directorate of Library Services) did not perform any research according to the target set of one research to each academic unit for the financial year 2022/23. This was caused by shortage of staff hence the workload was allocated to senior lecturers who had numerous programs for teaching.

Failing to meet research and publication targets could damage the reputation of the university, making it less attractive to prospective students and staff, and the inability to conduct research could also impact the quality of education provided by the institution.

I recommend that the University of Dodoma, create mentorship programs and support networks to assist early-career researchers in publishing and conducting research effectively and implement a rewards system that recognizes and incentivizes faculty for their research achievements. Also, to recruit more academic staff in order to reduce allocation of workload to senior lectures who were

allocated with many programs for teaching in order to concentrate in research.

- **Bandari Colleges** mandates an approved research and consultancy policy under paragraph 3.6.1 of its Quality Assurance Guideline, 2023. However, none of the research and consultancy policy was found during the review. Additionally, while the college managed to complete four out of five planned research projects, none were published. This, was coupled with the observation of low priority given to research activities. Consequently, the targeted impact or changes expected from the research results were not achieved.

  I recommend that Bandari Colleges ensure Research and Consultancy Policy developed and utilized; and publish research executed to bring impact to the marine and port services fields.

15.2 Deficiency in training facilities in universities and other training institutions

15.2.1 Inadequate infrastructure for students with special needs at Sokoine University of Agriculture

At **Sokoine University of Agriculture** I found that, classrooms especially older ones and the library lacked accessibility features for people with disabilities as per Section 35(1) of the Persons with Disability Act, 2010 which requires the Minister in consultation with the Minister responsible for buildings and as far as practicable to ensure that every public building and other buildings which provide services to the public are accessible to all persons with disabilities, such as ramps and toilets. Inadequate provision of access to people with disabilities does not only causes discrimination, but also denies equal opportunities to staff and students with special needs. It is necessary that the University improves learning environment by ensuring that facilities such as elevators, braille signage, and adjustable desks are presented to enhance inclusivity of these spaces.

I recommend that Sokoine University of Agriculture ensure all infrastructure surroundings the university includes, classes, libraries, laboratories are equipped with provisions to ensure accessibility for people with special needs. This will promote inclusive education and facilitate movement from one place to another.

15.2.2 Inadequate water supply by 49% at University of Dodoma (UDOM)

UDOM has an average population of 38,203 comprising both staff members and students. However, the University experience serious water deficit of 1,123,600 litres per day, equivalent to 49% of estimated demand. This is attributed to insufficient water sources at the university. This deficit disrupts students, increase the risks of diseases for the entire society and contributes to the deterioration of university infrastructure and environment.

Despite the shortage of clean water, I found UDOM paid TZS 148.1 million during the year 2021/22 and 2022/23 for the electricity bills on behalf of Dodoma Water Supply and Sanitation Authority (DUWASA) to run the water production and distribution facilities, such as distribution pump for drilling wells located at UDOM without any reimbursement or formal arrangement.

I recommend that University of Dodoma find other source of clean water such as drilled water, harvesting rainwater, and liaison with all relevant authorities such as Ministry of Water and Dodoma Water Supply and Sanitation Authority to enhance water supply at university. Also, establish a formal agreement or contract that clearly outlines the terms, conditions, and responsibilities of both parties regarding the operating costs of water production and distribution facility at the University land.

15.2.3 Insufficient vocational training tools at VETA

My review found insufficient vocational training tools and learning infrastructure at Vocational Education and Training Authority (VETA). At Manyara Regional Vocational Training Service Centre (RVTSC) there was lack of classroom and typewriters for secretarial courses. Also, there were no equipment for level III Agro-mechanics students matched with current curriculum and lack of proper workshop for motor vehicles students and small classes for science library. At Mbeya Regional Vocational Training Service Centre (RVTSC), there was inadequate poker vibrator machines, compact machines, theodolite machines at masonry and bricklaying workshop, lack of modern of metal insert gas welding machines, pillar drill machine at welding and metal fabrication workshop.

Inadequate educational infrastructures, tools and equipment were caused by limited budgets and if immediate actions are not taken, the deficiency would affect teaching especially for practical sessions by limited access of students to the necessary tools and equipment's which hinders trainees' ability to practice or develop their skills effectively and affect their ability to master the required techniques or procedures on practical application. Therefore, compromise the quality and standards of our education by producing incompetent graduates.

I recommend that Vocational Education and Training Authority ensure there are enough tools and equipment in the workshops in order to produce labour force that meet domestic requirements.

15.2.4 Inadequate library facilities at universities and other academic institutions

Library in academic institutions it's more important in order to facilitate learning, teaching and research. They offer a quiet and conducive environment for studying and conducting research, with access to resources such as textbooks, reference materials, scholarly articles, and databases. However, my review of academic institutions found the following deficiencies:

- **At Dar es Salaam Maritime Institute** (DMI), I found that there is insufficient library space, the available spaces accommodate only 100 students out of approximately 3,000 students, and computer lab is limited with capacity of 100 students out of the approximately 3,000 students. Further, the institute is facing challenge of insufficient professional books to meet the reference and lending needs of library users. This is attributed to shortage of funds. Insufficient library facilities may result in adverse impacts on students' literacy and learning outcomes.

I recommend that Dar es Salaam Maritime Institute put more efforts to ensure that the Institute's library is adequately equipped with necessary library facilities to enhance working efficiency, collection, and dissemination of information to the students/public and retain public trust in the services the Institute offers and enhance size of library by building new library. Also, to subscribe to online library by developing websites for electronics books and

electronic journals like Z-Library, Library Genesis will help students access professional books.

- At **Institute of Rural Development Planning** (IRDP), I found inadequate library study space, conducive environment and problem is more serious during peak periods like examination preparation weeks. Further, the Institute also had inadequate textbooks, weak internet connectivity and computers in computer lab in which there were only three computers while requirement was 60 computers. Therefore, a notable deficit of 57 computers equivalent to 95%. This is caused by delay in completion of the library building and inadequate funds for acquisition of textbooks. Inadequate computers and sufficient space affect readings hence performance of students.

  I recommend that Institute of Rural Development Planning ensure there are enough required facilities such as textbooks, reliable internet connection, computers and enhance the size of library to facilitate training within the institute and subscribe to online library.

- **At Moshi Co-operative University (MoCU),** I found significant functional deficiencies in the library's anti-theft system. Sampled books passed through the Sentry system failed to trigger alarms, indicating a potential security breach. Additionally, the book scanner designed to deactivate security tags was inoperable, rendering the entire system ineffective. Further, a review of library practices revealed non-compliance with section 6.7.1 of MoCU Library Rules and Regulations, 2015. Fines for overdue books, mandated at TZS 500 per day per book, were not being assessed or collected. These issues collectively represent a critical breakdown in library security and financial management, requiring immediate attention to ensure the integrity and sustainability of the library's services.

  This is attributed to absence of monitoring of the effective functioning of the systems and working on emerging gaps. There could be a possibility of loss of books without being detected, prevented and loss of revenue.

  I recommend that Moshi Co-operative University ensure the library viewpoint Anti-theft system book identification and authentication is effective for regular monitoring and control of books.

15.3 Ineffective in management of training functions

15.3.1 Unattained enrolment target of students from Higher Learning Institutions

I found inadequate enrolment of students from Higher Learning Institutions up to 31% of the target (**Table 38**). Non-achievement of enrolment target of students was caused by shortage of resources including lectures, infrastructures, tools and equipment lack of market for the programmes and inadequate number of students accessing higher education loans from Higher Education Students' Loans Board (HESLB). For instance, during the year, I found that only 83% of new students accessed higher education through students financing for the financial year 2022/23. The total number of new students allocated loans were only 73,315 out of 88,142 eligible students and this had an impact on internal source of revenue and failure to reach the expected public satisfaction level. I consider that eligible students who did not receive loans may be unable to afford higher education, hindering their access to educational opportunities and potentially impacting their future prospects.

Table 38: Inadequate enrolment of students

S/N	Institute	Target	Actual	Variance	% Not Met
1.	Vocational Education and Training Authority	100,000	69,347	30,653	31
2.	Institute of Adult Education	5,200	3,763	1,437	28
3.	Dar es Salaam Institute of Technology	7,709	5,534	2,175	28
4.	Sokoine University of Agriculture	6,917	5,177	1,740	25
5.	Mzumbe University	6,692	5,055	1,637	24
6.	Arusha Technical College	5,643	4,276	1,367	24
7.	Ardhi University	8,048	6,081	1,967	24
8.	University of Dodoma	40,000	34,100	5,900	15
9.	Institute of Rural Development Planning	16,663	14,422	2,241	13
10.	Mkwawa University College of Education	6,276	5,543	733	11
11.	Muhimbili University of Health and Allied Sciences	2,002	1,782	220	11
12.	Dar es salaam University College of Education	6,546	5,883	663	10

Sources: *Fact and Figure Report; Strategic Plan; and Current Years Enrolment Data, Performance contract with Treasury Registrar*

I recommend that Higher Learning Institutions ensure all planned enrolments target is implemented by improving infrastructure and increasing the number of academic staff members and Government ensure allocate sufficient funds to Higher Education Students'

Loans Board (HESLB) which will increase loans beneficiaries and enrolment.

15.3.2 Delay in launching of accredited program and non-accreditation of programs after expired of initial period

During my review I found several instances of unaccredited programs and accredited programs as indicated in the **Table 39.**

Table 39: Delay in launching of accredited program

S/N	Higher Learning Institutions	No. of programs	Status
1	University of Dodoma	8	Presence of academic programs that have obtained accreditation from the Tanzania Commission for Universities (TCU) but have not yet started or issued due to shortage of related staff
2	Open University of Tanzania	64	Non-reaccreditation of programs after expiration of its initial granted accreditation period which ranged from 1 to 8 years.
3	Institute of Adult Education (IAE):	All Programs	The IAE-Mwanza Training Campus lacks accreditation from the National Council for Technical and Vocational Education and Training (NACTVET).

***Source:** Reports from Directorate of under and postgraduate studies*

The delay could prevent prospective students from pursuing these programs, impact enrolment trends, lead to the non-recognition of graduating students, potentially causing graduates to miss employment opportunities due to studying courses not accredited by TCU, and compromise the higher learning institutions academic performance quality.

I recommend that higher learning institutions ensure the timely approval and initiation of accredited programs. Additionally, they should ensure that all programs offered are accredited according to the TCU Standard and Guidelines 2019. Furthermore, compliance with all National Council for Technical and Vocational Education and Training accreditation requirements as per the Accreditation and Recognition of Technical Institutions Regulations (2002) should be ensured to allow full accreditation of centres at IAE- Mwanza Training Campus.

15.3.3 Delayed review of 13 curricula at Arusha Technical College

My review of Arusha Technical College (ATC) curricula for trainee levels I, II, and III found delays in reviewing 13 curriculums ranging from 7 to 10 years up to June 2023 contrary to NACTE requirement of review after every 5 years. This was attributed to inadequate follow up with the National Council for Technical and Vocational Education and Training (NACTVET) to remind them to review the curriculum. This outdated curriculum posed a threat to the quality of education offered by ATC, as it failed to keep pace with advancements in technology and evolving labour market demands.

I recommend that Arusha Technical College ensure curriculum are reviewed on time in order to align it with the technological changes by making close follow up with the National Council for Technical and Vocational Education and Training for approval.

15.3.4 Quality Assurance functions not performed to outreach activities at Mkwawa University College of Education (MUCE)

MUCE's Quality Assurance Unit was established in order to provide advisory services on quality assurance issues for enhancing the effectiveness of its core activities of learning, teaching, research performance, research training, consultancy and general management in the College.

I found quality assurance was not performed on outreach services and other services such as monitoring and evaluation of social services and administrative activities. This is attributed to absence of annual action plan for provision of quality assurance services. My concern was some quality aspects and standards could not be achieved which might affect the quality of education and services rendered by the college.

I recommend that Mkwawa University College of Education enhance quality assurance services and quality assessment to be performed to all functions of the college.

15.3.5 Inadequate management of assessment process at the Institute of Adult Education

My review of academic reports for researches on continuous assessment (CA) and summative assessment (SA) found the results of the student's examination survey conducted by Institute of Adult Education indicated "lack of clarity" in most examination papers as a notable weakness and lack of marking guidelines. Evaluation of accuracy of marking showed marking errors for tested exam sheets of

Dar es Salaam and Morogoro compus were 6.1% and 26.4% respectively.

This was attributed to ineffective monitoring of student's assessment activities, lack of appropriate guidelines for examination setting and marking, laxity of enforcement of examination regulations. Ineffective handling or management of assessment process has a direct negative effect on the overall quality of academic delivery and quality of graduates from the Institute which can consequently have lasting reputation damage.

I recommend that the Institute of Adult Education prepare and communicate the Institute Standardised Examination Setting Guidelines and examination marking guide, sensitize academic staff on significance of quality and quality assurance in academic activities across Centres and strengthen Quality Assurance Unit (QAU) through continuous capacity building to perform its functions effectively.

15.3.6 Absence of policy for running Open and Distance Learning (ODL) Programmes at IAE

I found that Institute of Adult Education lacked Policy and Guidelines of managing Open and Distance Learning programmes. This was attributed to inadequate understanding of the importance of this control or lack of prioritization of ODL Policy for governance and expansion. The absence of universal Policy and Guidelines for ODL may lead to inconsistent and ineffective operational management of the programme at different centres hence impair the quality of programme delivery and consequently damaged Institutional image.

I recommend that Institute Adult Education develop, communicate and enforce the "Open and Distance Learnings Training (Delivery) Policy and Guidelines" that outlines strategic objectives, principles and procedures necessary in running ODL Programmes and to ensure consistence management of the programme and alignment with the overall Institute strategy.

15.3.7 Inadequate sustainability for skills development fund for vulnerable youth at Tanzania Education Authority

Tanzania Education Authority (TEA) utilized the Skill Development Fund (SDF) to provide bursary scheme grants to vulnerable youth for short-course training during the year under review.

My evaluation of the SDF-funded training program for vulnerable youth concerned about its long-term effectiveness, specifically, I found lack of mechanisms to support trainees' economic integration upon returning to their communities. This was attributed to skill development grant being not well planned to benefit vulnerable youth in future after graduation. This absence of post-training support hindered their ability to leverage their acquired skills and meet their current needs which was the objective of the Government.

I recommend that Tanzania Education Authority take initiatives of mobilizing resources from stakeholders and Government in order improve the sustainability of the bursary scheme grant to the vulnerable youth and gives post-training support to leverage their acquired skills.

15.3.8 Inadequate ratio of academic staff to enrolled students at University of Dodoma

My review of staff establishment and Standard and Guideline for University Education found there is inadequate ratio of academic staff members to enrolled students at three academic units out of 11 academic units which are College of Education, Institute of Development Studies and School of Nursing and Public Health (1.50: 1.79, 1.50:1.59 and 1.25: 1:34 respectively).

Further, review noted that seven programs within the School of Nursing and Public Health (SoNPH) have no permanent staff and instead relied on part-time staff. This is attributed to shortage of number of staff. I consider that inadequate ratio of academic staff to students may compromise educational quality and overloading available staff with additional courses, leading to reduced focus on other academic areas such as research and publication.

I recommend that University of Dodoma utilize competent part-time academic staff to share the burden of teaching courses,

thereby reducing the workload on available staff, especially senior lecturers who can contribute more effectively to areas like research and consultancy. Also, liaise with Government for getting the permanent staff.

15.4 Operational inefficiencies of academic institutions

15.4.1 Underperformance of Sokoine University of Agriculture (SUA) commercial farm

Para 5.1.1 of the Farm Development Policy, 2006 requires SUA have a farm which will be a centre of excellence in income generation in agricultural enterprises, and provision of facilities for practical skills and research and demonstration to the public.

My review found that there was underperformance of commercial farm for agriculture products, the farm made accumulative losses for four consecutive years totalling TZS 227.07 million. Underperformance was attributed to outdated infrastructure and absence of comprehensive strategies. This impaired the university's image when outsiders sought to learn by example, understanding the farm generated loss.

I recommend that Sokoine University of Agriculture develop a comprehensive farm development strategies and policies that revamp income generation in agricultural enterprises, and provision of facilities for practical skills, research and demonstration to the public.

15.4.2 Delay in provision of certificates and Academic results

i) Delay in provision of graduate's certificates at Vocational Education and Training Authority

I found Vocational Education and Training Authority (VETA) issued certificates six months after the publication of examination results and three months after assessment or performance exams, totalling the duration of nine months. My opinion on provision of certificate nine month after date of assessment was too long and could hinder graduates' ability to pursue professional development opportunities that necessitated proof of qualifications and affecting reputation of Authority and loss of credibility for the Authority. This was attributed to ineffective administrative processes within the Authority in processing and issuing certificates.

I recommend that Vocational Education and Training Authority (VETA) handle this delay through review of administrative processes involved in production and issuance of certificates including review of Client Service Charter of 2019 to reduce time of provision of certificates.

ii) Delay in approval and submission of non-degree final results to NACTVET System at UDOM

I reviewed the National Council for Technical and Vocational Education and Training (NACTVET) Examination Form No.3 (Overall summary of results) maintained by university for Diploma in Information Communication Technology and noted that there was a delay in re-uploading results of 20 graduands in the NACTVET system for two years since the academic year 2020/21. This was caused by delay by NACTVET in accepting and providing permission to re-upload the diploma results re-submitted by UDOM out of specified submission period. I consider that those diploma graduates might forfeit further academic opportunities or job prospects due to the absence of approved final results for all two years.

My further review observed that the university senate officially endorsed the results for academic year 2022/23 for Non- Degree (Diploma) programme on 25 August 2023. Despite the senate approval, up to the time of audit on 15 September 2023, the approved results were not yet uploaded to NACTVET system and the NACTVET application window was already closed. This was due to unfavourable semester academic timetable for non-degree programmes which does not align with the NACTVET calendar. I consider that the scenario could narrow students' choices for colleges and universities and lead them to wait until the following academic year to start application for the next academic level.

