


**ANNUAL GENERAL REPORT OF THE CONTROLLER AND  
AUDITOR GENERAL**

**On the Audit of the Financial Statements of Central  
Government for the Year ended 30<sup>th</sup> June, 2008**

THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE

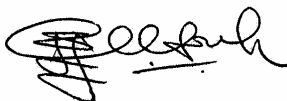
<p>Telegram: "Ukaguzi" Telephone: 255(022)2115157/8 Fax: 255(022)2117527 E-mail: <a href="mailto:ocag@nao.go.tz">ocag@nao.go.tz</a> Website: <a href="http://www.nao.go.tz">www.nao.go.tz</a> In reply please quote Ref. No.EAC.103/2007/2008</p>		<p>Office of the Controller and Auditor General Samora Avenue, P.O. Box 9080, DAR ES SALAAM. 26<sup>th</sup> March, 2009</p>
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Your Excellency Dr. Jakaya M. Kikwete,  
The President of the United Republic of Tanzania,  
State House,  
P.O. Box 9120,  
Dar es Salaam.

Re: Submission of Annual General Report of the Controller and  
Auditor General on the Financial Statements of the Central  
Government for the year ended June, 30<sup>th</sup> 2008

Pursuant to Article 143(4) of the Constitution of the United  
Republic of Tanzania of 1977 (revised 2005), and Sec.10 (1) of  
the Public Audit Act No. 11 of 2008, I hereby submit to you the  
above mentioned report.

I submit.



Ludovick S.L. Utouh  
CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General,  
The National Audit Office, United Republic of Tanzania.

*(Established under Article 143 of the Constitution of the URT).*

The statutory duties and responsibilities of the Controller and Auditor General are enshrined under Article 143 of the Constitution of the URT of 1977 (revised 2000), and is further elaborated in Section 10(1) of the Public Audit Act No 11 of 2008.

**Vision**

To be a centre of excellence in public sector auditing

**Mission**

To provide efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

In providing quality services, NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our Clients in an objective, and unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law.
- ✓ **People's focus:** We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force
- ✓ **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization
- ✓ **Best resource utilisation:** We are an organisation that values and uses public resources entrusted to it in efficient, economic and effective manner

**We do this by:-**

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by Government Authorities. However, upon receipt of the report of the CAG by the Speaker and once it is tabled in Parliament, the report becomes a matter of public record and its distribution may not be limited.

## Foreword

I am pleased to present my 2007/08 report on the audit of the financial statements of the Central Government (Ministries, Departments, Agencies and Regional Administrative Secretariats) and the Consolidated Financial Statements for the period ended 30<sup>th</sup> June, 2008. This report aims at providing our stakeholders with a summary of findings arising from the audit of the Central Government for the financial year 2007/2008 whereby the details of summarized matters can be read from the individual audit reports issued to individual Accounting Officers.

This report is being submitted to the President in accordance with Article 143 of the Constitution of the United Republic of Tanzania and Section 34(1) & (2) of the Public Audit Act No. 11 of 2008.

Pursuant to Article 143(2) (c) of the Constitution of the URT, the Controller and Auditor General shall at least once every year audit and give an audit report in respect of the accounts of the Government of the United Republic, the accounts managed by all officers of the Government of the United Republic and the accounts of all Courts of the United Republic and the accounts managed by the Clerk of the National Assembly.

Under Article 143(4) of the Constitution of the URT, the Controller and Auditor General is required to submit to the President every report he makes pursuant to the provisions of sub Article (2) of the same Article. Upon receipt of such report the President shall direct the persons concerned to submit that report before the first sitting of the National Assembly before the expiration of seven days from the day the sitting of the National Assembly began.

The enactment of the Public Audit Act No. 11 of 2008 enhanced operational independence of my office in the fulfillment of my Constitutional mandate. This was a result of the effort of his Excellency the President of the United Republic of Tanzania.

The operational independence is expected to enable me acquire the necessary control over all the resources available for the office including human and financial resources, which will enable my office to perform its tasks without being under the undue influence and control of any person or authority.

The legislation has broadened the scope of audit to be conducted by my office by mandating me to carry out in addition to the normal Regularity and Performance audits, Forensic, Environmental and Special Audits. It is my hope that with the enactment of this new legislation my office will endeavor in enforcing financial controls and assist the Government in the enhancement of public accountability. In the essence, the legislation will enable me to provide the necessary independence assurance to Parliament concerning such issues as accountability, transparency and probity in the use of public resources and in particular as to whether such resources have been effectively spent with due regard to economy, efficiency and effectiveness as intended and appropriated by Parliament.

It is worth noting that while my office reports on any non compliance with various laws, rules and regulations and on weaknesses in internal control systems across the public entities and in particular the Central Government, the ultimate responsibility for the maintenance of an effective and adequate system of internal control and a compliant framework lies with each Accounting Officer.

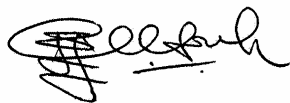
Parliament looks upon the Controller and Auditor General and the National Audit Office (NAO) for assurance in regard to financial reporting and public resources management in the Central Government and in relation to efficiency and effectiveness of programs administration. My office contributes through recommendations given towards improvements in public sector performance. In this regard, the Central Government and my office each have a role in contributing to parliamentary and public confidence building in public resources management. However, while the roles of public sector entities and NAO may differ, the desire for efficient utilization of public resources remains a common ground.

In order to meet the Parliamentarians' expectations and, more broadly, of the public at large, NAO continually reviews its audit approaches to ensure that the audit coverage provides an effective and independent review of the performance and accountability of public sector entities. Moreover, we seek to ensure that our audit coverage is well targeted and addresses priority areas so as to maximize our contribution in improving public administration. Since our work acts as a catalyst in improving financial management, we continue discussing contemporary issues and developments that impact on public sector management, particularly financial reporting and good governance.

The Public Accounts Committee (PAC) one of the oversight committees of Parliament has done a commendable job in taking to task all Accounting Officers of MDAs who had not performed to the expectation of the Committee. With all these efforts, I believe the Central Government has a crucial role to play in bringing about the desired improvements in financial accountability.

I would like to acknowledge the professionalism and commitment of my staff in achieving our goals and undertaking the work associated with meeting our ambitious audit programs despite the fact that they have been working in a very difficult conditions marked with insufficient funding, working tools, low salaries and sometimes working in very remote and un-easily accessible locations.

I hope that the National Assembly will find the information in this report useful in holding the Government to account for its stewardship of public funds and its delivery of services to Tanzanians. In this regard, I will appreciate to receive feedback on how to further improve this report in the future.



Ludovick S.L. Utouh  
CONTROLLER AND AUDITOR GENERAL

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National Audit Office,  
Dar es Salaam,

26<sup>th</sup> March, 2009

## Acknowledgement

I would like to express my gratitude to those who created an enabling environment for me to discharge my Constitutional obligations. I would like to thank every member of my staff for their endeavors to once again, meet the statutory reporting deadline. With lots of appreciation, I am obliged to pay tribute to my family and the families of my staff members for their tolerance during our long absence in fulfilling this Constitutional obligations.

It was not until on 4<sup>th</sup> July, 2008 when the President assented the Public Audit Act No.11 of 2008. Subsequently, the Minister for Finance and Economic Affairs endorsed our proposed Public Audit Regulations of 2009. In this regard, I would like to express my sincere appreciation to His Excellency President Jakaya Mrisho Kikwete, the Parliament, the Minister for Finance and Economic Affairs, the Attorney General and whoever participated in enabling the enactment of the Public Audit Act and its Regulations become a reality.

Besides my heartfelt thanks, may I take this opportunity to underscore the fact that although the functions and powers of the Controller and Auditor General are enshrined in the Constitution of the United Republic of Tanzania, yet the institutional framework was not comprehensive and lacked necessary tools for enhancement of independence of my office. The Office needed a wide-ranging legal structure to amplify Articles 143 and 144 of the Constitution. I trust that the new legal regime is a strong foundation and a roadmap towards equipping my office with tools of modern technology, trained and skilled personnel as well as stance towards our vision and mission. Again, whoever participated in this regard deserves our applause.