I recommend UDOM assess the feasibility of revising the semester timetable for non-degree program to ensure the final results are released and approved on time by the university senate. This will allow students to apply for colleges and university programs in accordance with the TCU application calendar. Also, I recommend

UDOM ensure the frequent follow-up with NACTVET office in order re-upload results of all graduands in the NACTVET system.

15.4.3 Inadequate loans strategies collection at Higher Education Students' Loans Board (HESLB)

I found HESLB had matured loans amounting to TZS 2.10 trillion and managed to collect TZS 1.29 trillion (62% of total matured loans) from 2006/07 to 2022/23. This means that TZS 0.81 trillion (38%) of matured loans was not collected as of 30 June 2023. This was attributed to lack of system integration with strategic stakeholders in order to identify loan beneficiaries. Funds that could have assisted in providing loans to other needy students were tied up in receivables.

My further review on performance of loan repayment I observed that the board had no mandatory and reliable unique identifier for students receiving loans and lacked an integrated system with strategic stakeholders as mechanism for tracing beneficiaries.

HESLB relied on form four index numbers to identify loan recipients. However, this method becomes increasingly ineffective after graduation as students transitioned into the workforce or further education.

In my view, the growing number of loan beneficiaries further emphasized the need for a stable and universal identification system like the National Identification Number (NIDA). Implementing NIDA as a mandatory requirement would allow HESLB to effectively track borrowers and improve loan collection efficiency, ultimately ensuring the sustainability of the program.

I recommend that Higher Education Students' Loans Board (HESLB) management establish a guideline requiring submission of NIDA as mandatory for all loan applicants over 18. Applicants under 18 should submit it when they turn 18 for future loan disbursements. Require continuing students/existing borrowers to provide their NIDA before receiving further loans and ensure MoUs with strategic stakeholders are finalized to enhance system integration.

15.4.4 Low coverage in monitoring, compliance, and evaluation to registered Technical Vocational Education Trainings (TVETS) Institutions

My review of monitoring and evaluation report found inadequate coverage in monitoring, compliance and evaluation to registered Technical Vocational Education Trainings (TVETS) Institutions, 88% (1,176 TVETs) under Science Allied Technologies (SAT), Business Tourism and Planning (BTP) and Health Allied Sciences (HAS) were not visited for monitoring, compliance and evaluation during the year. The Council was able to visit only 12% (162 TVETs) out of 1,338 institutions.

Further, my review of NACTVET complaint register of 2022/23 found complaints from students and other stakeholders regarding unregistered Technical Vocational Education Trainings (TVTEs) institutions. This was attributed to insufficient number of staff members and funds to facilitate monitoring, compliance and evaluation activities.

I consider that the coverage of monitoring TVETS was too low to obtain assurance on quality of technical education delivered by the respective institutions. Also, un-registered institutions in the country produce unqualified and low-quality labour force.

I recommend that the National Council for Technical Vocational Education Training (a) enter into Memorandum of Understanding (MoU) with other government bodies and Municipal Councils, to support by providing information about the Technical Vocational Education Trainings under their areas, (b) seek for more staff from President's Office, Public Service Management and Good Governance, and (c) through the Governing Council communicate with Ministry of Finance to request for more funds to support the enforcement activity through enhanced budget allocation.

CHAPTER SIXTEEN

EFFICIENCY OF REGULATORY BODIES IN EXECUTING THEIR MANDATES

16.0 Introduction

The Government 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 ensure equality and fairness among stakeholders. My previous audit reports have identified various shortfalls in these authorities. Also, the Government intends to merge some of these authorities.

This chapter summarizes regulatory deficiencies identified during the year 2022/23 such as uncoordinated regulatory activities among regulators; inadequate undertakings of regulatory activities; and inadequate use of Information and Communication Technology (ICT) in enhancing efficiency in delivery of regulatory functions and proposes recommendations for both the Government and the relevant authorities to enhance regulatory performance. The details which need Government intervention for improvements are provided below.

16.1 Inadequate utilization of ICT technology to enhance efficiency in delivery of regulatory mandates

The use and management of ICT is critical to enhance efficiency of regulatory authorities in delivery of their mandates, without which regulation of delivery of goods and services to the public becomes challenging particularly for those which are critical.

During current year's audit, I noted similar deficiencies on deployment of the ICT systems by regulatory authorities which were outlined in paragraph 16.1 of my previous year's report of 2021/22.

This implies corrective and proactive actions were not adequately instituted by regulatory authorities to resolve the system deficiencies and ensure adequate utilization of ICT technology.

According to paragraph 23 (3)(a) of the Commodity Exchanges Regulations, 2016 Tanzania Mercantile exchange (TMX) is supposed to generate trade completion, order completion and order modification reports from its trading system, and those reports are necessary to facilitate transparency of transactions, prevention of data manipulation, enhanced data integrity and avoid errors. However, TMX did not generate these reports from the system. TMX stores its trading data into MySQL database which does not meet the non-tamperable form. This exposes TMX to the risks of tempered reports.

The National Petroleum and Gas Information System (NPGIS) is hosted by EWURA with crucial information such as retailer daily purchases and sales, wholesaler sales records and other specified data from stakeholders on petroleum and gas activities in the country. However, I noted that Energy and Water Utilities Regulatory Authority (EWURA) as regulator does not adequately use NPGIS for compliance and monitoring of data submissions because of Authority's inadequate oversight, insufficient enforcement of compliance, and potential gaps in stakeholder training or communication about the system's requirements, instead EWURA does not conduct monitoring through the system.

The failure to use the system poses the risk of incomplete or inaccurate data collection which may lead to ineffective monitoring and oversight of the petroleum industry.

Contractors Registration Board (CRB) has not fully automated its critical business process of contractor registration such as application forms being manually documented and physically submitted to CRB offices. Also, while CRB use CIMIS system for financial management, some financial processes such as staff loan applications and reconciliation, have not been automated and they are being processed manually which heightens the risk of errors.

Also, in review of inspection reports, I noted that Computerized Integrated Management Information System (CIMIS) used by Contractors Registration Board for registration of contractors, registering building-related projects and tracking inspection details is not enhanced to generate comprehensive inspection reports and it is not interfaced with other systems including Central Motor Vehicle Registration System (CMVRS) of Tanzania Revenue Authority (TRA) and Business Registration and Licensing Agency (BRELA) for verification of motor vehicle registration and owner details, respectively, impeding contractors' registration process.

These deficiencies may contribute to incorrect data and inappropriate information management leading to inefficiency in delivery of regulatory mandates.

I recommend that Regulatory Authorities take measures to ensure full utilisation of ICT technology for improved efficiency in delivery of their mandates.

16.2 Inadequate measures to manage deregistered members by regulatory authorities

Regulatory Authorities are mandated by their respective establishment acts and regulations to register and or deregister entities or individuals under their ambit based on registration or deregistration criteria, respectively. The challenge faced by regulatory authorities is managing members' registration certificates and their conduct after deregistration as they are no longer fall under their mandates.

During the period up to 30 June 2023, the Contractors Registration Board (CRB) had deregistered 510 contractors due to various non-compliances as per the Contractors Registration Act, 1997. From the review of CRB records, I found that none of the 510 deregistered members had surrendered the registration certificates to the Board as of 30 June 2023. I also found that CRB had no mechanism in place to enforce the surrender of registration certificates or to control actions after deregistration, which could potentially mislead the public into believing that they are still members.

At Energy and Water Utilities Regulatory Authority (EWURA), I reviewed compliance, monitoring and inspection reports and found 12 Petroleum Retail Stations were reported to be abandoned for more than a year, and noted there were no decommissioning actions from the Authority, which indicates a gap in rule enforcement, contrary to the requirement of Rule 25(1) (g) and 50(1) (b) of Petroleum Rules of 2022 and Rule No. 7(a) of the 2017 of the Petroleum (Waste Oils Recycling Operations) Rules, 2017.

Further, I reviewed EWURA's approved Licenses Register for construction and found that 101 (26%) construction of fuel filling stations approvals out of 393 issued had expired before constructions were executed and no actions had been instituted.

This might cause the public to unknowingly deal with unregistered persons who are ineligible, and whose quality of their work is not guaranteed.

I recommend that Regulatory Authorities institute procedures to protect the public from engaging with deregistered or unapproved members.

16.3 Ineffective use of research as a tool to identify and assess gaps for appropriate regulatory measures

Based on Establishment Acts, Organization structures and strategic plans research is considered vital for some of regulatory authorities for effective execution of their mandates as it furnishes evidence-based information, tools, and insights for developing regulations, assessing risks, monitoring compliance, evaluating policies, safeguarding public health, fostering international collaboration, and adapting to technological advancements.

Contrary to Establishment Acts, Organization structures and strategic plans, I found that regulatory authorities do not conduct research, regularly to assess or respond to prevailing regulatory risks or for future and sustainable regulatory measures which might hinder an opportunity to formulate research based regulatory measures that realistically address real regulatory gaps to the country.

At Contractors Registration Board (CRB), I noted that the Board has neither a research manual nor research policy despite having a unit under directorate of research and development in the CRB's organization structure which is designated to conduct research. Also, it has not concluded any research to identify or assess problems or challenges facing construction industry by contractors, contracting entities and the public in general for the year 2022/23; which may limit CRB to make informed decisions that would solve the real problems facing the sector.

The Tanzania Communication Regulatory Authority (TCRA) is required by section 6 of the Tanzania Communications Regulatory Authority Act, 2003 to conduct industry research and analysis of activities.

However, while two research were conducted as of 30 June 2023, the impact of the research recommendations was not tracked, and the research policy used was not approved by the Board of Directors. Also, there was no research agenda, the situation which limits the authority to ascertain the value of conducted research works, lack of uniformity and guidance in conducting research works, and risk of conducting research which are not aligned with the Authority functions and objectives, respectively.

I recommend that the respective regulatory authorities conduct research activities as a tool to maintain, develop new, and improve the current regulatory measures.

16.4 Energy sector regulatory deficiencies

The energy sector in Tanzania is regulated by the Energy and Water Utilities Regulatory Authority (EWURA). This part concentrates on deficiencies noted in regulating electricity, petroleum, and natural gas, while water utilities are discussed in chapter 14 of this report: -

The License and Order Information System (LOIS) indicates that a total of four petroleum and natural gas operators were active as of 30 June 2023 out of which two were providing gas connection service to users such as residential and commercial and they demand connection charges.

During the audit I reviewed EWURA's annual performance report for 2021/22 to evaluate prior performance in relation to the performance of the year under audit. The review revealed that, EWURA received report indicating that a total of 72,533.56 MMscf gas and petroleum produce had been sold and the total amount of TZS 1,042 billion was charged. However, connection charges imposed by the natural gas distribution operators, particularly TPDC and PAET were not approved by EWURA contrary to Regulation 20 of the Petroleum-Natural Gas Pricing Regulations, 2020, and no enforcement measures were taken by EWURA. This situation may affect fair pricing and market transparency in the natural gas sector.

EWURA did not take actions against 11 Small Power Producers (SPPs) out of 15 SPPs licensed and all 10 Very Small Power Supplies (VSPPs) registered, who failed to submit their annual reports for the year ended 30 June 2023 or since when they were licensed contrary to Electricity Development Rules of 2020 which requires SPPs, VSPPs, and Small Power Distributors to submit annual reports to the Authority within 120 days of the financial year-end. This may impair the Authority's ability to plan and forecast energy resource requirements.

TBS does not fully implement Terms of Reference (TORs) of fuel making agreement with EWURA whereby 4 out of 9 TORs equivalent to 44% were not implemented. This impedes the efforts to control adulteration and dumping into the local market of the smuggled and transit petroleum products thus retarding the Government efforts aimed at prevention of tax evasion in order to enhance collection of Government revenues.

No milestones for construction of retail outlets in rural areas by operators with at least four retail outlets in a city, municipality or district township area contrary to Rules 7(1)(2)(3) of the Petroleum (Wholesale, Storage, Retail and Consumer Installer Operations) Rules, 2022. I found that currently EWURA does not track compliance with this requirement. This may lead to disparity in the distribution of fuel resources between and rural communities, impacting various sectors and hindering balanced regional economic development.

A total of 12 liquefied petroleum gas wholesaler had been licensed and were operational as of 30 June 2023. My inquiry from management and review of licenses registers, revealed that liquefied petroleum gas retail outlets are neither registered nor monitored by EWURA and that EWURA did not conduct any monitoring and compliance inspection of these outlets contrary to Rule 46(1) of the Petroleum (Liquefied Petroleum Gas Operations) Rule 2020. This may lead to improper handling, storage, and transportation of LPG, potentially resulting in hazardous situations like leaks, fires, or explosions, posing a serious threat to public safety.

I found no evidence of an established and approved enforcement mechanism for maintenance minimum stocks of Petroleum Products by licensed wholesale, and retailer petroleum operator's contrary to Rule 25(2)(b)(iii) of the Petroleum (Wholesale, Storage, Retail and Consumer Installation Operations) Rule, 2022. This poses the risk that some licensees may not maintain adequate inventory levels, leading to possible supply shortages and disruptions for consumers;

I recommend that EWURA in liaison with the Government and other stake holders, take measures to timely addresses all noted regulatory deficiencies.

16.5 Exclusive distributorship agreements with anti-competitive clauses on purchase of Government motor vehicles

Section 9(I) of Fair Competition Act, 2003 prohibits a person to make or give effect to an agreement if the object, effect, or likely effect of the agreement is: (a) price fixing between competitors; (b) a collective boycott by competitors; or (c) collusive bidding or tendering.

During the audit, I found that three supper dealers (Toyota Tsusho Corporation, African Automotive Trading Limited and Tata Motors Limited) have exclusive distributorship contracts with three motor vehicles distributors/manufacturers as reported in Fair Competition Commission (FCC)'s investigation reports which was conducted under the directive of the Ministry of Finance after noting deficiencies. According to FCC investigation, the contracts contained anti-competitive clauses contrary to Section 9 (I) of Fair Competition Act, 2003.

The clauses limit manufacturers to directly trade motor vehicles to the Government. As a result, the Government must purchase motor vehicles from them because its access to manufacturers has been denied by exclusive distributorship agreements.

The referred to as exclusive distributorship agreements are in the following manner: Toyota Tsusho Corporation and Hino Motors Limited have an agreement of exclusive distributorship with Toyota Tanzania Limited; African Automotive Trading Limited has an agreement of exclusive distributorship with CFAO Motors Limited; and Tata Motors Limited has an agreement of exclusive distributorship with Tata African Holdings (Tanzania) limited as well as Motor-Hub East African Limited.

The FCC's investigation findings have facilitated negotiations and actions to terminate exclusive distributorship agreements, especially clauses deemed anti-competitive. This action aims to enable the Government to leverage the opportunities of the free market when purchasing motor vehicles.

While Toyota Tsusho Corporation and Toyota Tanzania Limited have agreed on the alleged claims and have been engaged in negotiations which are still ongoing; African Automotive Trading Limited and CFAO Motors Tanzania Limited has disagreed with the FCC Provisional findings which necessitates FCC to proceed with the Final Findings and actions.

Exclusive distributorship agreements deny the country an opportunity to realize savings from utilizing competitive prices by direct purchase from motor vehicle manufacturers/super dealers.

I am concerned about the low pace of finalization and settlements of negotiations and disagreements which delays the Government from benefiting through the free market opportunities.

I recommend that the FCC (a) expedite the process of finalizing pending issues with the aforementioned super dealers and distributors to ensure the article of exclusive distributorship right contained in their agreements is reviewed to allow the Government and other customers to procure the vehicles from the manufacturers or super dealers; and (b) expedite further investigation of African Automotive Trading Limited and CFAO Motors Tanzania Limited and the Final Findings be issued and served to the said respondents (super dealer and distributor) for compliance and claim settlement.

CHAPTER SEVENTEEN

EFFICIENCY OF PUBLIC SECTOR ENTITIES IN HEALTH SECTOR

17.0 Introduction

This chapter highlights issues identified during review of efficiency of public sector entities under health sector including Muhimbili National Hospital (MNH), Muhimbili Orthopaedic Institute (MOI), Medical Store Department (MSD), Keko Pharmaceutical Industries (1997) Limited, and National Health Insurance Fund (NHIF).

The issues identified include inadequate satisfaction of customers' order by 24% of the customer demand of 105,646,079 items at MSD, and rejections of NHIF claims submitted by public hospitals amounting to TZS 11.83 billion. The following are the details of deficiencies noted during my audit.

17.1 Delay in provision of laboratory services tests results at Muhimbili National Hospital

Muhimbili National Hospital, through its 2022-27 strategic plan, aims to enhance its super-specialist clinical, diagnostic, and treatment services. A key objective is to improve clinic support services, specifically by reducing the turnaround time for all laboratory tests by 100% by June 2023.

The Central Pathology Laboratory (CPL) plays a pivotal role in providing timely and accurate laboratory results, crucial for specialists in making informed decisions for clinical interventions, early disease detection, and treatment plans. By achieving this objective, CPL will contribute to swift patient care, ensuring prompt diagnosis and effective treatment strategies.

In my review of lab turnaround time at CPL, I examined 50 sampled tests from diverse units like chemistry, microbiology, blood transfusion, and hematology and I identified significant deviations for 26 tests conducted during the period ended 30 June 2023. These deviations ranged from 4 to 260 hours above their individual targeted turnaround times. The causes for large turnaround time were breakdown of clinical test machines which had no backups and stockout of their respective reagents.

Large turnaround time results in deterioration of healthcare in hospital which delay the provision of health care and time taken for patients to receive services and leads to a decrease in customers' satisfaction with service provided by MNH.

I recommend that Muhimbili National Hospital assess all laboratory tests instruments, machines and ensure availability of backups of all critical instruments and machine which can be used at the time of machine breakdown and when a machine need a major repair and maintenance.

17.2 Defective 406 biomedical equipment's at MNH-Mloganzila

My audit of the biomedical equipment inventory at Muhimbili National Hospital-Mloganzila revealed that 406 out of 2565 total items (16%) were identified as non-functional and lacked any scheduled repair or maintenance.

Additionally, I found that preventive maintenance was conducted on 60 items (31%) only out of 192 scheduled items. The shortfall was caused by absence of a sufficient budget for performance of preventive maintenances. This may lead to early breakdown reflecting to higher maintenance cost.

Non-functional of biomedical equipment compromises patient care due to delayed treatment, or inadequate care, potentially putting patients' health and safety at risk; continuously repairing or replacing malfunctioning equipment can be costly. Defective equipment can slow down clinical workflows, increase patient waiting times, and decrease the overall efficiency of healthcare delivery within the hospital.

I recommend that Muhimbili National Hospital-Mloganzila in liaison with responsible Ministry ensure sufficient budget is allocated for corrective maintenances as this will assure clinical workflow, decrease patient times and increase overall efficiency of healthcare delivery within the hospital.

17.3 Significant Rejections of Claims by NHIF TZS 11.83 billion

During my audit for year 2022/23 I found NHIF rejected a total of TZS 11.83 billion equivalent to 15% of total claims TZS 76.89 billion from four public hospitals shown in **Table 40**. Trend analysis indicates that there was an increase in rejections from the financial year 2020/21, where TZS 3.87 billion (7% of claims) was rejected and in financial year 2021/22 a total of TZS 8.84 billion (10% of claims) was rejected.

The major reasons for rejections being false claims and absence of justifiable basis on non-compliance with the rules or regulations pertaining to payment of claims, double claims, overutilization of services, non-adherence to NHIF pricing, services not indicated in the diagnosis, lack or invalidity of authorization numbers, missing details of claimed services after verification, absence or invalidity of patient signatures, services not within NHIF benefit package, calculation errors, overprescribing, and non-compliance with standard treatment guidelines.

Table 40: Rejection of claims by NHIF

S/N	Name of the Entity	Period	Total Billed Amount	Amount Rejected	% of Rejections
			TZS "Million"		
1	MNH-Mloganzila	July 2022-May 2023	13,993.65	3,055.36	22
2	Muhimbili National Hospital	July 2021-June 2023	53,967.45	7,400.23	14
3	Muhimbili Orthopaedic Institute (MOI)-Medical Bill	July 2021-June 2023	7,423.37	1,259.42	17
4	Muhimbili University of Health and Allied Science	July 2022-June 2023	1,501.92	115.84	8
	Total rejections		**76,886.39**	**11,830.85**	**15**

***Source**: NHIF Billing analysis*

Liquidity position of these PSEs could be severely affected due to significant rejection that leads to a loss of cash.

I recommend that Muhimbili National Hospital, MNH- Mloganzila, Muhimbili Orthopaedic Institute; and Muhimbili University of Health and Allied Science (a) establish a mechanism of reviewing all reasons for the rejection and provide timely feedback to the entrusted officers across all departments and sections dealing with the delivery of health service to prevent or minimize the recurrence of the same anomalies in the future; and (b) consult NHIF for the provision of training and regular seminar on awareness

with regard to health service delivery that will not compromise defined requirements.

17.4 Non-Fulfilment of 24% of orders from healthcare facilities by MSD

MSD received 105,646,079 orders of medical items from referral, regional and health facilities in the financial year 2022/23 and fulfilled 85,525,584 orders of medical items (76% of total orders). This reflect an improvement in fulfilment of customers' order compared to the financial year 2021/22 when only 33% of the orders were fulfilled.

Unfulfilled orders were caused by inaccurate forecasting of customers' demand resulting from usage of low-quality data that originated from insufficient inventory management practice and forecasting by the Ministry of Health based on consumption; and insufficient working capital caused by outstanding receivable from Government on storage and distribution costs of Vertical programs health commodities (TB, HIV, Malaria and RMNCH) amounting to TZS 366.32 billion.

Referral, regional and other health facilities could face shortages of medical supplies and equipment, thus potentially impacting the provision of services to citizens. In addition, MSD missed out on potential revenues that could have been generated from the sale of medical supplies and equipment to healthcare centres.

I recommend that (a) Medical Store Department ensure inventory management system is improved to provide quality data by automating re-order process and inventory tracking through the system to enhance inventories forecasting accuracy, and (b) Government settle TZS 366.32 billion that owed to MSD to improve working capital of the entity.

17.5 Existence of dormant, obsolete, and slow-moving items worth TZS 6.57 billion at MSD warehouse

MSD Inventory Management Guideline of 2018 explained that obsolete items need to be disposed of and dormant and slow-moving items need to be donated to hospitals.

During the audit I found that total inventory at MSD Warehouse had a value of TZS 123.67 billion, out of which inventory worth TZS 6.57 billion were dormant, obsolete and slow moving.

Dormant, obsolete and slow-moving items are outcome of changes in technology for items like x-ray films which is outdated as currently digital x-ray machine is used; inadequate forecasting of demand for items that are less demanded; and diseases that are declared no longer pandemic like covid-19.

Funds are tied up in inactive and outdated inventory instead of being used to finance other activities.

I recommend that Medical Store Department (a) consider disposing of dormant or obsolete inventory through donation or sales; and (b) collaborate with Ministry of Health to explore the most effective approach to decrease number of dormant, obsolete and slow-moving items.

17.6 Expired inventory of normal and special items TZS 9.70 billion at MSD

MSD's inventory is categorized into normal, special, MSD Community Outlet, and vertical items, as outlined in the 2018 Inventory Guideline. MSD Inventory management guideline of 2018 provides that expired inventory should not exceed 2% of the total inventory value.

My assessment of expired inventory of normal items and special items for three consecutive years of 2020/21, 2021/22 and 2022/23 found fluctuation trend as indicated in **Table 41**.

Table 41: Trend of expired items for normal and special items

Financial year	Normal items	Special items	Total
	TZS "Million"		
2020/21	11,091.75	658.23	11,749.98
2021/22	5,508.96	408.58	5,917.54
2022/23	8,826.14	872.52	9,698.66

Source: *Stock taking report 2022/23*

Expired items resulted from receiving health commodities with short shelf lives; inefficient forecasting, and haste procurement in response to a pandemic disease which are no longer prevalent (covid 19) as most of these commodities were acquired in financial year 2020/21 and 2021/22 in form of donation or emergency procurement as preparedness to combat covid-19.

Although expired items are below 2% of total inventory value, expired inventory results in financial losses because expired drugs will not be sold and consume space that could be used to store other items.

I recommend that Medical Store Department ensure (a) health commodities received have shelf life of greater than 80% or 2 years

of total life; and (b) forecasting is based on reliable data of demand.

17.7 Outstanding contribution receivables TZS 11.56 billion at NHIF

Section 9 of National Health Insurance Fund Act requires registered employers to submit contribution receivables within 30 days after the end of the month to which contribution relates. Total contribution receivables due to the NHIF as of 30 June 2023 was TZS 42.57 billion, out of which receivables from Government entities was TZS 19.04 billion (45%), and TZS 23.53 (55%) constitute receivables from non-government entities.

Further analysis revealed that, out of total contribution receivable, TZS 16.9 billion equivalents to 40% was outstanding for more than 30 days. Moreover, NHIF collected a total of TZS 5.34 billion by the end of November 2023 while a total of TZS 11.56 billion remained uncollected.

Several factors contribute to the delayed collection period, and for contributions due from the government entities, the main factor is the bureaucratic verification of the outstanding medical claims.

Thus, contribute to the accumulation of long-standing receivables from government entities, impacting the financial stability of the receiving organization.

The long outstanding receivable causes cashflow challenges to the Fund which in turn may affect the funds operations including timely payments to services providers.

I recommend that (a) the Government verify the outstanding contribution arrears and approve them for payment, and (b) NHIF continue making follow up on the outstanding receivables and ensure the entire amount is collected.

17.8 Solvency and sustainability of the National Health Insurance Fund

National Health Insurance Fund has been incurring losses for the past five years. The fund has incurred a loss of TZS 156.77 billion for the financial year 2022/23, which is an improvement from the loss of TZS 205.95 billion incurred in financial year 2021/22.

Contribution income from dealing with members for the financial year 2022/23 has grown by 14.6% from TZS 552.58 billion in financial year 2021/22 to TZS 633.51 billion in financial year 2022/23, which is higher than growth of expenses from dealing with members of 10.2% from TZS 674.25 billion in financial year 2021/22 to TZS 743.28 billion in financial year 2022/23. Loss from dealing with member decreased from TZS 121.67 billion in financial year 2021/22 to TZS 109.77 billion in year 2022/23.

This indicates improvement from financial year 2021/22 where contribution from dealing with members grew by 12.9% from TZS 489.48 billion in financial year 2020/21 to TZS 552.58 billion in financial year 2021/22, which was less than growth of benefit expenses of 24.6% from TZS 540.55 billion in financial year 2020/21 to TZS 674.25 billion in financial year 2021/22.

Several critical factors threaten the long-term viability of the NHIF:

a) **Outstanding Government Loans:** A total amount of TZS 208 billion in respect of Government loans create a significant financial burden, limiting the NHIF's ability to invest in essential services and infrastructure. My enquiry revealed, the Government through Ministry of Finance planned to pay TZS 180.03 billion (principle only) in Government budget for financial year 2024/25.

b) **Unfunded Retiree Benefits:** As the NHIF finances medical services for retirees and their spouses for life without requiring contributions, annual average spending of TZS 84.70 billion on this group poses a long-term threat to financial stability.

c) **Rising Non-Communicable Disease (NCD) Costs:** The increasing prevalence of NCDs among beneficiaries, leading to average annual spending of TZS 137.80 billion, adds significant strain on the NHIF's resources.

d) **Adverse Selection:** The voluntary nature of membership for certain groups, particularly in the formal and informal private sectors, leads to "adverse selection," where individuals join only when they need expensive medical care, jeopardizing the financial solvency of the entire scheme.

The continuous deficits from dealing with members and overall deficits incurred by the Fund, the existing reserves of the Fund and ultimately impact the solvency and sustainability of the Fund.

I recommend that (a) NHIF re-consider its strategies on how to generate surplus from dealing with members and overall surplus for the years for the sustainability of the Fund; and (b) Government pay the outstanding Government loan.

17.9 Inadequate performance of the Keko Pharmaceutical Industry

During my assessment I found the company's current liabilities exceeded current assets by TZS 5.23 billion in 2019 and by TZS 12.17 billion in 2022. This trend is an indication of potential liquidity problems. I further found that for four consecutive years the company has been operating under losses as follows: -TZS 3.27 billion in 2019; TZS 1.35 billion in 2020 and TZS 1.48 billion in 2021 and TZS 1.35 billion in 2022.

Losses were caused by production inefficiencies which result in a failure to generate sufficient sales to cover associated costs and inability by management to explore outside market due to over reliance on MSD as its sole customer.

I also found that on 20 December 2021 KPI entered into a Memorandum of Understanding (MoU) with the Medical Store Department (MSD) for the distribution of 10 different medicine manufactured at KPI. From October 2020 up to December 2022, MSD made orders with a total value of TZS 18.48 billion. However, KPI delivered medicine with a total value of TZS 12.99 billion only. The medicine supplied were less by 20% of the ordered amount although KPI had already received advance payment of TZS 16.29 billion or 88% of the agreed amount. This was mainly caused by a lack of working capital and the ineffective performance of manufacturing machines.

I recommend that Keko Pharmaceutical Industries take immediate action to ensure the industry becomes effective, action to include improvement of working capital and to improve the efficiency of the factory through improved and modernized equipment which will enhance sales to cover associated costs.

CHAPTER EIGHTEEN

REVIEW OF CROPS AND PRODUCE BOARDS

18.0 Introduction

Agriculture sector in Tanzania being the back born of the Country's economy and its welfare, as it is emphasized in the Tanzania Agriculture Policy, was designed in a way that cash crops are set to be managed by specific Boards; while there are other specific institutions which were established to manage other factors affecting agriculture. For instance; Tanzania Fertilizer Regulatory Authority (TFRA) to ensure Fertilizer production and supply; Tanzania Plants Health and Pesticides Authority (PHPA) for plant health and pesticides management; and Tanzania Agriculture Research Institute (TARI) for carrying out agricultural research etc.). Also, food crops are managed by the Ministry and Ministerial Agencies such as National Food Reserve Agency (NFRA) and while cereal and other produce business is done by Cereal and Other Produce Board (CPB) to ensure reliable markets for farmers. The set up aims to enhance efficiency and productivity in the sector.

This Chapter focuses on challenges and issues faced in the cash crops and food crops production in relation to the Boards established to manage them. The cash crops include cotton, cashewnut, sisal, coffee, tobacco and pyrethrum. Despite Government policies, efforts and investments, the growth and development of these agriculture products is hindered by inadequate financing mechanisms and coordination among the stakeholders, reliance on rainfall for agriculture, high prices of inputs, and inadequate financing mechanisms, as reported in my previous year reports.

In addition to what I reported in previous year, in my audit for the financial year 2022/23, I found several deficiencies including: inadequate controls over crop quality management; inadequate strength of crop boards to ensure cash crop development and growth; and inefficiency in management to ensure adequate supply of fertilizers and of good quality. The details of highlighted deficiencies are as follows:

18 Review Of Crops And Produce Boards

18.1 Inadequate strengths for crop boards to deliver their mandates

Crop Boards are responsible for the development and growth of crops under their ambit by ensuring more people engage in farming and production of the respective crops, under conducive environment that the boards are responsible to enhance on behalf of the Government. This is done through intensive farming campaigns, education, promotions, ensuring availability of pesticides and adequate quality fertilizers, trainings, ensure availability and application of appropriate technology, availability of quality seedlings, etc. Hence, adequate funds, skilled staff for extension services, agriculture infrastructure, and appropriate technology need to be available to crop boards.

However, I found that crop boards are faced with inadequate funds, assets, technology and technical personnel to execute their responsibilities. These weakens boards' ability to adequately ensure development and growth of crops under their ambit. Heavy dependency on government funding is significantly affecting financial strength of crop boards as reported in Para 18.5 of my previous year report of 2021/22.

For instance, for the financial year 2022/23 Tanzania Small Holders Tea Development Agency (TSHTDA) did not receive TZS 827.95 million out TZS budgeted TZS 1.63 billion and had shortage of 53 staff member needed to support its activities including field planting.

Tanzania Coffee Board (TCB) did not receive TZS 1.31 billion (81%) of the budgeted amount of TZS 1.61 billion from the Government that hindered TCB to effectively implement activities of coffee strategy for 2022/23.

Tanzania Tobacco Board did not receive TZS 568.992 million out of TZS 2.19 billion budgeted as Government subvention for salaries and development projects; while Cashew nut Board did not collect TZS 1.56 billion out of TZS 6.17 billion that was budgeted as own sources revenue.

Financial constraints limits crop boards' ability to adopt, innovate and or acquire technology and advanced agriculture facilities that would enhance efficiency in farming and increase productivity.

I recommend that Government review the current funding modality of crop boards and come up with a more efficient models that will enhance Boards' financial strength.

18.2 Limited application of agricultural technologies and ICT for improving agriculture productivity

Agriculture Technology is among key factors that enhance efficient farming as it triggers high productivity at a reduced cost, although it needs a high initial investment. It includes installation of irrigation infrastructures, production of high-quality seedlings, fertilizers, farming tools, and agriculture techniques. ICT on the other hand, provides an efficient way for crop boards to deliver their mandates by collecting, processing and disseminating information in a timely manner.

During the audit, I found all crop boards have limited ability in terms of technology. Low application of technology has been a major stumbling block to productivity. For instance; during the financial year ended 30 June 2023, I noted that Tanzania Cotton Board (TCB) through Cotton Development Trust Fund (CDTF) invested the total amount of TZS 96.03 billion for 26,398,652.63kg of cotton seeds, 12,216,629 acre/hectare of pesticides and 46,203 Pcs of sprayers with projection to harvest 253,195 metric tons of cotton. However, at the end of market season 2022/23, cotton production was 174,486 metrics tons lower than expected tonnage of harvest due to prolonged draught and pests which could be resolved by application of irrigations schemes technology and use of drones and or high-pressure pesticides sprayers for spray of pesticides would improve efficiency in pest management.

Coffee Board of Tanzania (CBT), in its Directors Report, reported that optimal productivity of 1Kg per coffee tree will be attained through improved technology and its application with appropriate inputs and extension services. Currently productivity is 0.375 Kg per coffee tree.

Tanzania Tobacco Board (TTB) reported low productivity of 1,300 kg/Ha for the financial year ended 30 June 2023 which is below target of 1,400 kg/Ha due to challenges that include delay in application of inputs due to late distribution, low curing barns capacity, effects of unequal distribution of rainfall as there are no irrigation schemes and lack of technology to manage effect of natural catastrophes (rainfall with hail and thunder storms); that caused loss of tobacco leaves.

Unlike Sugar Board which has Agricultural Trade Management Information System (ATMIS), Sugar Inspection App, Industrial Sugar Management System (ISMS), Sugar Production and Distribution Tracking System, and Farmers Registration System (FRS). I found some of Crop Boards such as Tea Board Tanzania and Tanzania Pyrethrum Board do not have similar systems that would efficiently enhance their ability to deliver their mandates. For instance; Tea Board of Tanzania does not have system to register farmers, collect data and or monitor tea statistics as all processes are done through Ms Words or Excel which are prone to errors and manipulation. I also noted the same for Tanzania Pyrethrum Board whereby almost all communications and data operations are manual, making them inefficient, prone to errors, and susceptible to manipulation.

I recommend that crop boards invest in agriculture technology and ICT systems to enhance productivity and effective communication respectively.

18.3 Inadequate controls over crop quality management

Market stability and favourable prices are generally dependent to demand and supply forces. However, quality of some crops such as coffee, cashew nut, tea, cotton and tobacco affect their demand and price in the market. Hence, crop quality management is key and is among responsibilities of crop boards as required by their corresponding establishment Acts. The standard measure of crop quality is in aspects such as moisture content, size, colour, texture, aroma, taste, and absence of defects or contaminants.