Further, my sincere thanks are extended to the donor community particularly the Swedish National Audit Office (SNAO), the Government of Sweden through SIDA and SNAO, the World Bank through the PFMRP project and all well wishers who have contributed immensely towards the transformation of my office. Their contributions in developing the mental asset, IT systems and physical assets have tremendous impact in our success.

I am equally indebted to all our other stakeholders including the Paymaster General, the Treasury and all Accounting Officers of the MDAs, Stock Verification Unit for the much needed support, cooperation and for providing vital information needed for the preparation of this

report. I would also like to thank the Government Printer for expediting the printing of this report for timely submission.

Last but not least, I would like to thank all public servants throughout Tanzania, whether in central or local governments without forgetting the role of taxpayers to whom this report is dedicated. Their invaluable contributions in building the nation cannot be underestimated.

May the almighty God bless you all as we we commit ourselves to promote accountability of the use of public resources in the country.



## List of abbreviations

A/C	Account
ACGEN	Accountant General
CAG	Controller and Auditor General
CDTI	Community Development Training Institute
CFS	Consolidated Financial Statements
CPO	Central Payment Office
FDCs	Folk Development Colleges
GAAP	Generally Accepted Accounting Principles
HIV	Human Immuno-deficiency Virus
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
JKT	Jeshi la Kujenga Taifa
LART	Loans and Realization Trust
LGAs	Local Government Authorities
MDAs	Ministries, Departments and Agencies,
NAO	National Audit Office
PFA	Public Finance Act No. 6 of 2001(revised 2004)
PFMRP	Public Financial Management Reform Programme
PFR	Public Finance Regulations
PMG	Paymaster General
PPA	Public Procurement Act No. 21 of 2004
RAS	Regional Administrative Secretariats
RCCB	Revenue Collectors Cash Book
Reg.	Regulation
Sect.	Section
SUMA	Shirika la Uchumi na Maendeleo
TCAA	Tanzania Civil Aviation Authority.
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
USD	United States Dollars
PAC	Public Accounts Committee

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## Executive Summary

This report provides a summary of the final results of the audit of financial statements of the Central Government for the financial year ended 30<sup>th</sup> June 2008. The scope of audit in the Central Government comprises of Ministries, Independent Departments, Agencies, Regional Administrative Secretariats, Embassies/ Missions and Donor Funded projects. The outcome of the audit for the year under review has not shown positive improvement in the opinions issued to the Central Government entities as tabulated below:-

	Unqualified opinion		Qualified opinion		Adverse Opinion		Total	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
<b>MDAs</b>	37	35	12	11	-	3	49	49
<b>RAS</b>	15	14	6	7	-	-	21	21
<b>Embassies/ Missions</b>	21	22	8	8	1	2	30	32
<b>Total</b>	73	71	26	26	1	5	100	102
<b>% age</b>	73%	70%	26%	25%	1%	5%	100%	100%

From the table above, the trend shows that unqualified opinions for MDAs and RAS have declined from 73% to 70% while qualified opinions have declined from 26% to 25% in the financial years 2006/07 and 2007/08 respectively. This year's results have recorded three (3) adverse opinions

Since the trend of audit opinions has not shown positive improvements, there is a need for management in the MDAs/RAS/Embassies and Missions to closely make follow up of the weaknesses in financial management which have been emphasized by Auditors. Key dominant features include:-

- Partial compliance with the International Public Sector Accounting Standards (IPSAS) - Cash basis of accounting
- Non compliance with the procurement laws and related regulations

- Weak internal control systems over management of assets, control of cash and revenue collections
- Non implementation of my previous years' recommendations

In the individual reports submitted to Accounting Officers, I made a statement that almost all MDA and RAS did not fully comply with procurement laws as directed by the Public Procurement Act No. 21 of 2004 and the related Regulations of 2005. The review of the procurement process found that there is a substantial work to be done in ensuring that all procurements made by MDAs and RAS comply with the above stated procurement laws and regulations. Embassies/Missions on the other hand, are governed by the Foreign Service Regulations and Circulars issued by the Permanent Secretary Ministry of Foreign Affairs and International Cooperation on all matters relating to procurement. However, the Foreign Service Regulations in use are completely outdated and therefore need immediate revision.

The findings on procurement irregularities presented in this report have amounted to Shs.6,635,592,789 which include the following:-

S/No.	Details	No. of MDAs/RAS	Amount involved (Shs)
1.	To procurement without annual procurement plans	3	204,457,280
2.	Procurement of Stores not recorded in ledger	11	565,081,385
3.	Short or non delivery of goods/services	4	5,189,045,071
5.	Procurements made without competitive bidding	3	540,588,354
7.	Procurement without tender board approval	2	136,420,699
Total			6,635,592,789

The status of performance audit is also covered briefly under chapter 7 of this report which highlights the key results of revenue collection and expenditure pertain

Audit results of Tanzania Revenue Authority have been reported together with the Consolidated National accounts under chapter 7 of this report. Key findings on TRA audit includes:

• Previous recommendations not implemented	Shs.12,737,171,176
• Temporary importation of 240 motor vehicles in the country were not evidenced to have been re-exported	
• Performance of TRA which include revenue collections	Shs.3,512,810,000,613

On the part of the Consolidated National Accounts, key results includes:

Items	Amount (Shs.)
• Statement showing increase in commitments outstanding	289,387,271,000
• Statement showing arrears of revenues	789,247,000
• Statement showing increase of losses of public monies and stores	3,594,209,000
• Statement showing government revenue collections	5,136,050,206,000
• Trend of Government spending in the financial year 2006/2007 and 2007/2008	5,017,378,196,000
• Statement showing Government guarantees	529,772,316,000
• Statement showing outstanding liabilities	71,283,761,000

Also, there was a noted weakness in maintaining information related to government investments and guarantees.

In this report, I found it of vital importance to include matters which were not covered in my last year's audit report. These matters include:-

- Highlighting the audit results of Payroll Audit
- Risk management

As my mandate covers the pre - audit of terminal benefits, Chapter 8 of this report highlights key results of pre-audit of terminal benefits conducted in the year under review. The audit has observed that.

- Overstated terminal benefits Shs.484,963,655.94
- Understated terminal benefits Shs.186,643,257

- Incorrect calculation of terminal benefits
- Double claims of terminal benefits (Pension plus contract benefits)
- Conflicting approval of terminal benefits by different government authorities
- Delay in submission of pension papers for audit.
- Incomplete documentation of employee's records prior to retirement.

Lastly, as per the mandate vested in me under Sect.10 of the Public Audit Act No. 11 of 2008, I have made a number of recommendations in Chapter 9 of this report, of which if implemented will contribute in improving the management of public resources in our country. The recommendations includes among others;

- Prompt actions on my previous years' recommendations;
- Ensuring compliance with laws and reporting frameworks;
- Improving discipline in Government expenditures;
- Strengthening procurement processes by complying with procurement laws;
- Improving the payment procedures for terminal benefits;



## CHAPTER 1

### BACKGROUND AND GENERAL INFORMATION

This report is issued following the audit of the accounts and underlying documents of MDAs/RAS/Embassies/Missions pursuant to Article 143 (4) of the Constitution of the United Republic of Tanzania of 1977 (revised 2005)

#### 1.1 Audit of Public Accounts

I am required by Section 143 of the Constitution of the URT to audit the Public Accounts and all offices, Courts and authorities of the Government of Tanzania and submit my reports thereon to the President who shall cause them to be laid before the Parliament.

In discharging these duties, I am required in terms of Section 10 of the Public Audit Act No. 11 of 2008, to satisfy myself that:

- All reasonable precautions have been taken to safeguard the collection of public moneys and that law, directives or instruction relating thereto have been duly observed.
- All monies from Consolidated Fund are authorized and issued according to the Appropriation Act.
- All monies disbursed have been expended and applied under proper authority and for the purpose intended by such authority and, adequate regulations exist for the guidance of storekeepers and stores accounts and that they have been duly observed.