During the audit, I noted from the Crops Board reports for the year ended 30 June 2023 that aspects of crop quality management is a serious challenge to the crop boards. Except Cashew Nut Board which exceeded its targeted quality standard, other crop boards failed to attain quality standard of their respective crops as demonstrated in the **Table 42** below.

Table 42: Quality produced Crops

	Coffee	Cotton	Cashew Nut	Pyrethrum	Tobacco
Standard/target	15%	75%	97%	1.29%	94%
Attained	6.20%	37.59%	98.2%	1.24%	88%
Discrepancy	8.80%	37.41%	-	0.05%	6%

Source: Crop Board reports of those charged with governance

The Boards face difficulties in managing quality because they do not farm directly by themselves but through farmers, due to different reasons, may not adhere to quality management activities. To mitigate that, intensive extension services are inevitably necessary which needs adequate funds, skilled personnel, vehicles and application of appropriate agriculture technology as a mechanism to enhanced quality control management which is currently not being adequately done.

While acknowledging Government efforts to equip agricultural officers with motorcycles, trainings and other needs to enhance their movement to easily reach and serve more farmers, cash crops need specifically dedicated agricultural officers who are well equipped to handle the delicacy nature of cash crops' quality. Crop quality management process involves quality planning, implementing quality management activities, inspections, quality data collection management and others of which crop boards lack adequate resources to effectively undertake.

I recommend that crop boards liaison with the Government ensure availability of adequate resources for intensive extension services to farmers to trigger improved quality management activities.

18.4 Deficiency in management of quality and supply of Fertilizers

Fertilizer is an indispensable input in modern agriculture as it plays a critical role in enhancing crop productivity, quality, and soil fertility. It provides essential nutrients to crops and ultimately enhances plants growth, yields, and quality of crops. The Government is committed to enhance efficiency and productivity in agriculture sector and establish the Tanzania Fertilizer Regulatory Authority (TFRA) to regulate the manufacturing, importation, marketing, and use of fertilizers in the country while concurrently protecting farmers and the public from health hazards associated with the use of fertilizers and fraud in fertiliser market.

During the audit, I found several deficiencies with regard to production, supply, use and management of fertilizers which ultimately affects the agriculture sector as detailed below.

18.4.1 Delay in payment of fertilizer dealers

Para 5.5 of the fertilizer subsidy guidelines requires TFRA to pay dealers within 14 days from the date of receipt of dealers' invoices, in order enhance and smoothen operation of the fertilizer subsidy program.

To the contrary, I found that TFRA failed to settle claims from 18 dealers for periods ranging from 15 days to more than 60 days which resulted in accumulation of debts to TZS 262 billion as at 30 June 2023. The delay was attributed to delays, partial and or non-release of the requisite funds by Ministry of Agriculture, thereby constraining TFRA's ability to settle the outstanding debts within the prescribed timeframe. This may discourage dealers and threaten their participation in the subsidy program posing possibility of reduced supply and availability of fertilizer to program beneficiaries.

I recommend that TFRA liaison with the Ministry of Agriculture ensure funds are available and timely paid to fertilizer dealers for sustainable program operations.

18.4.2 Inadequate measures to prevent misconducts in fertilizer subsidy programs

The Government has introduced a fertilizer subsidy program which intends to ensure sufficient supply of quality fertilizers to farmers at affordable price. Also, there is Farmers Registration System for registering farmers eligible for subsidy program. However, if the program is not well managed, its intended benefits may not be achieved.

During the audit, I found that Agro dealers were selling unregistered fertilizers and fertilizer supplements whereby 61% of registered dealers (2,634 out of 4,346) in fertilizer subsidy program did not conduct any transactions under the program. Non participation of registered Agro dealers in the program deters supply of subsidized fertilizers particularly to rural areas where most farmers rely on the program. I also found that, dealers were selling fertilizers bags without printed QR code. The sale was possible because the fertilizer bags did not come with the printed QR Codes, instead the QR Codes were printed separately and scanned in the system based on the claimed fertilizer quantities, which increased the risk of unauthorized or fraudulent scans within the system. This may lead to inaccurate subsidy claims, misallocation of resources, and lack of transparency in the fertilizer distribution process.

I also found that, 70 fertilizer dealers were issued with more than one license of the same category with different license numbers (as wholesaler, distributor, manufacturer and retailer) using same credentials following loop holes in the Fertilizer Information System (FIS). The issuance of more than one license to the same dealer impedes reliability of records, data and decisions made based on the information from the FIS.

Further, I found that fertilizer dealers in Mbeya, Songea, Njombe and Makambako did not comply with fertilizer storage regulations in warehouses and stores, hence impairing quality of fertilizers or fertilizer supplements. I also observed other non-compliances including keeping fertilizers in the stores which are not well ventilated; keeping different category of fertilizers in same place; sale of unregistered fertilizers; considering foliar fertilizer as a pesticide; and selling of fertilizers in unacceptable quantities against the law which requires subsidy fertilizers to be sold in the package of 50kg only. In another circumstance, I noted that, 20 out 37 fertilizer inspectors in northern zone had no required qualifications for inspection as they were not adequately trained and gazetted as required by sect. 33(1) of Fertilizer Act, 2009. Hence impairing the Government efforts to enforce quality and safety standards in the fertilizer industry, and potentially jeopardizing public safety and agricultural productivity.

During my visit to Arusha and Kilimanjaro, I found that 30 out of 233 fertilizer dealers were conducting business without licenses which raises concerns about possibility of compromising fertilizers quality.

I recommend that TFRA and Ministry of Agriculture ensure the noted deficiencies are rectified for sustainable implementation of fertilizer subsidy program to benefit the farmers.

18.4.3 Anomalies in the registration process of farmers under the fertilizer subsidy program

The 2022/23 fertilizer subsidy program mandated Tanzania Fertilizer Regulatory Authority (TFRA), in collaboration with the Regional Secretariats and Local Government Authorities to systematically register farmers to be issued with subsidized fertilizers according to the criteria prescribed by the program.

However, during audit I found that 4,628 out 3,389,951 farmers as of 30 June 2023 recorded as farmers in the farmer's registers had names which were not identified, farms were recorded without verifying their sizes, farmers recorded by numbers instead of names, and fertilizer agents illegally registered themselves as farmers with unrealistic farm size in order to obtain large quantity of subsidized fertilizers for resale.

Fictitious names and unrealistic farm sizes may result in loopholes in managing and controlling of subsidy fertilizers to avoid misappropriation and financial loss to the Government. Incorrect farmers' records and data, impedes accurate planning of fertilizer needs and usage, while use of numbers instead of farmers' names limits traceability and taking legal actions in case of fraudulent practices.

I recommend that TFRA, Regional Secretariat and local authorities develop and implement efficient ways of managing records of fertilizer subsidy program, prevent fertilizer misappropriation and take severe measures against the individuals engaged in fertilizer fraud/misconduct.

18.5 Inadequate measures to manage sugar gap

Sugar consumption is inevitable for both domestic consumption and other economic activities (industrial sugar), the demand of which is highly affected by supply. The Government through Sugar Board has the role to regulate production, marketing, importation and supply of all sugar types in the country. Each year, the country has been experiencing shortages of sugars and or high prices of sugar. This situation is being experienced repetitively without matching efforts to manage it.

During the audit I found inadequate measures instituted by Sugar Board to satisfy the internal market demand (sugar gap). The pace at which internal measures aim to increase internal sugar production through increased investments is low.

I also found that, alternative and immediate measures instituted to satisfy the internal market sugar demand (sugar gap) through importation of sugar, is not being fully enforced. For instance; for the year 2022/23 the level of imported sugar significantly decreased compared to the approved importation quantities for both domestic and industrial sugar (**Table 43**). I am concerned about the presence of this gap while the Government issued the importation permit to curb the gap.

Table 43: Trend of domestic sugar

Details	2022/23		
	Target (MT)	Actual (MT)	Gap (MT)
Domestic Sugar			
Internal Production	490,000	460,000	29,951
Approved Import	30,000	6,801	23,199
Industrial Sugar			
Approved Import	**249,880**	**196,270**	**53,610**

Source: *Financial reports part of those charge with governance*

Inadequate management of sugar supply for both domestic and industrial consumption leads to unexpectedly higher sugar prices which most of Tanzania's cannot afford and increased price of sugar dependent commodities that also increases the burden to the consumers, mostly normal citizens.

I recommend that Sugar Board in liaison with the Government ensure efficiency in managing sugar gaps by ensuring timely and full importation of approved sugar quantities; review permit issued against their implementation status and take appropriate measures to non-performers; and improve the pace of implementing long term internal sugar production strategies.

18.6 Lack of systems and expertise for cost management at CPB

Cereal and Other Produce Board (CPB) is a manufacturing entity which involves complex processes which includes purchase of raw materials (wheat, maize, sunflower, rice, maize and other produce), processing raw material into desired category of finished goods, packaging, distribution and selling of finished goods or selling of raw materials as finished products. It posesses processing factories in Iringa, Arusha, Mwanza and Dodoma. It also has warehouses in those regions and silos in Iringa and Arusha only, for storage.

Based on the nature of CPB transactions it is inevitable to have cost tracking mechanisms for effective and efficient business decisions on cost management policies, management of selling prices and marketing decisions and strategies to make profit and avoid or manage losses.

During the audit I found that, CPB had not automated its business process, and lacked cost accountants and systems for tracking and managing costs. In all cases costs are computed and tracked manually using spreadsheet by staff who are not management accountants.

My concern is that CPB is exposed to losses resulting from incorrect setting of selling prices due to incomplete or incorrect cost data and or manipulation.

I recommend that Cereal and Other Produce Board (a) recruit cost and management accountants, and (b) automate its business processes including installing a robust cost management system to manage costs effectively and efficiently for informed business decision making.

18.7 Uncontrolled prices on purchase of raw materials for CPB

CPB purchases raw materials from different areas across the country to feed its processing factories. The purchased materials include maize grains, rice paddy, sunflower seeds, sorghum and others based on management decisions. These materials are purchased through Agricultural Marketing Cooperative Society (AMCOS) or by CPB employees at different prices from different location at different times.

Reg.17 (1-2) of Cereals and Other Produce Regulations, 2011 and Para.1.3 (1-5) of CPB Commercial Services Operation Manual provides process to set prices including consultation with stakeholders, price committee to set price and forward to CPB Director General for approval before it is shared with zonal offices for operationalization.

During the audit I found that CPB purchases crops at higher prices than prices prevailing on the market of the same area where CPB purchases for the same dates. As a result, CPB incurs unreasonably higher purchase costs of raw materials which makes it difficult for the entity to make profit and expose it significantly to the possibility of making losses. As a sample, I compared prices used by CPB to purchase maize grains from Southern Highlands and Central Zones Iringa with minimum and maximum prices that are published by Ministry of Industry and Trade on daily basis for all places in the country, and I found that CPB purchased maize at higher prices than maximum prices of the market. For instance; CPB spent TZS 8,140.32 million to purchase 8,523.109 MT of maize from southern highlands zone and central zone. According to my audit analysis, CPB would have spent TZS 7,301.21 million for the same tonnage under worst case scenario where maximum price of the market was used. This means, CPB incurred loss on purchase of TZS 839.11 million for 8,523.109 MT purchased. My further analysis found that, if CPB would purchase at the optimal price (minimum market price), the board would only spent TZS 7,112.44 million. As a result, the board incurred a loss of TZS 1,027.88 million for the same tonnage purchased.

My further review revealed that, there were no documentation of the process used to determine prices used to purchase raw materials for CPB. Also, CPB management had no mechanism to enhance transparency in purchases of raw materials to manage risks of falsely inflated purchase prices for personal gains in case of unfaithful employees entrusted with the task to purchase raw materials. Hence, I could not ascertain rationale, reasonableness and competitiveness of prices used by CPB to purchase raw materials.

Inadequate control on prices used to purchase raw materials may lead to unreasonably higher costs which may be attributed to falsely inflated purchase prices for personal gains. This may lead to losses because the higher costs may not be recovered by selling prices in the market.

I recommend that Cereal and Other Produce Board management to strengthen and implement robust controls to manage prices on purchase of raw materials.

18.8 Un-utilized capacity of storage, processing, and manufacturing by CPB

My review found that, CPB under utilizes its factory processing capacity of 126,900 MT per annum for 8 years. For the year 2021/22 CPB utilized 12% of its factory capacity of 106,900 MT per year. While for the year under audit CPB utilized 19.27% of its factory capacity of 98,100 MT per year as shown in **Table 44.**

On the other hand, as I reported in my previous year report, CPB utilized only 71% of its total storage capacity of 106,600 MT per annum. During the audit of the year 2022/23, I found similar inefficiency has recurred whereby, only 43% of the storage capacity of 106,600 MT was utilized **(Table 45).**

The reasons for underutilized capacity include low capital injected on CPB business, inefficient utilization of the available capital, inadequate raw materials for some crops and ineffective business strategies deployed by CPB to enhance operation at full capacity. Also, there are indications that CPB operates with the mind set of Government service delivery instead of doing business to make profit and lack business-oriented staff with appropriate expertise and competences in profit making businesses.

Underutilization of factories and storage capacities, denies CPB opportunities to enhance revenue generation and benefits of economies of scale.

Table 44: Trend of unutilized capacity of CPB factories

Financial year	Total plants capacity (MTs)	Actual capacity processed (MTs)	Utilized capacity in %	Idle capacity %
2022/23	98,100	18,905	19.27	80.73
2021/22	126,900	14,623.93	12	88
2019/20	65,700	6,833.34	10	90
2018/19	16,200	3,820.96	24	76
2017/18	16,200	385.50	2	98
2016/17	16,200	2,040.28	13	87
2015/16	16,200	1,082.80	7	93

Source: *CPB implementation reports for the year 2022/23*

Table 45: Trend of unutilised capacity of CPB storage facilities

Warehouse Location	Storage Capacity	Target and Utilised Capacity per year					
		2022/23			2021/22		
		Target	Actual	%	Target	Actual	%
Arusha							
Silos	28,100	28,100	12,841.50	33.70	28,100	3,805	13.5
Warehouse	10,000	10,000			10,000	4,033	40.3
Iringa							
Silos	13,500	13,500	14,505.32	82.89	13,500	25,954	192.5
Warehouse	4,000	4,000			4,000	4,000	100
Mwanza							
Warehouse	20,000	20,000	4,015.36	20.10	20,000	20,000	100
Dodoma							
Warehouse	30,000	30,000	14,489.40	48.30	30,000	16,608	55.4
Kiteto							
Warehouse	1,000	1000	421.10	42.11	1,000	1000	100.0
Total	**106,600**	**106,600**	**46,272.67**	**43.10**	**106,600**	**75,400**	**71**

Source: *CPB implementation reports for the year 2022/23*

I reiterate my previous year recommendation 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.

CHAPTER NINE TEEN

PERFORMANCE OF EXTRACTIVE INDUSTRY

19.0 Introduction

The chapter provides analysis of operational performance of the extractive industry in Tanzania which includes all activities of extraction of raw materials (minerals, gas and oil) from the earth to consumers.

My review of public entities in the extractive industry sector, encompassing petroleum (PURA, TPDC, EWURA, TANESCO) and mining (STAMICO, STAMIGOLD, and Geological Survey of Tanzania's (GST)), identified inefficiencies. These include prolonged delays and non-commencement of activities under prospecting licenses, failure of licence holder to submit exploration report to GST and delays in conducting baseline surveys assessing local content capacity and capability in the oil and gas sub-sector. More details of deficiencies identfied are provided below.

19.1 Operational review of Mining activities in extractive industry

My review of activities related to mining in extractive industry in public sector entities found the following deficiencies which require immediate Government intervention for improvement:

19.1.1 Prolonged delays and non-commencement of activities under prospecting licenses at STAMIGOLD

I found that STAMIGOLD was granted four prospecting licenses in 2022. However, STAMIGOLD had not commenced exploration activities within a year of issuance under any of the four licenses, contrary to Section 36(1)(a) of the Mining Act of 2010 (Cap.123 R.E.2019) which requires prospecting license holders to initiate operations within three months after receiving the licenses.

Delays in commencing exploration were attributed to inadequate budget to finance the operations and inadequate strategies for managing the prospecting operations. According to STAMIGOLD records, gold reserves within STAMIGOLD's Special mining License (SML 157/2003) is approximately 2,303,148 metric tonnes of ore containing gold which equates to cumulative total of 72,875 troy ounces of gold whereby lifespan of the mine is not expected to extend beyond August 2027. As a result, I am of the view that exploration activities of prospecting licenses should be initiated without further delays so as to extend mine's operational life.

There is a risk of not attaining the expected benefit as STAMIGOLD may lose the rights over those prospecting licenses for which prospecting operations have not yet started, as those licenses will no longer be renewable and will have to be returned/reverted to the Government as required by the Mining Act, 2010.

I recommend STAMIGOLD Company Limited in liaison with the Ministry of Minerals secure funds for operationalization of prospecting licenses without further delays.

19.1.2 Lack of permanent demarcations surrounding the mining license area at Buhemba

STAMICO and Good-Field International DMCC entered into a Joint Venture Agreement on 29 October 2021 that outlines the responsibilities of each party. STAMICO is to transfer property, ensure its security, and participate in management through the Board. They must also clear the site of encumbrances and provide drilling services at competitive rates. Good-Field commits to management participation, offering uninterrupted funds for capital and operational expenses, and comply with articles 9 and 10 of the JV Agreement.

I found that unauthorized individuals were encroaching on Buhemba mining licenced area and engaging in unauthorized activities. This encroachment occurs due to lack of demarcation and security measure by licence holders (STAMICO). I found no evidence that STAMICO was taking any actions to deter the encroachment despite the powers given under article 6.3 (d) of the joint venture agreement and section 52(b) of the Mining Act [CAP 123].

I recommend that STAMICO ensure (a) Compliance with the signed Joint Venture Agreement by ensuring that there are permanent demarcations surrounding the Mining Licensed area; and (b) Appropriate actions are taken to remove encroachers within the

Mining Licenced area and stop all activities undertaken so as to ensure the site is clear for all kinds of encumbrances.

19.1.3 Loss of TZS 257.33 million spent in rehabilitation process from delayed underground mining at Kiwira

I found that no production activities had been taking place at Kiwira coal mining since 2014 when the ownership was fully transferred to STAMICO. This is contrary to Section 47 (a) of the Mining Act (Cap. 123 R.E. 2019) that requires Special Mining Licensees to start operation within 18 months from the date of issuance. STAMICO was issued with special license No. SML 233/2005 in 2014. In the year 2021/22, TZS 257.33 million was spent for rehabilitation of underground mine but no funds were budgeted in the year 2022/23 for the project. This reveals inadequate commitment to invest into the project.

Delayed production was attributed to lack of funds to accomplish the required rehabilitation process, and delayed procurement of hydraulic props for underground roof to support stability of the mine tunnels.

The extended delay in starting coal mining operations at Kiwira Coal Mines leads to missed revenue opportunities for STAMICO and possibility of loss of TZS 257.33 million spent in 2021/22 for rehabilitation of underground mine.

I recommend that STAMICO allocate adequate funds for the project and implement the project without further delays to avoid cost overruns.

19.1.4 Lack of Comprehensive Plan and inadequate provision of expert services to small-scale miners countrywide

According to the Mining Act 2019, small scale miner is defined to mean individual or entity holder of primary mining license, and they use minimal machinery or technology of an initial capital for investment which does not exceed USD 5 million or its equivalent in Tanzania Shillings.

Section 27A (2) (k) of the Mining Act of 2019, mandates the GST to provide geoscientific services to support both large and small-scale miners. However, upon my review of GST's plans related to fulfilling this responsibility, I noted the absence of a comprehensive plan for providing expertise to small-scale miners nationwide. I noted plans are developed on a fiscal-year basis, with no established benchmarks for coverage decisions.

Further, despite the GST's strategic plan outlining training for artisanal small-scale miners in four regions by 30 June 2023, expertise was only provided in two regions being Lindi and Morogoro. This limited coverage raises concerns about the adequacy of support for small-scale miners nationwide, and highlights the need for a comprehensive plan, additional staff, and more funding to effectively address this gap. As a result, it hinders development of small-scale mining operations and limits their contribution to the national income.

I recommend that GST (a) Develop a comprehensive plan for the provision of expertise to small-scale miners across the country; (b) Conduct training needs assessment for targeted groups of miners and develop plans that can be implemented annually with clearly identified targets; and (c) Liaise with responsible authority to enable the availability of funds for implementation of the training plan.

19.1.5 Absence of analysis and validations of raw exploration data and reports submitted by mineral rights holders

During the audit I found a critical gap by GST in performing its function in analysing and validation of raw exploration data. The deficiency arose mainly because GST do not analyse and validate exploration data as per Rule 8 of the Mining (National Mineral Resources Data Bank) Rules of 2021 which requires the Chief Executive Officer of GST or any authorized person to verify the mineral data, database and reports or information submitted before keeping or storing them. Non validation is attributed to budget constrains for resource evaluation software for data validations. Lack of software impedes GST’s capacity to manage data received from mineral right holders.

I am of the view that, GST receives various types of mineral exploration data, including geophysical surveys, drill whole data, and assay results and absence of data analysis and validations raises significant risks for downstream decision-making based on potentially unverified or inaccurate data. Moreover, Since GST provide data concerning the geology and mineral resources of Tanzania, and generally assist members of the public seeking information concerning geological matters, absence of validation tends to distort information’s to general public.

I recommend that GST set aside funds in its operational budget for the acquisition of the resource evaluation software to ensure compliance with Rule 8 of the Mining (National Mineral Resources Data Bank), 2021.

19.1.6 Failure of License holder to submit exploration reports to GST

I reviewed the Geological Reports Register and revealed that only 14 Mineral rights holders with a total of 28 Mining Licenses and Special Mining Licenses submitted mineral data at least once during the year 2022/23 to GST. This represented only 12% (28 licences) of the total 244 licenses (ML and SML) issued by the Mining Commission up to 30 June 2023. This is contrary to Section 27F (3) of the Mining Act, [CAP. 123 R.E. 2019]. This is due to lack of enforcement mechanisms or awareness among license holders about the legal requirement to submit data.

I consider that non-compliance hinders the comprehensive collection of mineral data, potentially affecting policy decisions, research, and transparency in the mining sector.

I recommend that GST management strengthen enforcement mechanisms, increase awareness campaigns about legal obligations, and consider introducing penalties or incentives to ensure timely data submission by license holders to GST.

19.2 Operational review of extractive industry in Petroleum operations

My review of the extractive industry in the public sector entities in relation to petroleum operations revealed the following deficiencies which require Government attention:

19.2.1 Delayed implementation of natural gas distribution projects for domestic use TZS 17.23 billion

During the audit I found that three projects designed for distribution of natural gas to different places for domestic use were delayed to be completed contrary to the plan (**Table 46**). According to TPDC's strategic plan, the projects were to be completed by 30 June 2023. However, the projects were still under initial stages.

Implementation was delayed due to insufficient release of funds from REA, delayed approval of permits from EWURA, ineffective procurement process, and delayed advance payment to contractors. Such delays may result in cost overruns, and hinder the public from benefiting from a cost-effective, reliable and environmentally friendly source of energy for domestic consumption.

Table 46: Delays in project commencement and completion

S/n	Project	Status	Strategic year of completion	Budget TZS (Billion)
1	Natural Gas Distribution Project in Mnazi mmoja and Mkuranga	Delay in Commencement- on procurement stage	2018/19 - 2022/23	13.27
2	Natural Gas distribution Project Trunkline along Bagamoyo Road	Delays in completion, 29% completion	2018/19 - 2022/23	3.26
3	Natural gas connection in DUCE and Mlimani City Dar es Salaam	Delays in implementation- On procurement stage	2018/19 - 2022/23	0.7
Total				**17.23**

ource: *Projects implementation Reports 2022/23*

I recommend that TPDC (a) ensure EWURA construction permits are obtained in a timely manner and expedite procurement processes for gas projects, and (b) liaise with REA to ensure funds for gas project are remitted on time.

19.2.2 Absence of National Strategic Petroleum Reserve

During the review of TPDC operations, I found that, Tanzania has no National Strategic Petroleum Reserve for strategic storage of petroleum as required under the National Strategic Petroleum Reserve Regulations of 2014. According to the cited regulation, operation of the reserve would involve acquisition and management of storage facilities for smooth operation. These tasks were to be accomplished by TPDC which is obliged to install, control, monitor and supervise operation of the National Strategic Petroleum Reserve.

This is attributed to lack of a well-defined implementation strategy for the creation and upkeep of the national strategic petroleum reserve. Lack of National Strategic Petroleum Reserve exposes the country to the risk of being defenceless to shortage of energy in critical situations.

I recommend that Tanzania Petroleum Development Corporation formulate a well-structured and comprehensive implementation

strategy that outlines the step-by-step plan for acquiring, managing, and maintaining the National Strategic Petroleum Reserve in collaboration with other government authorities including Petroleum Upstream Regulatory Authority, Procurement Bulk Purchase Agency, Tanzania Ports Authority, and the Ministry of energy. This strategy should detail responsibilities, timelines, resource allocation, and risk management.

19.2.3 Delays in conducting baseline survey for local content capacity and capability in oil and gas sub sector

The objective of local content under Reg. 4 (2) (a) of the Local Content Regulations, 2017 among others is to develop a baseline data and information to identify the current capacity and capabilities for Tanzanian to be employed and local companies to become suppliers; (b) develop needs assessment of the required capacities to deploy Tanzanian experts in the petroleum industry. Survey aims at determining internal capacity of suppliers in provision of goods and services such as legal, financial and engineering services. Further, survey would be necessary to identify education capacity of Tanzanians in gas sub-sector, for other suppliers in the gas sub- sector such as, security, catering, cleaning and engineering providers.

According to the Concept note for preparation of proposed Terms of Reference prepared by Local content and stakeholder's engagement unit, PURA was supposed to conduct baseline survey for local supplier market capability and competitiveness during the year ended 30 June 2023. However, the survey was not conducted because the terms of reference for the survey was not successfully concluded due to budget constraints. The survey would enable PURA and country at large in gaining a comprehensive understanding of local content industry capacity and empowering the industry with the necessary insights to formulate effective strategies and foster sustainable growth.

The failure to conduct the survey delays the country and impairs its ability to set clear strategic directions and plans on local content for upcoming projects in extractive industry such as those under the Liquefied Natural Gas project and may delay enhancement of local participation, innovation, and competitiveness to the ongoing activities under petroleum sector such as the East African Crude Oil Pipeline project.

I recommend that PURA (a) allocate enough resources and prioritize the completion of the baseline survey; and (b) Involve relevant industry stakeholders in the survey process to enhance collaboration and ensure comprehensive data collection.

APPENDICIES

Appendix I: Audit opinions and conclusion on compliance for the financial year 2022/23

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
1.	Air Tanzania Company Limited	Unqualified	Compliant	Compliant
2.	APC Investment Centre	Unqualified	Compliant	Compliant with exception
3.	Architects and Quantity Surveyors Registration Board	Unqualified	Compliant	Compliant
4.	Ardhi University	Unqualified	Compliant with exception	Compliant
5.	Ardhi University Convocation	Unqualified	Compliant	Compliant
6.	ARU Built Environment Consulting Company	Unqualified	Compliant	Compliant
7.	Arusha International Conference Centre	Unqualified	Compliant	Compliant
8.	Arusha Technical College	Unqualified	Compliant with exception	Compliant with exception
9.	Arusha Technical College - Production and Consultancy Bureau Plc	Unqualified	Compliant	Compliant
10.	Arusha Technical College - Production and Consultancy Bureau	Unqualified	Compliant	Compliant
11.	Arusha Water and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
12.	Azania Bank Limited PLC	Unqualified	Compliant	Compliant
13.	Babati Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
14.	Bank of Tanzania	Unqualified	Compliant	Compliant
15.	Bariadi Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
16.	Bukoba Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
17.	Capital Markets and Securities Authority	Unqualified	Compliant	Compliant
18.	Cashewnut Board of Tanzania	Unqualified	Compliant	Compliant
19.	Cashewnut Industry Development Trust Fund	Unqualified	Compliant	Compliant
20.	Centre for Agricultural Mechanization and Rural Technology	Unqualified	Compliant with exception	Compliant
21.	Centre for Foreign Relation	Unqualified	Compliant with exception	Compliant with exception
22.	Cereal and other Produce Board	Qualified	Compliant with exception	Compliant with exception
23.	College of African Wildlife Management	Unqualified	Compliant with exception	Compliant
24.	College of Business Education	Unqualified	Compliant	Compliant
25.	Contractors Registration Board	Unqualified	Compliant	Compliant
26.	Co-operative Audit and Supervision Corporation	Unqualified	Compliant with exception	Compliant
27.	Copyright Office Tanzania	Unqualified	Compliant	Compliant
28.	Cotton Development Trust Fund	Unqualified	Compliant with exception	Compliant
29.	Dar es Salaam Institute of Technology	Unqualified	Compliant with exception	Compliant
30.	Dar es Salaam Institute of Technology Company	Unqualified	Compliant	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
	Limited			
31.	Dar es Salaam Maritime Institute	Unqualified	Compliant	Compliant
32.	Dar es salaam University College of Education	Unqualified	Compliant with exception	Compliant with exception
33.	Dar es Salaam University Press	Unqualified	Compliant	Compliant
34.	Dar es Salaam Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
35.	Deposit Insurance Board	Unqualified	Compliant	Compliant
36.	DIT Institute Consultancy Bureau	Unqualified	Compliant	Compliant
37.	Dodoma Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
38.	Electrical Transmission and Distribution Construction and Maintenance Company	Unqualified	Compliant with exception	Compliant
39.	Energy and Water Utilities Regulatory Authority	Unqualified	Compliant	Compliant
40.	Engineers Registration Board	Unqualified	Compliant with exception	Compliant with exception
41.	EWURA Consumer Consultative Council	Unqualified	Compliant	Compliant
42.	Export Processing Zone Authority	Unqualified	Compliant	Compliant
43.	Faida Unit Trust Scheme	Unqualified	Compliant	Compliant
44.	Fair Competition Commission	Unqualified	Compliant	Compliant
45.	Fair Competition Tribunal	Unqualified	Compliant	Compliant
46.	Gaming Board of Tanzania	Unqualified	Compliant	Compliant
47.	Gas Company (Tanzania) Limited	Unqualified	Compliant	Compliant
48.	Geita Water and Sanitation Authority	Unqualified	Compliant with exception	Compliant
49.	Higher Education Students' Loans Board	Unqualified	Compliant	Compliant
50.	Housing and Pensions Company Limited	Unqualified	Compliant	Compliant
51.	Institute of Accountancy Arusha	Unqualified	Compliant with exception	Compliant
52.	Institute of Adult Education	Unqualified	Compliant with exception	Compliant with exception
53.	Institute of Finance Management	Unqualified	Compliant	Compliant
54.	Institute of Rural Development Planning	Unqualified	Compliant with exception	Compliant
55.	Institute of Social Work	Unqualified	Compliant	Compliant
56.	Iringa Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
57.	Jakaya Kikwete Cardiac Institute	Unqualified	Compliant with exception	Compliant
58.	Kahama - Shinyanga Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
59.	Kahama Water and Sanitation Authority	Unqualified	Compliant	Compliant
60.	Karatu Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
61.	Kariakoo Market Corporation	Unqualified	Compliant with exception	Compliant with exception
62.	Kibaha Education Centre	Unqualified	Compliant	Compliant
63.	Kigoma/Ujiji Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
64.	Kilimanjaro Airport Development Company Limited	Unqualified	Compliant with exception	Compliant
65.	Kilimanjaro International Leather Industry Company Limited	Unqualified	Compliant with exception	Compliant with exception

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
66.	Korogwe Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
67.	Kyela - Kasumulu Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
68.	Land Transport Regulatory Authority	Unqualified	Compliant	Compliant
69.	LATRA Consumer Consultative Council	Unqualified	Compliant with exception	Compliant
70.	Lindi Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
71.	Makambako Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
72.	Marine Parks and Reserves Unit	Unqualified	Compliant	Compliant
73.	Marine Services Company Limited	Unqualified	Compliant with exception	Compliant with exception
74.	Maritime Education and Training Fund	Unqualified	Compliant	Compliant
75.	Masasi Nachingwea Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
76.	Mbeya University of Science and Technology	Unqualified	Compliant with exception	Compliant
77.	Mbeya Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
78.	MCB Company Limited	Unqualified	Compliant with exception	Compliant
79.	Medical Stores Department	Unqualified	Compliant with exception	Compliant with exception
80.	Mkulazi Holding Company Limited	Unqualified	Compliant with exception	Compliant
81.	Mkwawa University College of Education	Unqualified	Compliant	Compliant
82.	Morogoro Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
83.	Moshi Co-operative University	Unqualified	Compliant	Compliant
84.	Moshi Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
85.	Mpanda Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
86.	Mtwara Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
87.	Muhimbili National Hospital	Unqualified	Compliant with exception	Compliant with exception
88.	Muhimbili National Hospital - Mloganzila	Unqualified	Compliant with exception	Compliant with exception
89.	Muhimbili Orthopaedic Institute	Qualified	Compliant with exception	Compliant
90.	Muhimbili University of Health and Allied Sciences	Unqualified	Compliant with exception	Compliant
91.	Musoma Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
92.	MUST Consultancy Bureau Limited	Unqualified	Compliant	Compliant
93.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	Unqualified	Compliant	Compliant
94.	Mwalimu Nyerere Memorial Academy	Unqualified	Compliant	Compliant
95.	Mwanza City Commercial Complex Company Limited	Unqualified	Compliant	Compliant
96.	Mwanza Water Supply and Sanitation Authority	Unqualified	Compliant with	Compliant with

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
			exception	exception
97.	Mzumbe University	Unqualified	Compliant with exception	Compliant
98.	Namtumbo Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
99.	National Arts Council	Unqualified	Compliant with exception	Compliant
100.	National Board of Accountants and Auditors	Unqualified	Compliant	Compliant
101.	National Bureau of Statistics	Unqualified	Compliant	Compliant
102.	National Construction Council	Unqualified	Compliant	Compliant
103.	National Council for Technical and Vocational Education and Training	Unqualified	Compliant	Compliant
104.	National Development Corporation	Unqualified	Compliant	Compliant
105.	National Economic Empowerment Council	Unqualified	Compliant	Compliant
106.	National Environment Management Council	Unqualified	Compliant	Compliant
107.	National Examinations Council of Tanzania	Unqualified	Compliant	Compliant
108.	National Health Insurance Fund	Unqualified	Compliant with exception	Compliant
109.	National Housing Corporation	Unqualified	Compliant	Compliant
110.	National Institute for Medical Research	Unqualified	Compliant with exception	Compliant
111.	National Institute of Transport	Unqualified	Compliant	Compliant
112.	National Insurance Corporation Tanzania Limited	Unqualified	Compliant with exception	Compliant
113.	National Kiswahili Council	Unqualified	Compliant	Compliant
114.	National Museum of Tanzania	Unqualified	Compliant	Compliant
115.	National Ranching Company Limited	Unqualified	Compliant with exception	Compliant
116.	National Social Security Fund	Unqualified	Compliant	Compliant
117.	National Sports Council	Unqualified	Compliant	Compliant
118.	National Sugar Institute	Unqualified	Compliant with exception	Compliant
119.	Ngara Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
120.	Ngorongoro Conservation Area Authority	Unqualified	Compliant with exception	Compliant with exception
121.	Njombe Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
122.	Nzega Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
123.	Ocean Road Cancer Institute	Unqualified	Compliant	Compliant with exception
124.	Open University of Tanzania	Unqualified	Compliant with exception	Compliant
125.	Petroleum Upstream Regulatory Authority	Unqualified	Compliant	Compliant
126.	PPF/DCC Investment Company Limited	Unqualified	Compliant	Compliant
127.	Procurement and Supplies Professionals and Technicians Board	Unqualified	Compliant	Compliant with exception
128.	Public Procurement Appeals Authority	Unqualified	Compliant	Compliant
129.	Public Procurement Regulatory Authority	Unqualified	Compliant	Compliant
130.	Public Service Social Security Fund	Unqualified	Compliant with	Compliant