In addition, I have the duty, by virtue of the same Section to draw the attention of the President/Parliament to any apparent lack of economy in the expenditure or use of public moneys or stores.

## Public Audit Act

Suffice to note here my appreciation to the President of the United Republic of Tanzania and the Parliament of the URT on their moral and material support in the enactment of the Public Audit Act No. 11 of 2008 which was passed by Parliament on 11<sup>th</sup> June, 2008 and assented by the President on 4<sup>th</sup> July, 2008.

May I also take this opportunity to inform you that the Regulations of this Act have also been signed by the Minister for Finance and Economic Affairs and that the Public Audit Act is now fully operational.

### 1.2 Functions and Responsibilities of the CAG to the MDAs, RAS and Embassies/Missions

The statutory responsibilities of my office to audit the accounts of MDAs, RAS and Embassies/Missions are given under Sect. 10(1) of the Public Audit Act No.11 of 2008. From the law, I am responsible for examining, inquiring into, auditing and reporting on the accounts of all Ministries and Departments of Government and their Accounting Officers, all persons entrusted with the collection, receipt, custody, issue or payment of public monies or with the receipt, custody, issue, sale, transfer or delivery of any stamps, securities, stores or other public property. Further, my responsibilities covers all public authorities and other bodies, any authority or body which receives funds from the Consolidated Fund or from public monies for a public purpose, any authority or body which is authorised by law to receive money for a public purpose and any authority or body required by law to be audited by my office.

### 1.3 Organisation of Audit Work at National Audit Office

The report provides a summary of the final results of the audit exercise, which was carried out by my Office throughout the country in the course of the year. In order for my office to effectively handle this enormous task of auditing all the MDAs and RAS in the country, it has established offices in the Ministries and Regions in Tanzania mainland for administrative purposes. These Regional and Ministerial offices are under the

supervision of Resident Auditors who report to the Zonal Auditors. We found it useful to group our auditees into small manageable groups named zones headed by the Zonal auditors.

### Audit Staff

It is worth noting that the audit staff complement has not changed as envisaged for a number of years now. I'm finalizing the new organization structure with a new package for my office. In the meantime, the audit work programme has expanded considerably. There is an intention of expanding our coverage up to the district level. These efforts would require the approval of the government and set aside a budgetary provision to cater for this expansion.

In keeping with current trends, the audit work is no longer confined to financial and compliance auditing. It is my intention to ensure that members of audit staff are trained in performance, environmental, gender based auditing, management auditing, risk based auditing and Information Technology (Computer based Auditing - CAAT) in order to be able to perform what is commonly referred to as comprehensive audit which encompasses every aspect of an organization.

## 1.4 Scope and Applicable Audit Standards

### 1.4.1 Scope of Audit

The scope of audit covered, on test basis, revenue collection, proper expenditure authorization in terms of the Appropriation Act, performance of capital projects expenditures, the Treasury performance, the TRA performance and all foreign mission's financial audits.

Audits were performed to satisfy myself as to compliance with established regulations, the exercise of economy, efficiency and effectiveness in the utilization of public resources and to highlight irregularities, although not exhaustively, that have been reported on in some detail not only through regular inspection reports, but more emphatically through reference sheets to spotlight areas of serious concerns on proper

accountability and need for stringent administration of public resources.

In the course of the audit, the findings are brought to the attention of the MDAs/RAS, Ambassadors/High Commissioners and Donor Funded projects being audited. Accounting Officers are given an opportunity to respond to my observations, recommendations and related commentary. Generally, I report to Parliament things that have gone wrong. It should however, be noted that some areas when reviewed are found to be working well. All Accounting Officers are issued with two reports, one is the report of Controller and Auditor General which contains the audit opinion and the other one is the management letter issued separately to the Accounting Officer.

#### 1.4.2 Applicable Auditing Standards

National Audit Office (NAO) is a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Region Organization of Supreme Audit Institutions (AFROSAI) and the African Region Organization of Supreme Audit Institutions - English speaking counties (AFROSAI - E). We therefore apply in our audit procedures, the auditing standards issued by INTOSAI and the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

#### 1.5 Accounting Policies

Reg.53 of the Public Finance Regulations 2001 (revised 2004) states that the Accounting policies of the Government are so framed to ensure that the resources appropriated by Parliament are properly accounted for. In terms of the Public Finance Act No. 6 of 2001 (revised 2004) all revenues received by the Government shall be deposited into the Consolidated Fund. Payments out of the Consolidated Fund will be through appropriations by Parliament.

The government accounts for the financial year ended 30<sup>th</sup> June, 2008 were prepared for the first time based on IPSAS - cash basis of accounting. Revenue earned by Government is not recorded until received in cash and on the expenditure side, charges are made only when the payment has been processed through.

Fixed assets e.g land, buildings and vehicles etc. are not included in the accounts. These are charged as budgetary expenditure at the time of acquisition.

## 1.6 Global Financial Crisis

The down turn in global growth, decline in most commodity prices, decrease in foreign aids and tighter credit have significantly worsened the economic outlook for Sub-Saharan Africa, where most of the economies are donor dependent. In Tanzania, we have started experiencing the crisis through the key indicators of the economy. In spite of the efforts being supported by the President, the Government should address the following:

- Collection of more taxes

Efforts should be intensified by all bodies responsible with tax collection as the current collection is less than 50 percent of all monies supposed to be collected from key areas - including mining, tourism, agricultural goods, fishing, industrial goods, merchandising etc. Efforts should be exerted by the government and TRA to minimize the rampant tax evasion and avoidance common in the business community in the country.

- Financial discipline

There is a need for controlling expenditure by identifying priorities for financing rather than the current trend where priorities are not being defined in the budget process. Multiplicity of allowances to Civil Servants, unnecessary foreign trips by Government Officials, lavish and conspicuous spending eg. “Shanginis” should be reviewed to save the meager forex and local monies from tax payers which ultimately could be channeled to development activities.

Strengthening economic policies and ensure good governance in all sectors of the economy.

Deliberate efforts are needed to create conditions that would attract private investments.

### 1.7 Statutory responsibilities of MDAs/RAS and Embassies/Missions

The management of MDAs/RAS and Embassies/Missions particularly the Accounting Officers/Sub Accounting Officers are the stewards of the public resources under their area of responsibilities. In respect of their responsibilities enshrined under Sect.8 of the Public Finance Act No.6 of 2001 (revised 2004), Accounting Officers/Sub Accounting Officers are responsible and accountable for public resources under their jurisdiction. In safeguarding the resources under them, ensuring the existence of effective and workable internal control systems is of paramount importance.

### 1.8 Internal Control Systems

Internal control systems refer to all means by which Government resources are directed, monitored, and measured. Internal controls play an important role in preventing and detecting frauds/misappropriations and protecting the public resources, both physical and intangible. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations while at the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the MDAs/RAS and Embassies/Missions payments to suppliers and service providers are for valid goods and services rendered). Implementing an effective internal control structure is an essential responsibility of the management of the entity. Taken together with their leadership and stewardship roles, fulfilling this responsibility forms the cornerstone of effective governance arrangements. Checking of compliance with internal controls is the role of an internal auditor which means the weakness in the functioning of internal audit unit, equally means the weakness in operationalisation of internal controls. Public Finance Regulation 34 details what roles to be played by the Internal Auditor in respect of internal control systems. Moreover, Reg.35 (2) of PFR emphasizes the responsibility of management in prevention, detection and investigation of frauds.

### 1.9 Preparation and submission of financial statements for audit

The responsibility for the preparation and presentation of financial statements to the Controller and Auditor General for

audit purposes lies with individual Accounting Officers of MDAs/RAS/Embassies/Missions. In addition, Sect. 25 of the PFA 2001(revised 2004); specifies the types of financial statements to be prepared by the Accountant General, Accounting Officers and other Public Officers administering legally established funds. Moreover, Sect. 25(4) of the same Act requires the accounts to be presented in accordance with generally accepted accounting principles and disclosure of the accounting basis adopted. For the first time in the history of financial reporting of MDAs/RAS/Embassies/Missions in the country, MDAs/RAS/Embassies/Missions financial statements were prepared based on the International Public Sector Accounting Standards (IPSAS) - cash basis of accounting which is in line with the requirement of Reg. 53 of the PFR 2001 (revised 2004).