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
			exception	
131.	Railway Infrastructure Fund	Unqualified	Compliant	Compliant
132.	Same Mwanga Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
133.	Shinyanga Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
134.	Singida Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant
135.	Small Industries Development Organization	Unqualified	Compliant	Compliant
136.	Sokoine University of Agriculture	Unqualified	Compliant with exception	Compliant with exception
137.	Songea Water Supply and Sanitation Authority	Unqualified	Compliant with exception	Compliant with exception
138.	Sports Development Fund	Unqualified	Compliant	Compliant
139.	STAMIGOLD Company Limited	Unqualified	Compliant	Compliant
140.	State Mining Corporation	Unqualified	Compliant with exception	Compliant
141.	Sugar Board of Tanzania	Unqualified	Compliant	Compliant
142.	Sumbawanga Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
143.	Tabora Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
144.	Tanga Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant
145.	TANOIL Investment Limited	Unqualified	Compliant	Compliant
146.	Tanzania Agricultural Development Bank	Unqualified	Compliant	Compliant
147.	Tanzania Atomic Energy Commission	Unqualified	Compliant	Compliant
148.	Tanzania Biotech Products Limited	Unqualified	Compliant	Compliant with exception
149.	Tanzania Broadcasting Corporation	Unqualified	Compliant	Compliant
150.	Tanzania Bureau of Standards	Unqualified	Compliant	Compliant
151.	Tanzania Civil Aviation Authority	Unqualified	Compliant	Compliant
152.	Tanzania Civil Aviation Authority-Consumer Consultative Council	Unqualified	Compliant	Compliant
153.	Tanzania Coffee Board	Unqualified	Compliant with exception	Compliant with exception
154.	Tanzania Commercial Bank	Unqualified	Compliant	Compliant
155.	Tanzania Commission for Science and Technology	Unqualified	Compliant with exception	Compliant
156.	Tanzania Commission for Universities	Unqualified	Compliant	Compliant
157.	Tanzania Communications Regulatory Authority	Unqualified	Compliant	Compliant
158.	Tanzania Concrete Poles Manufacturing Company	Unqualified	Compliant	Compliant
159.	Tanzania Cotton Board	Unqualified	Compliant with exception	Compliant
160.	Tanzania Dairy Board	Unqualified	Compliant with exception	Compliant with exception
161.	Tanzania Education Authority	Unqualified	Compliant with exception	Compliant
162.	Tanzania Electric Supply Company Limited	Unqualified	Compliant with exception	Compliant
163.	Tanzania Engineering and Manufacturing Design Organization	Unqualified	Compliant with exception	Compliant with exception

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
164.	Tanzania Fertilizer Company Limited	Unqualified	Compliant with exception	Compliant with exception
165.	Tanzania Fertilizer Regulatory Authority	Unqualified	Compliant with exception	Compliant with exception
166.	Tanzania Fisheries Research Institute	Unqualified	Compliant	Compliant
167.	Tanzania Food and Nutrition Centre	Unqualified	Compliant	Compliant
168.	Tanzania Forestry Research Institute	Unqualified	Compliant	Compliant with exception
169.	Tanzania Geothermal Development Company Limited	Unqualified	Compliant	Compliant
170.	Tanzania Institute of Education	Unqualified	Compliant with exception	Compliant
171.	Tanzania Insurance Regulatory Authority	Unqualified	Compliant	Compliant
172.	Tanzania Investment Centre	Unqualified	Compliant	Compliant
173.	Tanzania Library Services Board	Unqualified	Compliant	Compliant
174.	Tanzania Meat Board	Qualified	Compliant	Compliant
175.	Tanzania Medicines and Medical Devices Authority	Unqualified	Compliant with exception	Compliant
176.	Tanzania Mercantile Exchange Plc.	Unqualified	Compliant with exception	Compliant
177.	Tanzania National Business Council	Unqualified	Compliant	Compliant
178.	Tanzania National Parks	Unqualified	Compliant	Compliant
179.	Tanzania Petroleum Development Corporation	Unqualified	Compliant	Compliant
180.	Tanzania Plant Health and Pesticides Authority	Unqualified	Compliant	Compliant
181.	Tanzania Ports Authority	Unqualified	Compliant with exception	Compliant with exception
182.	Tanzania Posts Corporation	Unqualified	Compliant with exception	Compliant with exception
183.	Tanzania Pyrethrum Board	Unqualified	Compliant	Compliant with exception
184.	Tanzania Railways Corporation	Unqualified	Compliant with exception	Compliant with exception
185.	Tanzania Shipping Agencies Corporation	Unqualified	Compliant	Compliant with exception
186.	Tanzania Sisal Board	Unqualified	Compliant	Compliant
187.	Tanzania Smallholders Tea Development Agency	Unqualified	Compliant	Compliant
188.	Tanzania Standard Newspaper	Qualified	Compliant with exception	Compliant
189.	Tanzania Telecommunications Corporation	Unqualified	Compliant with exception	Compliant with exception
190.	Tanzania Tobacco Board	Unqualified	Compliant with exception	Compliant
191.	Tanzania Tourist Board	Unqualified	Compliant	Compliant
192.	Tanzania Trade Development Authority	Unqualified	Compliant	Compliant with exception
193.	Tanzania Wildlife Research Institute	Unqualified	Compliant with exception	Compliant
194.	Tanzania Industrial Research and Development Organization	Unqualified	Compliant	Compliant
195.	Tax Revenue Appeals Board	Unqualified	Compliant with exception	Compliant with exception

S/N	Name of Entity	Financial Audit Opinion	Conclusion on Procurement	Conclusion on Budget
196.	Tax Revenue Appeals Tribunal	Unqualified	Compliant with exception	Compliant with exception
197.	TCAA Training Fund	Unqualified	Compliant	Compliant
198.	TCRA Consumer Consultative Council	Unqualified	Compliant	Compliant
199.	Tea Board of Tanzania	Unqualified	Compliant	Compliant
200.	TIB Development Bank Limited	Unqualified	Compliant	Compliant
201.	TIB Rasilimali Limited	Unqualified	Compliant	Compliant
202.	T-Pesa Limited	Unqualified	Compliant with exception	Compliant with exception
203.	T-Pesa Trust Entity	Unqualified	Compliant	Compliant
204.	Tukuyu Water Supply and Sanitation Authority	Unqualified	Compliant	Compliant with exception
205.	Ubungo Plaza Limited	Unqualified	Compliant	Compliant
206.	Universal Communications Service Access Fund	Unqualified	Compliant with exception	Compliant
207.	University of Dar es Salaam	Unqualified	Compliant with exception	Compliant
208.	University of Dar es Salaam Computing Centre	Unqualified	Compliant	Compliant
209.	University of Dodoma	Unqualified	Compliant with exception	Compliant
210.	UTT Asset Management and Investor Services PLC	Unqualified	Compliant	Compliant
211.	Vocational Education and Training Authority	Unqualified	Compliant with exception	Compliant
212.	Warehouse Receipts Regulatory Board	Unqualified	Compliant	Compliant
213.	Watumishi Housing Investments Limited	Unqualified	Compliant	Compliant
214.	Watumishi Housing Real Estate Investment Trust	Unqualified	Compliant	Compliant
215.	Workers Compensation Fund	Unqualified	Compliant	Compliant

Source: *PSE Audit reports*

Appendix II: Entities with losses or deficits for two consecutive years

S/N	Public entity	2022/23 (TZS Million)	2021/22 (TZS Million)
Commercial public sector entities (CPSE)			
1.	Tanzania Railways Corporation	(100,704.74)	(190,013.51)
2.	TANOIL Investment Limited	(76,564.00)	(7,840.00)
3.	Air Tanzania Company Limited	(56,640.69)	(35,238.36)
4.	Kariakoo Market Corporation	(41,568.55)	(517.97)
5.	Tanzania Biotech Products Limited	(6,103.53)	(3,855.71)
6.	Kilimanjaro International Leather Industries Company Limited	(4,236.20)	(4,931.14)
7.	Tanzania Geothermal Development Company Limited	(1,239.19)	(791.68)
8.	APC Investment Centre	(1,200.30)	(1,946.02)
9.	Tanzania Telecommunications Corporation	(894.00)	(19,229.00)
10.	Tanzania Mercantile Exchange	(722.57)	(509.24)
11.	Dar Es Salaam Institute of Technology Company Limited	(233.30)	(2.28)
Non-Commercial Public Sector Entities (NCPSE)			
12.	National Health Insurance Fund	(156,770.72)	(205,952.79)
13.	University of Dar es salaam	(12,559.36)	(15,324.80)

S/N	Public entity	2022/23 (TZS Million)	2021/22 (TZS Million)
14.	Mbeya Water Supply and Sanitation Authority	(3,190.28)	(56.36)
15.	Petroleum Upstream Regulatory Authority	(2,230.62)	(355.95)
16.	Tanzania Education Authority	(1,696.82)	(5,517.66)
17.	Korogwe Water Supply and Sanitation Authority	(1,522.55)	(425.79)
18.	Dar es Salaam University College of Education	(1,296.21)	(1,224.09)
19.	Geita Water Supply and Sanitation Authority	(1,281.04)	(677.32)
20.	Nzega Water Supply and sanitation Authority	(1,122.17)	(284.82)
21.	Masasi Nachingwea Water Supply and Sanitation Authority	(626.48)	(633.46)
22.	National Construction Council	(330.76)	(305.43)
23.	Tanzania Sisal Board	(255.72)	(202.93)
24.	Tanzania Investment Centre	(195.46)	(731.06)
25.	Tanzania Cotton Board	(192.62)	(384.69)
26.	Tanzania Fisheries Research Institute	(182.34)	(424.83)
27.	Tanzania Forest Research Institute	(160.61)	(193.5)
28.	Cashewnut Industry Development Trust Fund	(146.40)	(497.74)
29.	National Economic Empowerment Council	(106.25)	(59.09)
30.	Tax Revenue Appeals Tribunal	(50.40)	(52.24)
31.	Kyela- Kasumulu Water Supply and Sanitation Authority	(49.89)	(103.40)
32.	Tanzania Dairy Board	(10.62)	(51.79)
33.	Tanzania Pyrethrum Board	(8.73)	(8.87)
34.	LATRA Consumer Consultative Council	(8.85)	(23.75)

Source: *Auditors Analysis on the financial statements 2022/23*

Appendix III: Entities with profit/surplus in prior year but reported loss/deficit in 2022/23

S/N	Public entity	2022/23 (TZS Million)	2021/22 (TZS Million)
Commercial Public Sector Entities (CPSE)			
1.	Ubungo Plaza Limited	(8,831.84)	423.80
2.	Gas Company (Tanzania) Limited	(4,588.00)	277.00
3.	Tanzania Posts Corporation	(1,343.79)	16,212.69
4.	Small Industries Development Organization	(785.16)	129.55
5.	T-PESA Limited	(352.74)	55.14
6.	Housing and Pensions Company Limited	(59.82)	627.69
7.	Dar es Salaam University Press	(7.21)	81.66
Non-commercial public sector entities (NCPSE)			
8.	Ngorongoro Conservation Area Authority	(19,109.10)	13,869.62
9.	Muhimbili Orthopedic Institute	(6,310.62)	5,953.73
10.	Kahama Shinyanga Water Supply and Sanitation Authority	(3,744.36)	332.48
11.	Tanzania Tourist Board	(6,027.74)	7,232.69
12.	Tanzania National Parks	(5,794.47)	21,121.43
13.	DIT Institute Consultancy Bureau	(1,530.52)	1,550.90
14.	Tabora Water Supply and Sanitation Authority	(1,280.03)	68,935.46
15.	National Institute for Medical Research (NIMR)	(1,008.84)	6,500.24
16.	Tanzania Commission for Science and Technology	(733.08)	770.08
17.	Tanzania Industrial Research and Development Organisation	(725.15)	1,273.47
18.	University Computing Centre	(416.18)	63.88
19.	Tanzania Food and Nutrition Centre	(131.10)	597.35
20.	Copyright Office of Tanzania	(103.17)	374.77
21.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	(88.43)	7,721.71
22.	Tax Revenue Appeals Board	(49.13)	123.73
23.	Tanzania Civil Aviation Authority Consumer Consultative Council	(28.18)	22.48
24.	Karatu Water Supply and Sanitation Authority	(4.35)	1,656.19

Source: *Auditors Analysis on the financial statements 2022/23*

Appendix IV: 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 Institute of Technology Company Limited	1,144.71	1,420.04	0.81
2.	Gas Company (Tanzania) Limited	20,331.00	25,707.00	0.79
3.	PPF/DCC Investment Company Limited	674.02	883.32	0.76
4.	STAMIGOLD Company Limited	35,964.02	56,758.14	0.63
5.	Tanzania Fertilizer Company Limited	8,022.52	15,796.25	0.51
6.	Tanzania Telecommunications Corporation	189,423.00	368,674.00	0.51
7.	Tanzania Ports Authority	639,150.52	1,329,688.23	0.48
8.	Tanzania Posts Corporation	37,225.03	78,721.10	0.47
9.	Tanzania Electric Supply Company Limited	907,119.00	2,418,523	0.38
10.	Air Tanzania Company Limited	155,670.28	461,897.09	0.34
11.	Marine Services Company Limited	4,923.43	16,908.61	0.29
12.	Tanzania Biotech Products Limited	2,162.23	9,889.37	0.22
13.	Kariakoo Market Corporation	711.50	3,903.94	0.18
	Non-commercial public sector entities (NCPSE)			
14.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	17,527.83	17,918.63	0.98
15.	Geita Water Supply and Sanitation Authority	2,332.31	2,384.26	0.98
16.	Marine Parks and Reserves Unit	1,245.99	1,294.44	0.96
17.	Songea Water Supply and Sanitation Authority	1,624.11	1,741.60	0.93
18.	Sumbawanga Water Supply and Sanitation Authority	873.84	951.64	0.92
19.	National Kiswahil Council	72.33	80.55	0.9
20.	National Economic Empowerment Council	783.85	869.97	0.9
21.	Tanzania Trade Development Authority	4,949.62	5,585.68	0.89
22.	Cotton Development Trust Fund	147,436.77	168,274.87	0.88
23.	Copyright Office of Tanzania	352.65	401.41	0.88
24.	Mbeya Water Supply and Sanitation Authority	6,320.02	7,248.72	0.87
25.	Tanga Water Supply and Sanitation Authority	7,753.30	9,036.77	0.86
26.	Tanzania Broadcasting Corporation	10,177.12	12,249.84	0.83
27.	Muhimbili National Hospital	66,428.36	81,399.69	0.82
28.	Tabora Water Supply and Sanitation Authority	6,437.68	8,038.50	0.8
29.	Lindi Water and Sanitation Authority	1,853.52	2,346.09	0.79
30.	National Ranching Company Limited	11,323.89	14,822.51	0.76
31.	LATRA Consumer Consultative Council	63.43	82.97	0.76
32.	Musoma Water Supply and Sanitation Authority	2,271.61	3,070.68	0.74
33.	Tanzania Cotton Board	3,412.57	4,904.18	0.70
34.	Tanzania Tourist Board	1,716.34	2,602.37	0.66
35.	Tanzania Industrial Research and Development Organisation	2,248.76	3,417.19	0.66
36.	Bariadi Water Supply and Sanitation Authority	1,739.44	2,665.81	0.65
37.	Korogwe Water Supply and Sanitation Authority	780.24	1,224.16	0.64
38.	Arusha Water Supply and Sanitation Authority	8,898.05	14,370.01	0.62
39.	Tanzania Fisheries Research Institute	1,302.49	2,158.91	0.60
40.	Ngorongoro Conservation Area Authority	13,350.27	22,549.72	0.59
41.	Tax Revenue Appeals Tribunal	40.13	68.87	0.58
42.	Kigoma/Ujiji Water Supply and Sanitation Authority	1,753.46	3,169.24	0.55
43.	Tanzania National Parks	18,589.02	37,805.79	0.49
44.	Muhimbili National Hospital Mloganzila- (MNH-Mloganzila)	10,532.11	22,460.02	0.47

S/N	Entity	Total current assets (TZS million)	Total current liability (TZS million)	Current ratio
45.	Tanzania Forest Research Institute	908.52	1,913.02	0.47
46.	Tanzania Sisal Board	1,755.65	3,842.83	0.46
47.	National Museum of Tanzania	254.24	561.72	0.45
48.	Babati Water Supply and Sanitation Authority	6,435.67	14,658.55	0.44
49.	Nzega Water Supply and Sanitation Authority	1,049.18	2,471.20	0.42
50.	National Arts Council	194.69	510.82	0.38
51.	Tanzania Library Services Board	1,340.60	3,574.59	0.38
52.	Tanzania National Business Council	94.93	256.43	0.37
53.	Muhimbili Orthopaedic Institute	12,497.97	37,102.70	0.34
54.	Tanzania Atomic Energy Commission	1,341.40	4,030.93	0.33
55.	University Computing Centre	457.36	1,487.12	0.31
56.	Tanzania Dairy Board	61.19	259.38	0.24
57.	Kyela- Kasumulu Water Supply and Sanitation Authority	61.32	261.24	0.23
58.	Fair Competition Tribunal	28.63	195.19	0.15
59.	Tax Revenue Appeals Board	8.26	182.19	0.05
60.	Tanzania Civil Aviation Authority Consumer Consultative Council	2.19	74.31	0.03
61.	Export Processing Zone Authority	2,188.23	99,843.93	0.02
62.	Tanzania Pyrethrum Board	19.09	2,019.75	0.01
63.	Tanzania Fertilizer Regulatory Authority	2,076.83	262,533.49	0.01

Source: *Auditors Analysis on the financial statements 2022/23*

Appendix V: Public entities with more debts than equity

S/N	Public entity	Total debts (TZS Million)	Equity (TZS Million)	Gearing ratio (Debt to Equity)
Commercial Public Sector Entities (CPSE)				
1.	Tanzania Railways Corporation	11,532,469.87	141,053.14	8176 %
2.	ARU Built Environment Consulting Company Ltd	3,283.96	227.25	1445%
3.	MCB Company Limited	2,565.77	622.42	412%
4.	Watumishi Housing Investments Limited	5,919.02	1,516.40	390%
5.	Tanzania Electric Supply Company Limited	15,586,904.00	5,962,862.00	261%
6.	Electrical Transmission and Distribution Construction Maintenance Company Limited	82,433.38	33,630.55	245%
7.	APC Investment Centre	20,877.94	8,555.36	244%
8.	Tanzania Telecommunications Corporation	409,176.00	183,972.00	222%
9.	Tanzania Concrete Poles Manufacturing Company Limited	2,138.09	1,223.13	175%
10.	TANOIL Investment Limited	33,250.00	19,659.00	169%
11.	Tanzania Fertilizer Company Limited	21,200.54	13,417.66	158%
12.	Tanzania Ports Authority	2,290,044.07	1,465,210.56	156%
Non-commercial Public Sector Entities (NCPSE)				
13.	Tanzania Fisheries Research Institute	23,146.09	1,701.09	1361%
14.	Arusha Water Supply and Sanitation Authority	484,485.92	109,685.81	442%
15.	Tax Revenue Appeals Board	182.19	44.67	408%
16.	National Bureau of Statistics	111,822.08	29,402.89	380%
17.	Public Procurement Appeals Authority	194,406.09	55,929.70	348%
18.	Muhimbili Orthopedic Institute	49,129.33	15,498.27	317%
19.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	17,918.63	7,505.03	239%
20.	TCRA-Consumer Consultative Council	134.45	67.24	200%
21.	Export Processing Zone Authority	99,843.93	50,412.20	198%
22.	Warehouse Receipts Regulatory Board	970.46	506.08	192%
23.	Copyright Office of Tanzania	401.41	258.05	156%
24.	DIT Institute consultancy bureau	2,776.81	1,791.83	155%
25.	Morogoro Water Supply and Sanitation Authority	36,027.69	30,126.25	120%
26.	Medical Store Department	475,856.12	397,694.29	120%
27.	Ngorongoro Conservation Area Authority	65,555.64	56,582.41	116%
28.	Arusha Technical College-Production Consulting Bureau	886.11	785.82	113%

Source: Audited financial statements 2022/23

Appendix VI: Public entities with long outstanding receivables

S/N	Public Sector Entities	TZS (Million)
1.	Higher Education Students' Loans Board	808,105.73
2.	Tanzania Petroleum Development Corporation	475,158.56
3.	Tanzania Electric Supply Company Limited	435,437.50
4.	Medical Stores Department	366,322.49
5.	National Health Insurance Fund	208,316.60
6.	Tanzania Telecommunications Corporation Limited	107,412.00
7.	Tanzania Ports Authority	92,835.45
8.	Tanzania Communications Regulatory Authority	57,153.71
9.	Tanzania Medicines and Medical Devices Authority	35,208.66
10.	Cotton Development Trust Fund	33,744.45
11.	Workers Compensation Fund	30,827.90
12.	TANOIL Investment Limited	28,608.98
13.	National Housing Corporation	24,894.78
14.	National Insurance Corporations	24,522.87
15.	Universal Communications Service Access Fund	23,265.55
16.	University of Dar es Salaam	18,979.38
17.	University of Dodoma	16,408.02
18.	National Environment Management Council	16,338.81
19.	Contractors Registration Board	15,733.00

S/N	Public Sector Entities	TZS (Million)
20.	National Ranching Company Limited	15,643.01
21.	Air Tanzania Company limited	13,429.21
22.	Kahama - Shinyanga Water Supply and Sanitation Authority	9,654.00
23.	State Mining Corporation	8,304.93
24.	Tanzania Shipping Agencies Corporation	7,184.62
25.	Land Transport Regulatory Authority	5,050.68
26.	Muhimbili National Hospital	4,956.41
27.	Mwanza Water Supply and Sanitation Authority	3,352.93
28.	Institute of Rural Development Planning	3,120.24
29.	Sokoine University of Agriculture	2,537.15
30.	Petroleum Upstream Regulatory Authority	2,517.78
31.	Moshi Co-operative University	2,103.74
32.	National Institute of Transport	1,649.80
33.	Procurement and Supplies Professionals and Technicians Board	1,642.41
34.	Muhimbili University of Health and Allied Sciences	1,570.30
35.	Morogoro Water Supply and Sanitation Authority	1,527.63
36.	Tanzania Trade Development Authority	1,395.01
37.	Fair Competition Commission	1,222.47
38.	Arusha Technical College	1,101.69
39.	Kilimanjaro Airport Development Company Limited	956.84
40.	Sugar Board of Tanzania	939.61
41.	Tanzania Industrial and Research development Organiztion	868.27
42.	Cashewnut Industry Development Trust Fund	741.60
43.	Tanzania Institute of Education	739.51
44.	Institute of Social Work	729.38
45.	Kariakoo Market Corporation	578.61
46.	Gaming Board Of Tanzania	544.42
47.	Tanzania Library Services Board	522.13
48.	Ardhi University	406.10
49.	College of African Wildlife Management	395.03
50.	Institute of Adult Education	382.79
51.	Masasi Nachingwea Water Supply and Sanitation authority	353.15
52.	Muhimbili National Hospital-Mloganzila	299.84
53.	Jakaya Kikwete Cardiac Institute	239.34
54.	National Museum of Tanzania	192.88
55.	Tanzania Tourist Board	184.75
56.	Mzumbe University	126.31
57.	Copyright Office of Tanzania	121.33
58.	National Bureau of Statistics	105.51
59.	National Board of Accountants and Auditors	98.47
60.	Deposit Insurance Board	43.16
61.	Tanzania Fisheries Research Institute	41.10
62.	Tanzania Meat Board	10.70
63.	National Kiswahili Council	7.40
64.	Tanzania Diary Board	6.23
65.	National Sugar Institute	4.77
66.	Dar es Salaam Maritime Institute	1.94
	Total	2,916,879.62

Source III: PSE Receivable aging analysis report 2022/23

Appendix VII: Entities with outstanding payables

S/N	Name of Entity	Amount (TZS 'million')
1.	Tanzania Railways Corporation	1,074,717.69
2.	Tanzania Electric Supply Company Limited	677,851.52
3.	National Health Insurance Fund	335,859.60
4.	Tanzania Telecommunications Corporation	319,892.00

S/N	Name of Entity	Amount (TZS ‘million’)
5.	Medical Stores Department	197,432.07
6.	Tanzania Petroleum Development Corporation	152,725.00
7.	Cotton Development Trust Fund	78,361.74
8.	Muhimbili National Hospital	69,944.48
9.	Dar es Salaam Water Supply and Sanitation Authority	66,211.04
10.	STAMIGOLD Company Limited	40,847.34
11.	Tanzania National Parks	37,805.79
12.	National Insurance Corporation	33,287.23
13.	Muhimbili Orthopaedic Institute	30,927.00
14.	National Housing Corporation	25,773.81
15.	Tanzania Standard Newspaper	25,380.76
16.	National Social Security Fund	24,544.84
17.	Air Tanzania Company Limited	24,132.68
18.	State Mining Corporation	19,962.76
19.	Ngorongoro Conservation Area Authority	18,736.00
20.	Muhimbili National Hospital - Mloganzila	17,066.94
21.	Cashewnut Board of Tanzania	15,800.64
22.	TANOIL Investment Limited	14,305.00
23.	Public Service Social Security Fund	12,407.87
24.	Sokoine University of Agriculture	10,519.37
25.	Tanzania Broadcasting Corporation	9,281.00
26.	Tanga Water Supply and Sanitation Authority	8,536.83
27.	Tabora Water Supply and Sanitation Authority	7,984.05
28.	Tanzania Shipping Agencies Corporation	7,829.42
29.	Mbeya Water Supply and Sanitation Authority	7,248.72
30.	Kahama - Shinyanga Water Supply and Sanitation Authority	6,973.00
31.	Mwanza Water Supply and Sanitation Authority	6,842.54
32.	Small Industries Development Organization	6,711.78
33.	Cereals and other Produce Board	5,839.77
34.	University of Dar es Salaam	5,699.36
35.	University of Dodoma	5,481.22
36.	Tanzania Civil Aviation Authority	5,111.06
37.	Tanzania Trade Development Authority	4,454.29
38.	Mbeya University of Science and Technology	4,427.00
39.	Tanzania Geothermal Development Company Limited	4,246.99
40.	Tanzania Biotech Products Limited	4,116.42
41.	Mzumbe University	3,975.88
42.	Institute of Rural Development Planning	3,616.27
43.	National Examinations Council of Tanzania	3,486.50
44.	Land Transport Regulatory Authority	3,361.00
45.	Tanzania Bureau of Standards	3,267.15
46.	Tanzania Atomic Energy Commission	3,094.00
47.	Tanzania Industrial Research and Development Organization	2,626.54
48.	Institute of Accountancy Arusha	2,580.68
49.	Mtwara Water Supply and Sanitation Authority	2,484.63
50.	Geita Water and Sanitation Authority	2,362.20
51.	Tanzania Sisal Board	2,351.70
52.	Gaming Board of Tanzania	2,343.61
53.	Tanzania Fisheries Research Institute	1,997.71
54.	Tanzania Pyrethrum Board	1,906.11
55.	Tanzania Tourist Board	1,659.00
56.	Iringa Water Supply and Sanitation Authority	1,302.85
57.	WH Real Estate Investment Trust Fund	1,293.17
58.	Tanzania Ports Authority	1,252.33

S/N	Name of Entity	Amount (TZS 'million')
59.	Kigoma Water Supply and Sanitation Authority	1,239.17
60.	Centre for Foreign Relation	1,237.88
61.	Sugar Board of Tanzania	1,056.31
62.	Gas Company (Tanzania) Limited	1,048.00
63.	National Environment Management Council	1,022.00
64.	Kahama Water and Sanitation Authority	963.46
65.	National Development Corporation	952.55
66.	Masasi Nachingwea Water Supply and Sanitation Authority	950.00
67.	Singida Water Supply and Sanitation Authority	925.21
68.	Tanzania Food and Nutrition Centre	923.00
69.	Marine Parks and Reserves Unit	828.45
70.	UTT Asset Management and Investor Services PLC	800.15
71.	University of Dar es Salaam Computing Centre	756.20
72.	National Bureau of Statistics	746.07
73.	Mkwawa University College of Education	715.59
74.	Mkulazi Holding Company Limited	662.26
75.	Energy and Water Utilities Regulatory Authority	627.77
76.	Tanzania Medicines and Medical Devices Authority	563.52
77.	Kibaha Education Centre	527.55
78.	National Arts Council	510.80
79.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	456.15
80.	Fair Competition Commission	426.33
81.	TCAA Training Fund	395.00
82.	College of African Wildlife Management	376.46
83.	National Council for Technical and Vocational Education and Training	367.93
84.	Dar es salaam University College of Education	306.48
85.	Tanzania Tobacco Board	287.21
86.	Tanzania National Business Council	256.00
87.	National Board of Accountants and Auditors	233.02
88.	Tanzania Plant Health and Pesticides Authority	214.50
89.	Vocational Education and Training Authority	209.97
90.	Procurement and Supplies Professionals and Technicians Board	187.18
91.	Fair Competition Tribunal	177.60
92.	Capital Markets and Securities Authority	172.00
93.	Architects and Quantity Surveyors Registration Board	145.03
94.	Moshi Water Supply and Sanitation Authority	139.89
95.	APC Investment Center	139.15
96.	T-Pesa Limited	136.52
97.	Tanzania Wildlife Research Institute	120.66
98.	Tanzania Mercantile Exchange Plc.	105.00
99.	Morogoro Water Supply and Sanitation Authority	102.31
Total		**3,492,248.28**

Appendix VIII: Government budget releases vs approved budget

S/n	Public entity	Budget	Actual release	Budget deficit	Deficit in %
		TZS "Million"			
1	Namtumbo Water Supply and Sanitation Authority	130.00	-	130	100
2	University of Dodoma-(Students' hostel construction in Iringa)	500.00	-	500	100
3	Tanzania Telecommunications Corporation (Government & UCSAF)	86,051.26	2,631.51	83,419.75	97
4	Muhimbili National Hospital	60,712.93	8,826.77	51,886.15	85
5	National Arts Council	905.45	171.55	733.90	81
6	Dodoma Water Supply and Sanitation Authority	30,470.00	6,421.00	24,049.00	79

S/n	Public entity	Budget	Actual release	Budget deficit	Deficit in %
7	Mtwara Water Supply and Sanitation Authority	20,947.29	4,965.82	15,981.47	76
8	Tanzania Institute of Education	107,206.84	30,650.28	76,556.56	71
9	Ardhi University	39,491.27	13,769.52	25,722	65
10	Tanzania Dairy Board	2,928.04	1,067.55	1,860.49	64
11	LATRA Consumer Consultative Council	1,551.84	600.00	951.84	61
12	Tanzania Mercantile Exchange PLC	2,606.88	1,038.33	1,568.55	60
13	Tanzania Tourist Board	13,446.39	5,747.70	7,698.69	57
14	National Bureau of Statistics	949,213.37	430,136.25	519,077.12	55
15	Export Processing Zone Authority	5,990.52	2,920.35	3,070.17	51
16	Tanzania Smallholders Tea Development Agency	1,806.35	982.48	823.86	46
17	Tanzania Education Authority	28,311.43	16,122.61	12,188.82	43
18	Open University of Tanzania	35,244.16	20,251.83	14,992	43
19	Muhimbili University of Health and Allied Sciences	102,812.15	59,641.66	43,170.49	42
20	Tanzania Civil Aviation Authority Consumer Consultative Council	892.59	550.00	343	38
21	Tanzania Food and Nutrition Centre	9,052.49	5,595.81	3,456.68	38
22	Tanzania Broadcasting Corporation	37,431.98	23,183.67	14,248.31	38
23	Centre for Agricultural Mechanization and Rural Technology	4,100.68	2,605.24	1,495.44	36
24	Ocean Road Cancer Institute	29,601.04	18,894.06	10,707	36
25	Tanzania Coffee Board	2,757.07	1,811.44	945.63	34
26	Karatu Water Supply and Sanitation Authority	756.99	499.62	257.37	34
27	Geita Water Supply and Sanitation Authority	2,135.86	1,449.47	686.39	32
28	Shinyanga Water Supply and Sanitation Authority	1,800.00	1,230.48	569.52	32
29	Kibaha Education Centre	11,175.12	7,753.17	3,421.95	31
30	Dar es salaam Maritime Institute	3,904.84	2,777.87	1,126.97	29
31	Dar es Salaam Institute of Technology	22,915.03	16,481.20	6,433.83	28
32	Tanzania Commission of Science and Technology	185.70	137.73	47.97	26
33	Moshi Water Supply and Sanitation Authority	5,615.16	4,186.61	1,428.55	25
34	Fair Competition Commission	3,882.75	2,945.33	937.42	24
35	Tanzania Trade Development Authority	4,459.66	3,413.08	1,047	23
36	Mkwawa University College of Education	15,678.50	12,204.09	3,474.41	22
37	Medical Stores Department	200,000.00	157,600.00	42,400	21
38	Moshi Co-operative University	16,065.42	12,955.49	3,109.93	19
39	Tanzania Engineering and Manufacturing Design Organisation	3,321.80	2,721.25	600.55	18
40	Copyright Office of Tanzania	2,039.35	1,690.48	348.87	17
41	Centre for foreign relations	4,720.35	4,002.23	718	15
42	Ngorongoro Conservation Area Authority	120,053.50	102,707.25	17,346.25	14
43	Cooperative Audit and Supervision Corporation	5,915.35	5,067.46	847.89	14
44	Musoma Water Supply and Sanitation Authority	2,981.74	2,572.71	409.03	14
45	Singida Water Supply and Sanitation Authority	2,216.90	1,917.30	299.60	14
46	College of African Wildlife Management	6,404.60	5,509.98	894.62	14
47	National Institute for Medical Research	12,418.69	10,803.77	1,614.92	13
48	Sokoine University of Agriculture	42,091.26	36,855.39	5,236	12
49	Dar es Salaam University College of Education	8,497.60	7,480.13	1,017.47	12
50	Institute of Accountancy Arusha	16,831.14	14,894.62	1,956	12
	TOTAL	**2,090,229.33**	**1,078,442.14**	**1,011,807.43**	

Source II:Financial statement and budget implementation reports

Appendix IX: Under collection of own source revenue (TZS millions)