The financial statements of all MDAs for the year under review were submitted within the statutory date; that is on 30<sup>th</sup> September, 2008.

Further, Reg. 8 (5) of the PFR 2001 requires every Ministry, Agency, Department and Regional Secretariats Embassies/Missions to prepare and make available to the general public an Annual Report stating the overall budget strategy, nature and objectives of each main programme, assessments of output as well as performance against objective. Also, they are supposed to prepare a summary of the financial results for the fiscal year in a form approved by the Accountant General, the plans for the year ahead, as approved by Parliament and the provisional plans for the two subsequent years. Almost all MDAs and RAS complied with this requirement.

## CHAPTER 2

### BASIS AND TREND OF AUDIT OPINION

#### 2.0 TYPES AND BASIS OF AUDIT OPINIONS

##### 2.1 Basis of Opinions Issued

The major objective of conducting various audits is to express a professional opinion as to whether the respective financial statements present fairly the financial position of the auditee. In order to arrive at unbiased assurance on the veracity of the financial results of the MDAs/RAS as of 30<sup>th</sup> June 2008, my audits were conducted in accordance with International Standards on Auditing (ISA), INTOSAI standards and such other audit procedures I considered necessary in the circumstances. On the basis of these standards, the following are the possible resultant opinions and reasons thereon.

##### 2.2 Meaning and Types of Audit Opinions

###### 2.2.1 Definition of Audit Opinion

The Oxford English dictionary of Accounting defines an audit opinion as an opinion contained in an auditors report. It expresses a view as to whether or not the financial statements audited have been prepared consistently using appropriate accounting policies, in accordance with relevant legislation, regulations, and applicable accounting standards/principles.

The opinion also has to state whether there is adequate disclosure of information relevant to the proper understanding of the financial statements or not.

For the purposes of accountability and transparency to the National Assembly, regardless of the opinion given in the individual audit reports, audit findings are recited together with implications and recommendations. Where management has acted, responses are included as well as auditors' comments. I believe that this form of presentation of audit findings and reporting promotes transparency and fixes more responsibility on both the auditor and auditee.



### 2.2.2 Unqualified Opinion

An unqualified opinion is issued when I am satisfied that the Ministry, Department or Agency's financial statements are presented fairly in all material respects; in accordance with applicable financial reporting standards. However, issuance of an unqualified opinion does not mean that the MDA/RAS is clean across-the-board. It only means that nothing has come to my attention to warrant a qualified opinion. Accordingly, each MDA/RAS issued with an unqualified opinion has also been issued with a management letter giving details of the matters detected in audit but were considered not material enough to warrant qualification. Nevertheless, such matters if are not addressed could lead to qualified opinion in the future.

### 2.2.3 Unqualified opinion with Emphasis Matter

In certain circumstances, unqualified opinion may be modified by adding an emphasis of matter paragraph to highlight on matters which may impact on the financial statements but taken as a whole do not exceed the tolerable error. Even so, the addition of an emphasis paragraph does not affect/change the audit opinion. The paragraph is normally included after the opinion paragraph and as a rule, includes a clause referring to the fact that the opinion is not qualified.

Basically, an emphasis of matter paragraph is an early warning to Accounting Officer and vital information to the users of the accounts. Similarly, if those matters are left unattended, could lead to qualified opinion in the next audits.

### 2.2.4 Qualified Opinion

A qualified opinion is issued when I conclude that an unqualified opinion cannot be issued due to material but not fundamental disagreements within the whole system of accounting or due to limitation of scope. Therefore, this opinion entail that the matters uncovered in audit have a negative impact on the financial statements but they do not render the accounts useless. Specifically, the opinion refers to fair presentation of the financial statements with the exception of material weaknesses noted.

### 2.2.5 Adverse Opinion

An adverse opinion is issued as a last resort, when audit findings are considered material and fundamental to the extent of distorting the fair view of the financial statements. On the occasion that effects, whether involving disagreements or uncertainties are so pervasive to the extent that the financial statements can mislead users; there is no option other than issuing the adverse opinion because the state of the accounts is irreversible. Explicitly the opinion refers to the fact that the financial statements do not portray a true and fair view and do not meet the accounting standards too.

### 2.2.6 Disclaimer of Opinion

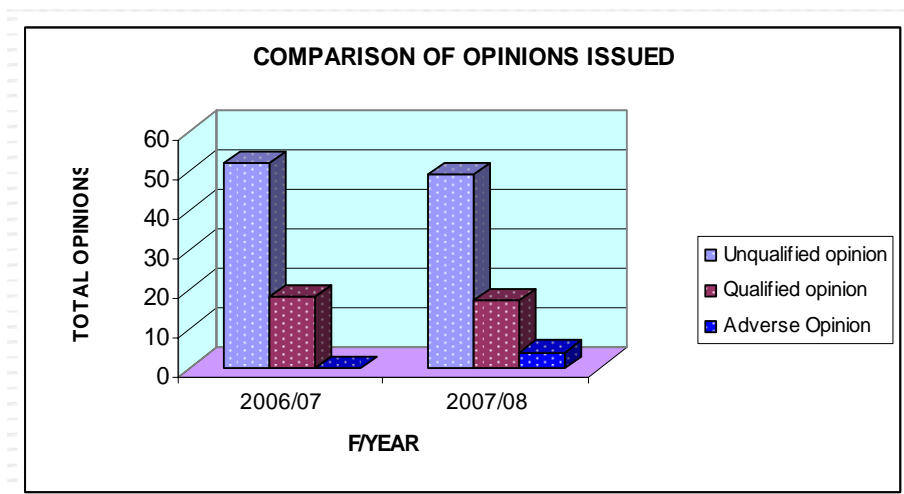
A disclaimer of opinion is expressed when I am unable to obtain sufficient information and data underlying the financial statements. This type of opinion is also issued as a last resort, when I consider that the auditee is unable to render sufficient records and evidence supporting the amounts and disclosures in the financial statements to enable me to perform the respective audit to obtain reasonable assurance about whether the financial statements are free of material misstatements as well as assessing the significant estimates and judgments made in the preparation of the financial statements. If the scope of audit is limited to the extent of failing to perform an audit, I will state that I am unable to express my opinion on the financial statements.

### 2.2.7 Summary of opinions issued to MDAs in the financial year 2007/2008 and comparative figures of 2006/2007

The following table presents the movement of the audit opinion issued to MDAs/RAS/Embassies/Missions votes for the period of two years from 2006/07 and 2007/08

	Unqualified opinion		Qualified opinion		Adverse Opinion		Total	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
MDAs	37	35	12	11	-	3	49	49
RAS	15	14	6	7	-	-	21	21
Embassies/ Missions	21	22	8	8	1	2	30	32
Total	73	71	26	26	1	5	100	102
% age	73%	70%	26%	25%	1%	5%	100%	100%

The data above is also shown on the following histogram:-



The above information shows that:-

- There has been a decrease in “Unqualified Opinions” from 74% in the financial year 2006/2007 to 71% in the F/Y 2007/2008.
- There has been a decrease in “Qualified Opinion” from 26 % in the F/Y 2006/2007 to 25% in the F/Y 2007/2008.
- There has been an increase in “Adverse Opinion” from zero in the year 2006/2007 to 3 in 2007/2008.

## CHAPTER 3

### PRESENTATION AND ANALYSIS OF AUDIT RESULTS

#### 3.0 Introduction

This chapter, analyses the grounds which gave rise to issuance of a particular type of opinion to a vote. The analysis is aimed at amplifying the basic criteria used in forming the opinions as discussed in the preceding chapter.