S/N	Name of the entity	Approved budget TZS Millions	Own source collection TZS Millions	Budget deficit	% Deficit
1.	Maritime Education and Training Fund	60	7.14	52.86	88
2.	Tanzania Forestry Research Institute	1,002.75	156.51	846.24	84
3.	Tanzania Education Authority	1,533.39	442.8	1,090.59	71
4.	Korogwe Water Supply and Sanitation Authority	1,153	338	815.3	71
5.	Tanzania Tourist Board	439.89	133.79	306.1	70
6.	Tanzania Smallholders Tea Development Agency	448	145.59	302.41	68
7.	Cereals and other Produce Board	125,825.89	44,837.04	80,988.85	64
8.	Tanzania Biotech Products Limited	1,763.67	746.76	1,016.91	58
9.	Cotton Development Trust Fund	96,094.77	42,244.22	53,850.55	56
10.	Tanzania Industrial Research and Development Organisation	3,852.57	1,712.24	2,140.33	56
11.	Makambako Water and Sanitation Authority	1,348.27	664.72	683.55	51
12.	Cashewnut Board of Tanzania	6,096.70	3,022.62	3,074.08	50
13.	TTCL PESA	1,955.32	976.53	978.79	50
14.	Kilimanjaro International Leather Industries Company Limited	6,777.09	3,431.14	3,345.95	49
15.	Centre for Agricultural Mechanization and Rural Technology	2,131.63	1,106.42	1,025.21	48
16.	Bariadi Water Supply and Sanitation Authority	558.45	305.18	253.27	45
17.	Lindi Water and Sanitation Authority	2,066.44	1,132.14	934.3	45
18.	Tanzania Engineering and Manufacturing Design Organisation	2,633.58	1,470.53	1,163.05	44
19.	College of African Wildlife Management	8,175.73	4,724.93	3,450.80	42
20.	National Environmental Management Council	28,042.56	16,837.47	11,205.09	40
21.	Nzega Water Supply and Sanitation Authority	3,060.96	1,937.76	1,123.20	37
22.	National Construction Council	1,804.92	1,129.99	674.98	37
23.	Ngara Water Supply and Sanitation Authority	723.58	463.7	259.88	36
24.	College of Business Education	32,734.20	21,193.15	11,541.05	35
25.	Geita Water Supply and Sanitation Authority	3,045.20	2,002.51	1,042.69	34
26.	Singida Water Supply and Sanitation Authority	5,845.58	3,846.55	1,999.03	34
27.	Cooperative Audit and Supervision Corporation	2,360.00	1,555.12	804.88	34
28.	Marine Services Company Limited	9,293.59	6,159.47	3,134.12	34
29.	Namtumbo Water Supply and Sanitation Authority	159.92	106.31	53.61	34
30.	Tanzania Broadcasting Corporation	15,809.17	10,517.18	5,291.99	33
31.	Tanzania Cotton Board	4,595.47	3,065.07	1,530.40	33
32.	Ardhi University	13,151.39	8,820.92	4,330.47	33
33.	Marine Parks and Reserves Unit	2,901.07	1,985.06	916.01	32
34.	Tanzania Mercantile Exchange PLC	250	172.56	77.44	31
35.	Dar es salaam Maritime Institute	8,525.10	5,975.51	2,549.59	30
36.	Mtwara Water Supply and Sanitation Authority	6,712.08	4,726.43	1,985.65	30
37.	Kigoma Water Supply and Sanitation Authority	4,718.66	3,343.04	1,375.62	29
38.	The Mwalimu Nyerere Memorial Academy	14,546.71	10,441.78	4,104.93	28
39.	Kariakoo Market Corporation	1,744.39	1,264.52	479.87	28
40.	Tabora Water Supply and Sanitation Authority	12,056.95	8,748.69	3,308.26	27
41.	Public Procurement Regulatory Authority	2,249.94	1,634.15	615.79	27
42.	Bukoba Water Supply and Sanitation Authority	5,525.32	4,035.21	1,490.11	27
43.	Institute of Adult Education	9,191.16	6,743.94	2,447.22	27
44.	Arusha Water Supply and Sanitation Authority	35,011.89	25,709.97	9,301.92	27
45.	Mbeya University of Science and Technology	188.96	138.96	50	26
46.	Shinyanga Water Supply and Sanitation Authority	11,437.19	8,564.40	2,872.79	25
47.	Morogoro Water Supply and Sanitation Authority	18,152.76	14,041.49	4,111.27	23
48.	Tanzania Atomic Energy Commission	14,500.00	11,226.95	3,273.05	23
49.	Kyela- Kasumulu Water Supply and Sanitation Authority	136.6	107.34	29.26	21
50.	Dar es Salaam Institute of Technology	6,361.74	5,008.65	1,353.09	21
51.	Dodoma Water Supply and Sanitation Authority	32,121.91	25,307.56	6,814.35	21

S/N	Name of the entity	Approved budget TZS Millions	Own source collection TZS Millions	Budget deficit	% Deficit
52.	Masasi- Nachingwea Water Supply and Sanitation Authority	4,396.67	3,465.72	930.95	21
53.	Electrical Transmission and Distribution Construction and Maintenance Company Limited	78,510.99	62,542.82	15,968.17	20
54.	Vocational Education Training Authority	21,311	17,048	4262.84	20
55.	Njombe Water Supply and Sanitation Authority	1,600.00	1,297.87	302.13	19
56.	Kibaha Education Centre	1,706.95	1,399.25	307.7	18
57.	National Council for Technical and Vocational Education and Training	9,262.49	7,609.22	1,653.27	18
58.	Tanzania Wildlife Research Institute	1,975.00	1,640.02	334.98	17
59.	National Kiswahili Council	416.75	347.26	69.49	17
60.	Mbeya Water Supply & Sanitation Authority	16,442.97	13,870.67	2,572.30	16
61.	Sugar Board of Tanzania	2,051.85	1,757.18	294.67	14
62.	Centre for foreign relations	3,601.21	3,098.70	502.51	14
63.	Sokoine University of Agriculture	37,263.46	32,084.24	5,179.22	14
64.	Muhimbili Orthopaedic Institute	35,064.17	30,664.45	4,399.72	13
65.	APC Investment Centre	4,976.24	4,468.28	507.96	10
66.	National Institute of Medical Research	9,636.68	8,682.11	954.57	10
Total		**799,092.54**	**514,385.5**	**284,707.23**	

Source II: *Financial statements and budget implementation reports*

Appendix X:Entities with inadequate performance securities

S/n	Name of entity	No. of Contracts	Amounts
Entities with Amount in TZS million			
Entity with contracts without performance security			
1.	Medical Stores Department	5	8,073.44
2.	Electrical Transmission and Distribution Construction and Maintenance Company	7	7,978.88
3.	National Ranching Company Limited	3	2,890.39
4.	Jakaya Kikwete Cardiac Institute	8	2,883.97
5.	National Housing Corporation	1	2,337.50
6.	Muhimbili National Hospital	5	1,513.13
7.	Tanzania Concrete Poles Manufacturing Company Limited	5	1,498.34
8.	Tanzania Electric Supply Company Limited	2	1,275.00
9.	Tanzania Commercial Bank Plc	3	759.13
10.	Same Mwanga Water Supply and Sanitation Authority	7	587.07
11.	University of Dodoma	8	451.16
12.	Centre for Foreign Relations	6	391.24
13.	Marine Parks and Reserves Unit	3	246.79
14.	Muhimbili National Hospital- Mloganzila	2	227.53
Total		65	31,113.57
Entities which signed contracts prior to submission of performance securities			
1.	University of Dodoma	12	2,387.06
2.	Kilimanjaro Airport Development Company Limited	7	1,428.11
3.	Tanzania Posts Corporation	3	1,258.21
4.	Muhimbili National Hospital- Mloganzila	3	993.82
5.	Tanzania Commercial Bank Plc	3	616.50
6.	Tanzania Railways Corporation	2	447.89
7. **7**	Tanzania Concrete Poles Manufacturing Company Limited	1	29.8
Subtotal in TZS		31	7,161.39
Entities with Amount in USD in million			
1. **1**	Tanzania Railways Corporation	1	3.34
2. **2**	Kilimanjaro Airport Development Company Limited	1	0.17

Total (USD)		2	3.51
Entities with Amount in Euro in million			
1	Kilimanjaro Airport Development Company Limited	1	0.67
Total (Euro)		1	0.67

Source: Extracted from Procurement files

Appendix XI: Entities with delays in delivery of goods

S/N	Entity Name	Number of Contracts	Contract sum (TZS) million	Delayed period (Days)
1.	Tanzania Concrete Poles Manufacturing Company Limited	1	5,587.69	30
2.	Kahama Shinyanga Water Supply and Sanitation Authority	7	3,158.53	60 to 240
3.	Tanzania Telecommunications Corporation	2	1,662.48	65 to 142
4.	Tanzania Commercial Bank Plc	5	1,529.06	40 to 180
5.	Mzumbe University	8	454.29	30 to 152
6.	Tanzania Broadcasting Corporation	3	388.20	61 to 71
7.	Makambako Water Supply and Sanitation Authority	1	277.24	600
8.	Institute of Accountancy Arusha	3	219.95	34 to 79
9.	Mwanza Water Supply and Sanitation Authority	1	206.41	192 to 330
10.	Mbeya University of Science and Technology	2	197.16	45 to 120
11.	Vocational Education and Training Authority	24	184.85	32 to 252
12.	University of Dodoma	1	165.28	287
13.	Muhimbili University of Health and Allied Sciences	4	152.07	32 to 136
14.	National Environment Management Council	2	118.73	193 to 409
15.	Dar es salaam University College of Education	3	116.97	52 to 107
16.	MCB Company Limited	3	114.57	47 to 224
17.	College of Business Education	1	100.2	30
18.	Dar es Salaam Institute of Technology	1	98.17	52
19.	Tanzania Bureau of Standards	1	36.41	60
20.	Ardhi University	1	25.19	170
21.	Arusha Technical College	1	22.85	1140
22.	Tax Revenue Appeals Board	1	21.58	40
Total		**76**	**14,837.88**	

Source: Extracted from procurement files

Appendix XII: PSEs that do not utilize Human Capital Management Information System

SN	Name of the Entity
1.	Dodoma Water Supply and Sanitation Authority
2.	Iringa Water Supply and Sanitation Authority
3.	Tanzania Commercial Bank
4.	Workers Compensation Fund
5.	Sugar Board of Tanzania
6.	Kilimanjaro Airport Development Company Limited
7.	National Development Corporation
8.	Songea Water Supply and Sanitation Authority
9.	TIB Development Bank Limited
10.	Tanzania Port Authority
11.	Tanzania Telecommunications Corporation Limited
12.	Babati Water Supply and Sanitation Authority
13.	Dar es Salaam Water Supply and Sanitation Authority
14.	National Social Security Fund
15.	Mpanda Water Supply and Sanitation Authority
16.	National Ranching Company Limited
17.	Gaming Board of Tanzania
18.	Kigoma Water Supply and Sanitation Authority
19.	Tanzania Fertilizer Company Limited
20.	Njombe Water Supply and Sanitation Authority
21.	Medical Stores Department
22.	Kariakoo Market Corporation
23.	Shinyanga Water Supply and Sanitation Authority
24.	Tanzania Posts Corporation
25.	Land Transport Regulatory Authority

SN	Name of the Entity
26.	Tanga Water Supply and Sanitation Authority
27.	Kahama Water and Sanitation Authority
28.	Lindi Water Supply and Sanitation Authority
29.	Bukoba Water Supply and Sanitation Authority
30.	Mtwara Water Supply and Sanitation Authority
31.	Musoma Water Supply and Sanitation Authority
32.	Moshi Water Supply and Sanitation Authority
33.	Sumbawanga Water Supply and Sanitation Authority
34.	Singida Water Supply and Sanitation Authority
35.	Tabora Water Supply and Sanitation Authority
36.	National Housing corporation
37.	Ngorongoro Conservation Area Authority
38.	Self -Micro Finance Fund (SELF MF)
39.	Geita Water and Sanitation Authority
40.	Morogoro Water Supply and Sanitation Authority
41.	Tanzania Electric Supply Company Limited
42.	Kahama - Shinyanga Water Supply and Sanitation Authority
43.	Universal Communications Service Access Fund
44.	Bariadi Water Supply and Sanitation Authority
45.	Tanzania Communications Regulatory Authority
46.	Energy and Water Utilities Regulatory Authority
47.	Masasi Nachwingwea Water Supply and Sanitation Authority
48.	Mwanza Water Supply and Sanitation Authority
49.	Tanzania Shipping Agencies Corporation
50.	Arusha Water and Sanitation Authority
51.	Mbeya Water Supply and Sanitation Authority
52.	Air Tanzania Company Limited
53.	UTT Asset Management and Investor Services PLC
54.	Ubungo Plaza Limited
55.	Kyela - Kasumulu Water Supply and Sanitation Authority
56.	Korogwe Water Supply and Sanitation Authority

Source: HCMIS system

Appendix XIII: Entities with inadequate operational instruments

S/N	Details	Anomalies identified
1.	Marine Park Reserve Unit	No organization structure to reflect current operations of MPRU's
		There is no General Management Plan for the Dar es Salaam Marine Reserves (DMRs) and Mnazi Bay Ruvuma Estuary Marine Parks, absence of Internal Audit Charter and Internal Audit Manual.
2.	Tanzania National Park	Outdated General Management Plan
3.	LATRA Consumer Consultative Council	Council lacks written down standard operating procedures to facilitate execution
4.	Mbeya University of Science and Technology (MUST)	Absence of a structured set of operational guidelines for operating MUST dispensary operational guideline
5.	Tanzania Insurance Regulatory Authority	There is no National Insurance Education Strategy as required by TIRA Corporate Strategic Plan for the year 2019/20 to 2023/24
6.	Tanzania Shipping Agency Corporation	Instruments in place not approved namely Tanzania Shipping Agencies Regulations 2022, Merchant Shipping Regulations 2022, Fraud Control Framework, Corporation Tax Risk Management Policy and Fraud Control Framework.
7.	Dar es salaam Institute of Technology	Outdated Quality Assurance Policy, risk management framework and risk register
8.	Geita Water Supply and Sanitation Authority	There is no risk and fraud management framework comprising risk management policy, risk management manual, risk assessment plan and fraud policy and whistle blow procedures
9.	Kahama Shinyanga Water Supply and Sanitation Authority	There is no Risk and Fraud Management frameworks at the Authority. Internal Audit Manual
10.	National Sport Council	There is no risk register, Risk Management Action Plans, Risk Assessment

S/N	Details	Anomalies identified
11.	National Sugar Institute	There is no risk management framework
12.	Open University of Tanzania	There is no Anti-fraud Policy
13.	TCRA Consumer Consultative Council	Absence of fraud management policy
14.	Tabora Water Supply and Sanitation Authority (TUWASA)	Absence of (i) Planning, Monitoring and Evaluation (M & E) Policy, (ii) Risk Management Policy, (iii) Safety Health and Environment (SHE) Policy, (iv) Corporate Social Responsibility (CSR), and Marketing and Corporate Affairs Policy
15.	Tanzania Biotech Products Limited	Absence of approved risk management policy, assessed and documented fraud risk and fraud prevention policy
16.	Architects and Quantity Surveyor Registration Board	Lack of Internal Audit Charter
17.	Musoma Water Supply and Sanitation Authority	Absence of Internal Audit Manual
18.	Dar es salaam University Press	Absence Financial Regulations
19.	Gaming Board of Tanzania	Outdated Financial and Staff Regulations
20.	Gas Company (Tanzania) Limited	Incentive scheme, Staff Regulations, and Financial Regulations, and there is no independent budget and strategic plans.
21.	Institute of accounting in Arusha	Outdated Financial Regulations
22.	Keko Pharmaceutical Industries	Absence human resource guidelines
23.	Moshi Water Supply and Sanitation Authority	There is no accounting manual and outdated Financial Regulations
24.	National Economic Empowerment Council	Outdated accounting manual
25.	Singida Water Supply and Sanitation Authority	Outdated manual including Financial Manual 2014, Human Resources Manual 2014, Internal Audit Charter 2014, and there is no strategic plan and no independent strategic plans and budget.
26.	TANOIL Investment Tanzania Limited	No incentive scheme, financial regulations and staff regulations.
27.	Tanzania Bureau of Standards	Outdated Financial Regulations
28.	Tanzania Engineering and Manufacturing Design Organization	Outdated financial regulations
29.	Tanzania Institute of Education	There is no Human Resource Policy, Staff Regulations and accounting manual
30.	Tanzania Meat Board	Outdated accounting manual, and Internal Audit manual
31.	Tanzania Plant Health and Pesticides Authority	Absence of Financial Policies and Procedures Manuals existing manual was designed solely for the Tanzania Pesticides Research Institute.
32.	Tukuyu Water Supply and Sanitation Authority	Outdated Financial Regulations.
33.	Tanzania Coffee Board	Absence of Staff Loan policy
34.	Arusha Water Supply and Sanitation Authority	Outdated Store Manual, and procurement manual
35.	Contractors Registration Board	Absence of Research Manual and Research Policy
36.	Cashew Nut Board	No annual monitoring and review of the strategic plan
37.	Muhimbili National Hospital - Mloganzila	Absence of key performance indicator (KPI) in established strategic plan.
38.	Deposit Insurance Board	Outdated scheme of services
39.	Mkulazi Holding Company	Outdated scheme of services
40.	National Housing Corporation	Outdated scheme of services

Source: *Auditors analysis on performance reports*

Appendix XIV: Various taxes not submitted to TRA

S/N	Name of entity	Corporate tax	VAT	Withholding tax	PAYE	SDL	Income tax	Total
			TZS (million)					
1.	Dar-es-Salaam Water Supply and Sanitation Authority			1,223	17,899	7,896		**27,018**
2.	Tanzania Posts Corporation	1,698	2,600					**4,298**
3.	Institute of Rural Development Planning		23	133	435			**591**
4.	Tanga Water Supply and Sanitation Authority			256		52	256	**564**
5.	Marine Service Company Limited				312			**312**
6.	STAMIGOLD Company Limited			256				**256**
7.	University of Dar-es-Salaam				131	27		**158**
8.	Tanzania Library Service Board		82					**82**
9.	EWURA Consumer Consultative Council				78			**78**
10.	University of Dodoma			22				**22**
11.	Dodoma Water Supply and Sanitation Authority					20		**20**
12.	Kariakoo Market Corporation					18		**18**
13.	Mpanda Water Supply and Sanitation Authority					12		**12**
14.	Tanzania Plant Health and Pesticides Authority			10				**10**
15.	Fair Competition Tribunal			4				**4**
16.	Tanzania Trade Development Authority			4				**4**
Total		**1,698**	**2,705**	**1,907**	**18,855**	**8,019**	**256**	**33,447**

Source: Analysis from Tax information i.e estimated tax payable report

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