#### 3.1 Unqualified opinion without Emphasis of matters.

Results of this year's audit show that there is not a single MDAs or RAS which qualified to be issued an unqualified opinion without matters of emphasis entailing that there is a need for respective managements of MDAs to strengthened and enhance there systems and streamline their internal controls

#### 3.2 Unqualified opinion with Emphasis of matters

Out of seventy (70) MDAs and RAS audited in this year of audit forty nine (49) or (70%) were issued with Unqualified Opinions with matters of emphasis.

#### 3.3 Qualified Opinion

Eighteen (18) or 26% of all MDAs and RAS were issued with Qualified Opinion.

#### 3.4 Adverse Opinion

Four (3) or (4%) votes performed badly and accordingly were issued with Adverse Opinion. These include Vote no.60, 93, and 99 for Ministries.

#### 3.5 Disclaimer of opinion

During the year under review, I did not encounter any haphazard situation limiting my audit scope to the extent of issuing a disclaimer of opinion. Therefore as it has been with my three (3)

years previous reports, there is no MDAs which was issued with the disclaimer of opinion statement.

The table below is a summary of types of audit opinions issued to MDAS, RAS and Embassies/Missiones on the financial statements for the year ended on 30<sup>th</sup> June, 2008.

Details	Unqualified without emphasis of matter	Unqualified With Emphasis of Matter	Qualified	Adverse	disclaimer	Total
MDAs	0	35	11	3	0	49
RAS	0	14	7	0	0	21
Sub total	0	49	18	3	0	70
Embassies	8	14	8	2	0	32
Grand Total	8	63	26	5	0	102

### 3.6 Reasons for the Unqualified Opinion with Emphasis of Matters

The following are the details of Unqualified Opinion with Emphasis of Matter for individual Votes:-

<b>1.</b>	<b>Vote 20 - President's Office</b>
	<ul style="list-style-type: none"> <li><b>Absence of Annual procurement plan</b> Section 45 of PPA, 2004 requires a procuring entity to plan its procurement in a rational manner as specified in part (a) to (e) of this Section. President's Office - State House did not prepare and put into use an annual procurement plan.</li> <li><b>Outstanding items in Bank reconciliation statement Shs.2,710,000</b> The AO did not make a follow-up and adjust outstanding items of Bank Reconciliation Statements. As of December, 2008 Stale Cheques adding to Shs.2,710,000 had not been adjusted.</li> </ul>
<b>2.</b>	<b>Vote 22 - Public Debt and General Services</b>
	<ul style="list-style-type: none"> <li><b>Payment of USD.2,100,000 to M/s Rites was made without express approval of the National Debt Management Committee.</b></li> </ul>

	<ul style="list-style-type: none"> <li>• An amount of Shs. 4,400,000,000 was paid to TRC and RAHCO to settle various TRC debts without proper approval of NDMC and there is no evidence that this amount has been refunded by these companies.</li> <li>• A guarantee of Shs. 530,000,000 was granted to M/s Nyanza Cooperative Union without proper approval and contract between the two parties specifying the responsibilities of each party and how these funds will be refunded by the Cooperative Union.</li> <li>• Payment of Shs.396.902,856.30 was paid to M/s Millennium III Cooperation without adequate documentation including contract agreement.</li> <li>• Payments adding to Shs.1,676,891,328 were made to various loan creditors in form of penalties thus the government did not benefit. Actually this amounts to nugatory expenditure.</li> </ul>
<b>3.</b>	<b>Vote 23 - Accountant General's Department</b>
	<ul style="list-style-type: none"> <li>• Payments totaling to Shs. 570,000,000 were made to fifth Africa Population without supporting documents.</li> <li>• There were salaries of Shs.8, 553,453.39 paid to people who are no longer in public service</li> </ul>
<b>4.</b>	<b>Vote 25 - Prime Minister's Office</b>
	<ul style="list-style-type: none"> <li>• Improperly vouched expenditure Shs.21,840,907 Payments adding to Shs. 21,840,907 were not supported with proper documents such as acknowledgement receipts as an evidence that the obligations to pay have ceased.</li> <li>• Double payments Shs. 44,924,400 Examination of payment vouchers revealed double payments involving Shs.44,924,400 which were made during the year 2007/08.</li> </ul>
<b>5.</b>	<b>Vote 26 - Vice President's Office</b>
	<ul style="list-style-type: none"> <li>• Settlement of liabilities of Shs. 89,244,290.17 without approved budget.</li> <li>• Missing acknowledgement receipts Shs. 8,920,000.</li> <li>• Assets not recorded in the Fixed Asset register</li> </ul>

	<p>Shs.191,124,623.</p> <ul style="list-style-type: none"> <li>• Non submission of documents to support the outstanding liabilities of Shs.208,058,691.</li> </ul>
<b>6.</b>	<b>Vote 27: Registrar of Political Parties</b>
	<ul style="list-style-type: none"> <li>• There were outstanding imprests of Shs. 9,545,240 as at 30<sup>th</sup> June 2008. This amounted to violation of Reg.103 (1) of PFR of 2001 (revised 2004) which requires the retirements to be made as soon as the necessity for them ceases or on the last day of the financial year they were issued.</li> <li>• Expenditures worth Shs. 32,450,179 were not adequately supported.</li> </ul>
<b>7.</b>	<b>Vote 28 - Police Force Department</b>
	<ul style="list-style-type: none"> <li>• Payment adding to Shs.74,110,000 were not supported with proper documents</li> <li>• Imprests amounting to Shs.131,000,000 were outstanding beyond 31<sup>st</sup> June 2008 indicating weak control over issue and retirement of imprests. This amounted to violation of Reg.103 (1) of PFR of 2001 (revised 2004) which requires the retirements to be made as soon as the necessity for them ceases or on the last day of the financial year they were issued.</li> <li>• The physical performance report showing strategic objectives, planned targets and actual achievement were not submitted together with the financial statement as opposed to Reg. 8 (5) of the of PFA No. 6 of 2001.(Revised 2004)</li> <li>• Statement of Arrears of Revenue shows arrears of revenue amounting to Tshs.98,000,000</li> <li>• Outstanding commitments totaling Shs.2,024,920,000 relating to the previous years were paid during the year at the expense of the activities budgeted for in the current year.</li> <li>• Bank Reconciliations Statement for Recurrent Vote account had uncleared receipts in cash book not in PMG to the tune of Shs.1,061,643,261</li> </ul>

	<ul style="list-style-type: none"> <li>• Bank reconciliations statement for revenue account had outstanding Credits of Shs.491,916,466 in PMG but not in Cash book.</li> <li>• Unresolved matters of previous years audit Shs. 23,006,894,235</li> <li>• The financial statements showed that the Police Force department had accumulated outstanding liabilities totaling Shs. 23,354,120,000 implying that it has commitments beyond the approved budgets.</li> <li>• Fixed assets register was not properly maintained and some of the assets were not coded. As a result, the Fixed Assets figure of Shs. 22,646,000,000 submitted along with the financial statements is not adequately supported.</li> </ul>
<b>8.</b>	<b>Vote 29 - Prisons Service Department</b>
	<ul style="list-style-type: none"> <li>• The management approved maintenance and repair costing Shs. 205,404,964 in respect of the Department's vehicles without recourse to M/s TEMESA as opposed to the requirements of Regulation No. 59 (1) - (2) of the Public Procurement Regulations (PPR), 2005.  For that reason, the quality of the work done and value for the monies paid could not be guaranteed since the vehicles were not checked or tested by authorized Officers/Technicians.</li> <li>• Payments adding to Shs. 824,563,334 were made without being supported by relevant documents.</li> <li>• An amount Shs.16,536,960 was paid to an officer for treatment in India without referral approval of the Ministry of Health and Social Welfare.</li> <li>• Procurements totaling Shs.119,875,376 were made on quotations basis without prior approval of the respective tender board contrary to Section 30 of the Public Procurement Act, 2004.</li> </ul>
<b>9.</b>	<b>Vote 30 - President's Office and Cabinet Secretariat</b>
	<ul style="list-style-type: none"> <li>• Absence of Annual procurement plan The Cabinet Secretariat did not prepare and</li> </ul>



	<p>operationalise an annual procurement plan contrary to Section 45 (a) to (e) of PPA, 2004 which requires a procuring entity to plan its annual procurements in a rational manner.</p> <ul style="list-style-type: none"> <li>• <b>Non maintenance of Deposit Register</b> Balances of Deposits entrusted to the Cabinet Secretariat could not be confirmed since no deposit register was maintained contrary to Reg. 130 to 132 of the PFR of 2001 (revised 2004) which calls for deposits to be supported with a register.</li> </ul>
<b>10.</b>	<b>Vote 31 - Vice President's Office</b>
	<ul style="list-style-type: none"> <li>• <b>Purchases made without competitive tendering Shs.20,880,000</b> The Vice President's Office paid Shs. 20,880,000 to M/s Colour Print (T) Ltd in settlement of an outstanding debt relating to the F/Y 2006/07. Besides overlapping the fiscal year, the goods were obtained through single sourcing, and were not recorded in the ledger book(s).</li> <li>• <b>Procurement of Office Furniture not included in the procurement plan Shs. 78,148,000</b> Review of the procurement plan observed that the office planned to procure office furniture, curtains, cooling and kitchen appliance worth Shs.78,148,000 by using direct shopping method contrary to Sect.45 (a) &amp; (d) of the PPA No.21 of 2004.</li> <li>• <b>Outstanding imprests Shs. 80,756,310</b> As at the date of this report, there was outstanding imprests adding to Shs.80,756,310. This amounted to violation of Reg.103 (1) of PFR of 2001 (revised 2004) which requires the retirements to be made as soon as the necessity for them ceases or on the last day of financial year they were issued.</li> <li>• <b>Understatement of the value of Fixed Assets in the Assets Register Shs.137,074,507</b> The statement of cash flow showed movable assets worth Shs.359,490,000 as opposed to total amount of Shs.222,415,492 reported in the fixed assets register.</li> </ul>

11.	<b>Vote 33 - Ethics Secretariat</b>
	<ul style="list-style-type: none"> <li>• There were salaries adding to Shs.2,028,200 which were paid to public service ex-employees.</li> <li>• Advance payments were made to various firms amounted to Shs. 7,052,052 before obtaining report on satisfactory receipt of goods as per order; contrary to Reg. 122 (1) of Public Procurement (goods, works, non-consultant Services and disposal of public assets by Tender) Regulations, 2005.</li> <li>• Payments of Shs. 1,731,670 in cash book but not in bank statement had not been cleared.</li> <li>• The accounts were not supported with schedule of fixed assets.</li> </ul>
12.	<b>Vote 34 - Ministry of Foreign Affairs and International Cooperation</b>
	<ul style="list-style-type: none"> <li>• Irregular purchases of photocopier machine Shs. 55,277,040 The Ministry purchased 3 photocopy machines worth Shs. 55,277,040 from a single source. The biased procurement cannot give an assurance that the Ministry obtained best quality machines and most economical price.</li> <li>• Questionable procurement of furniture Shs.74,087,994 A process of procurement of furniture worth Shs. 74,087,994 from a supplier in Arusha for use by the African Court - Arusha was jumbled since issuing of LPOs, invoicing, delivery, issuing of cheques and acknowledging the payment were done at Dar es Salaam in one day i.e. 30<sup>th</sup> October, 2008. For this reason the payment is doubtful.</li> <li>• Variations in reporting revenue The revenue statement is not fairly stated because a sample of 17 overseas missions showed material differences between revenue collector's cash books and the amounts of revenue reported in the financial statements. Some amounts were overstated whereas others were highly understated.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Questionable Transportation cost of personal effects Shs. 24,456,936.80</b> Total amount of Shs. 24,456,936.80 was authorized to meet transportation costs of personal belongings from Stockholm to Brasilia. However, the money was used to transport a container form Stockholm to Dar es Salaam. In addition, transportation documents for audit verification were missing.</li> <li>• <b>Improperly Supported expenditure Shs.13,150,800</b> Payments amounting to Shs.13,150,800 were made without being supported by proper documents. The propriety of the payments could not be justified.</li> <li>• <b>Safari imprests not accounted for shs.11,311,935</b> Safari imprests amounting to Shs.11,311,985 were not recorded in the books of accounts, hence their retirement particulars could not be traced.</li> <li>• <b>Questionable Settlement of Outstanding debts Shs. 76,530,000 (USD 59,200).</b> Settlement of previous year's outstanding debts was made in favour of Mwalimu Nyerere Foundation, South Centre Sub- office in Dar es Salaam. However, there was no justification of charging this expenditure against the vote.</li> </ul>
13	<b>Vote 37 - Prime Minister's Office (PMO)</b>
	<ul style="list-style-type: none"> <li>• <b>Fixed assets not recognized in the financial statements</b> The assets under the management of the Government Press are supposed to feature under Vote 37. However, value of all fixed assets have not been established and recognized in the books of accounts of the PMO.</li> <li>• <b>Non- maintenance of fixed asset register</b> The Government Press does not maintain a fixed asset register to indicate the type of asset, identification number, location and their condition. A risk of disposition or misuse of assets without detection is high.</li> </ul>

14	<b>Vote 38 - Defense Forces (TPDF) - NGOME</b>
	<ul style="list-style-type: none"> <li>• Missing payment vouchers Shs.139,741,637 Payment vouchers worth Shs.139,741,637 pertaining to the Supply Vote Account could not be made available for inspection.</li> <li>• Deferred payments Shs.1,347,482,002 Payments of Shs.1,347,482,003 relating to the previous years activities were paid during the year under review thus defying the purposes of the current year budget. Also, it entails that commitments were being made in excess of the approved budget.</li> <li>• Unpaid Salaries not remitted to Treasury Shs.264,581,124 Unclaimed salaries adding to Shs.264,581,124 for the employees who were either terminated, retired, deceased, transferred or absconders, were not remitted to the Treasury.</li> </ul>
15	<b>Vote 39 - National Service</b>
	<ul style="list-style-type: none"> <li>• Previous year's matters involving Shs.954,745,087 remained outstanding for a long time.</li> <li>• Expenditures adding to Shs.266,879,800 were doubtful due to various irregularities.</li> <li>• There are unvouched and improperly vouched expenditures worth Shs.97,287,500</li> <li>• Unclaimed salaries and ration allowances totaling Shs.42,003,535 were not banked regularly.</li> </ul>
16	<b>Vote 40 - Judiciary</b>
	<ul style="list-style-type: none"> <li>• As at the year end, there were deferred Payments adding to Shs. 31,005,000</li> <li>• Unclaimed salaries for the year could not be ascertained since schedule of assets and liabilities (deposit account) was not prepared and submitted for audit. However the available records show suspected nugatory payments of Shs. 84,082,675 in the form of payment of unclaimed salaries.</li> </ul>

	<ul style="list-style-type: none"> <li>• Similarly, salaries of Shs. 27,197,380 are suspected to have been paid to ghost workers.</li> <li>• Unclaimed salaries of Shs.166,687,760 were not surrendered to Treasury.</li> <li>• The revenue statement was understated by Shs. 68,284,922.</li> </ul>
<b>17</b>	<b>Vote 41- Ministry of Constitutional Affairs and Justice</b>
	<ul style="list-style-type: none"> <li>• Previous years' Medical expenses abroad costing Shs. 35,970,522.85, paid in anticipation of refund from the Ministry of Health and Social Welfare but has not been made good.</li> <li>• Unclaimed salaries totaling Shs.12,216,400 were not remitted to the Treasury and the names of retired, deceased, or absconder employee were not deleted from the computer payroll.</li> <li>• Our review of the Bank Reconciliation Statements prepared by the CPO at the Treasury for the period ended 30<sup>th</sup> June, 2008 disclosed the following outstanding items: <ul style="list-style-type: none"> <li>(a) Recurrent account <ul style="list-style-type: none"> <li>• Payments in cash book not reflected in the Bank statement Shs. 45,826,054</li> <li>• Receipts in cashbook not in the Bank statement Shs. 8,259,208.72</li> </ul> </li> <li>(b) Development Account <ul style="list-style-type: none"> <li>• Receipts in cashbook not in Bank statement Shs. 2,714,346</li> <li>• Payments in cashbook not in the Bank statement Shs. 30,929,389.79</li> </ul> </li> </ul> </li> </ul> <p>Miscellaneous Deposit A/C</p> <ul style="list-style-type: none"> <li>• Payments in cashbook not supported by a detailed analysis Shs.40,423,378.51</li> <li>• One (1) unit of Toyota Land Cruiser Gx 200 Standard; six (6) units of Toyota Min buses and two (2) units of Toyota Land Cruiser GX worth Shs. 612,399,860 paid for but not delivered.</li> </ul>

18	<b>Vote 44 - Industry, Trade and Marketing</b>
	<ul style="list-style-type: none"> <li>• The Ministry is a member of the African Regional Centre for Engineering Design and Manufacturing (ARCEDEM) but has sixteen years accumulation of unpaid membership contributions adding to Shs.548,255,080. However, it has not opted to withdraw from membership.</li> <li>• Lack of Information Technology Strategy Committee</li> <li>• Lack of an Information Technology Steering Committee</li> <li>• Lack of Information Technology Strategic Plan</li> </ul>
19.	<b>Vote 48 - Ministry of Lands and Human Settlement</b>
	<ul style="list-style-type: none"> <li>• Revenue collection system (Land Rent Management system (LRMS)) cannot capture all arrears of revenue at Dar es Salaam and upcountry collection centers.</li> <li>• Lack of risk management policy and plan causing potential risks not being identified and appropriately managed.</li> <li>• Reports on Funds from Plot Development Revolving Fund - PDRF loaned to various Municipal and District Councils together with loan repayment schedules were not submitted for audit verification.</li> <li>• Condemned buildings sold below the approved reserve price. For instance; plot 16 Zanaki/UWT DSM and plot 41 Zone II Iringa (Iringa hotel).</li> <li>• Under receipt of Shs.2,307,750,000 from M/S East Cost oil and Fats Ltd and Camel Oil [T] Limited on May 2008 ; being proceeds from sold Kurasini plots.</li> <li>• Unvouched and improperly vouched expenditures of Shs.116,689,475.</li> <li>• Purchases relating to computer cartridges and photocopy papers exceeding approval of tender Board/approved contract by Shs. 43,758,000.</li> </ul>

	<ul style="list-style-type: none"> <li>Delays in deleting from the payroll, names of ex-employees due to resignation, retirement and termination resulting into accumulation of the unclaimed salaries of Shs.10,579,480.</li> </ul>
<b>20.</b>	<b>Vote 49 - Ministry of Water and Irrigation</b>
	<ul style="list-style-type: none"> <li>Fuel worth Shs. 32,353,580 was not accounted for properly</li> <li>Purchases of defective Photocopier machine Shs. 2, 600,000</li> <li>Inadequately supported expenditures adding to Shs.309,443,872</li> <li>Penalty of Shs.1,023,283 in respect of delayed payments</li> <li>Outstanding imprests at Shs. 33,750,969 as at the year end. This amounted to violation of Reg.103 (1) of PFR of 2001 (revised 2004) which requires the retirements to be made as soon as the necessity for them ceases or on the last day of financial year they were issued</li> </ul>
<b>21.</b>	<b>Vote 50: Ministry of Finance and Economic Affairs</b>
	<ul style="list-style-type: none"> <li>Management and operation of Contingency Account is not sound enough since several errors were noted;</li> <li>Suspected loss of fees of Shs.10,800,000 paid by the Ministry to IFM</li> <li>Procurement of Property, Plant and Equipment worth Shs. 68,325,880 were bought using contingencies fund while the nature of transaction was not of emergency.</li> <li>Deferred expenditure of Shs. 713,447,601.33 was not included in the accounts. This treatment has an intention of hiding excess expenditure.</li> <li>Several errors were noted in treatment of reallocations in that Shs.1,122,278,087, were not supported.</li> <li>Terminal benefits of Shs. 134,294,349.52 paid by the ministry lacked adequate supporting information to justify that they were proper charge to the Ministry's voted funds.</li> </ul>

	<ul style="list-style-type: none"> <li>• Important documents to justify expenditure of Shs. 600,000,000 were missing hence there are uncertainties whether the payment was appropriately charged against the voted funds.</li> </ul>
<b>22.</b>	<b>Vote 52 Ministry of Health and Social Welfare</b>
	<ul style="list-style-type: none"> <li>• There were salaries adding to Shs. 325,574,300 paid to retired, absconders and deceased employees and chances of recovery are remote.</li> <li>• Financial statements disclosed salary areas amounting to Shs. 563,048,959</li> <li>• During the year, staff salary arrears adding to Shs.563,048,959 were paid without giving reasons for the huge accumulation.</li> <li>• Payments vouchers worth Shs.1,780,147,362 were not inadequately supported.</li> <li>• Supporting documents for medical treatment abroad adding to Shs 1,519,538,337 were not available for audit inspection</li> </ul>
<b>23.</b>	<b>Vote 55 - Commission for Human Rights and Good Governance</b>
	Validity of Land rent contract agreement which resulted into payment of Shs.31,649,800 could not be authenticated since the contract documents were missing
<b>24.</b>	<b>Vote 56 - Prime Minister's Office Regional Administration and Local Government (PMO-RALG)</b>
	<ul style="list-style-type: none"> <li>• Misallocation of Funds Shs.232,000,000 Funds planned to be used for rehabilitation, monitoring and supervision of District Health Centres were diverted to other activities.</li> <li>• Double Payment Shs. 9,617,995 Double payment of Shs.9,617,995 was made to M/S Toyota Tanzania Ltd in respect of repairs of Toyota Land Cruiser Hard Top STK 894.</li> </ul>



	<ul style="list-style-type: none"> <li>Insurance Compensation not Recovered Shs.11,400,000 PMO-RALG incurred a cost of repairing an insured Motor vehicles with registration No. DFP 1410 which involved in a road accident.</li> <li>Improperly Vouched Expenditures Shs.137,271,218.50 Expenditure reported not authenticated by relevant supporting documents.</li> <li>Stores worth Shs.6,025,000 were not taken on ledger charge contrary to requirement of Reg.203 (1) of PFR, 2001 (Revised in 2004).</li> <li>Motor vehicles worth Shs.3,417,487,388 bought through the Ministry of Infrastructure Development had not been delivered.</li> <li>The Ministry did not prepare and put into use an Annual Procurement Plan for the financial year 2007/2008.</li> </ul>
<b>25.</b>	<b>Vote 57 - Ministry of Defence and National Service</b>
	<ul style="list-style-type: none"> <li>Inadequately supported payments Shs. 23,342,312.</li> <li>Outstanding imprests Shs. 36,327,040.</li> <li>Documents to support commitments worth Shs.46,958,902 could not be made available for audit scrutiny.</li> </ul>
<b>26.</b>	<b>Vote 59: Law Reform Commission</b>
	<ul style="list-style-type: none"> <li>Supplies of food stuff, identity cards and householdsworthShs. 2,688756 were not accounted for.</li> </ul>
<b>27.</b>	<b>Vote 61 - National Electoral Commission</b>
	<ul style="list-style-type: none"> <li>Inadequately supported expenditure amounting to Shs.13,104,250.</li> <li>Outstanding imprests totaling Shs.32,648,864.</li> </ul>
<b>28.</b>	<b>Vote 64 - High Court - Commercial Court</b>
	<ul style="list-style-type: none"> <li>Absence of risk management mitigation policy and strategies.</li> </ul>

	<ul style="list-style-type: none"> <li>• The statement of revenue shows receipt of Court fees amounting to Shs.625,995,720. However, there were no appended notes to support the amount.</li> <li>• The Statement of Cash Flow shows purchases of assets worth Shs.27,400,000, but no analysis to support Assets purchased and its distribution for accountability purposes.</li> </ul>
<b>29.</b>	<b>Vote 65 - Ministry of Labour, Employment and Youth Development</b>
	<ul style="list-style-type: none"> <li>• There was inadequately supported expenditure amounting to Shs.37,752,735.</li> <li>• Liabilities amounting to Shs.251,208,050 were outstanding as at the time of writing this report.</li> <li>• Ineligible payments from Youth Development Funds Shs 35,421,000</li> <li>• Compensation of a property to the tune of Shs.28,231,000 was made on unsecured land plot.</li> </ul>
<b>30.</b>	<b>Vote 66 - Presidents Office, Planning Commission</b>
	<ul style="list-style-type: none"> <li>• Payments without supporting documents with a total of Shs. 570,000,000/= to fifth Africa Population Conference.</li> <li>• Salaries paid to the employees who are no longer in public service Shs.8, 553,453.39.</li> </ul>
<b>31.</b>	<b>Vote 68: Ministry of Communication, Science and Technology</b>
	<ul style="list-style-type: none"> <li>• Fuel not properly accounted for Shs. 32,353,580.</li> <li>• Inadequately supported expenditures Shs.1,309,443,872.</li> <li>• Penalty for delayed remittance of statutory deductions (nugatory expenditure Shs.1,023,283.</li> <li>• Outstanding imprests - Shs. 33,750,969.</li> </ul>
<b>32.</b>	<b>Vote 70 - Arusha Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Goods worth Shs. 2,340,320 were not accounted for in the stores ledgers, hence their final utilization could not be ascertained.</li> </ul>

	<ul style="list-style-type: none"> <li>• Payment of Shs. 3,665,000 was made as advance payment in respect of supply of goods. There is no evidence that the goods were actually received and accounted for in the stores ledgers.</li> <li>• Furniture worth Shs. 50,000,000 were paid for but not evidenced to have been delivered and accounted for in the stores records.</li> <li>• Motor vehicles were serviced by unauthorized dealers at a cost of Shs.16,181,476 without competitive bidding through quotation.</li> <li>• Furniture worth Shs. 8,850,000 were not accounted for in the fixed assets register, as such, location and valuation thereof could not be evidenced.</li> <li>• Consultancy fees amounting to Shs. 9,843,641.49 was paid for construction/renovation of Government buildings during the year 2007/2008, but the projects were not performed.</li> <li>• Total amount of Shs. 20,431,740.22 was paid to payees without being supported by proper documents.</li> <li>• Payments amounting to Shs. 1,866,537.05 to various payees for the supply of various services; however, they were not acknowledged to prove that they were received by bonafide payees.</li> </ul>
33	<b>Vote 71 - Coast Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Stores worth Shs. 41,737,744.70 purchased and paid for have not been taken on ledger charge and their subsequent utilization could not be evidenced</li> <li>• Maintenance of Government motor vehicles amounting Shs. 13,019,470 were made without mechanical Engineer's Inspection reports. The list of private workshops or garages authorized to maintain or repair government owned motor vehicles and plant was also not produced.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Secretariat made payments to various suppliers amounting to Shs. 23,640,159.60 for the purchase of fuel and flower trees, but no evidence were provided to confirm delivery and utilization of the procured stores.</li> <li>• The Secretariat incurred expenditure amounting to Shs. 7,866,000 for the purchase of goods and services without inviting competitive quotation, so as to get the most competitive price.</li> <li>• Contract agreement in respect of internet quarterly service subscription fees not produced Shs. 3,821,040. Service may be rendered at over normal price since it was sought from only one supplier (single source). Further, no contract was made between Client and contractor.</li> <li>• Payments totaling Shs 35,864,600.60 were not adequately vouched as they were lacking respective supporting documents. In the event, authenticity and regularity of the expenditure incurred could not be established.</li> <li>• Imprests amounting to Shs. 13,971,465 were not retired on time. This implies lack of internal control over issue and retirement of imprest which may result to a loss of government funds.</li> <li>• The Secretariat paid Shs. 1,973,270 in respect of outstanding bills that were due in previous financial years. It could not be evidenced if they were budgeted for in the year under review, hence affects the current year budget.</li> </ul>
34	<b>Vote 73 - Iringa Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Salaries paid to ex- employees Shs. 4,767,254.</li> <li>• Retrospective approval not obtained Shs. 49,588,590.</li> <li>• Improperly vouched expenditure Shs. 9,305,000.</li> <li>• Motor vehicle paid for but not delivered Shs. 47,798,500.</li> </ul>

35	<b>Vote 74 - Kigoma Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Outstanding matters from previous year's audit worth Shs.8,863,090</li> <li>• Non - completion of development projects - Shs. 719,293,695</li> <li>• Outstanding imprests amounting to Shs. 25,312,200</li> <li>• Missing acknowledgement receipts worth Shs. 20,332,812</li> <li>• Questionable purchase of washer and drier machines - shs. 23,000,000</li> </ul>
36	<b>Vote 75 - Kilimanjaro Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Supplementary Information missing in the financial statements <ul style="list-style-type: none"> <li>(i) Minutes of the Audit Committee of the RAS, Kilimanjaro</li> <li>(ii) Summary Appropriation Account-Recurrent</li> </ul> </li> <li>• Outstanding matters from previous audit reports Shs.105,319,138 These are development projects still incomplete since previous financial years.</li> <li>• Dormant Deposit account items not adjusted Shs.10,927,584.56 Statement of Assets and Liabilities indicates breakdown of 20 deposits which are dormant</li> <li>• Unresolved items in bank reconciliation statements Unpresented cheque Shs.1,960,302.96 and Deposit in transit Shs.392,899,368 still unresolved for six months as at 31 December 2008</li> <li>• Salary arrears shs. 236,827,881 Analysis for salary arrears was not given in the Statement of Outstanding Liabilities for the year ended 30<sup>th</sup> June, 2008</li> <li>• Purpose of Deposited funds not given Shs. 130,228,661.14 17 Various Deposit accounts were opened without clear and strong reasons.</li> </ul>

	<ul style="list-style-type: none"> <li>Unclaimed Salaries Shs. 8,915,709 Unclaimed salaries not supported by schedule of names of the unpaid</li> <li>Improperly vouched Expenditure Shs. 22,537,227</li> </ul>
<b>37</b>	<b>Vote 77 - Mara Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>Improperly Vouched Expenditure Shs.43,806,319 Outstanding Imprest Shs.4,063,000 Additional worth Shs.206,274,253 missed appropriate approval from the Regional Tender Board.</li> <li>Unclaimed salary not surrendered to Treasury Shs. 12,709,560</li> <li>Unrecorded fixed assets Shs 3,997,007,680</li> <li>Non maintenance of Bank Reconciliation statements.</li> </ul>
<b>38.</b>	<b>Vote 78 - Mbeya Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>Stores not taken on ledger charge Shs. 47,028,080</li> <li>Missing documents to support expenditure of Shs.71,451,432</li> </ul>
<b>39.</b>	<b>Vote 79 - Morogoro Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>Stores not taken on ledger charge Shs.14,868,520 Contrary to Reg. 191(1) of the PFR, the Secretariat purchased stores worth Shs.14,868,520 but could neither be recorded nor utilization records availed for audit scrutiny.</li> <li>Unauthorized fuel Shs.7,485,979 5,258 litres of diesel were purchased for Secretariat activities but the consumption could not be justified by supporting documents from user departments.</li> <li>Questionable repair of a motor vehicle involved in an accident shs.6,329,586 Motor vehicle with registration No. STK 3769 Toyota L/Cruiser involved in accident was repaired at a cost of Shs.6,329,586 but no documentary evidence on the details of the accident was made available to audit.</li> </ul>

40.	<b>Vote 83- Shinyanga Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Payments without inviting competitive bids/quotations Shs.17,603,054 Payments amounting to Shs.17,603,054 were made to supplier of goods and services without calling/inviting competitive bids/quotations thus the Secretariat could not obtain value for money on the goods procured without competitive prices through quotations from various suppliers.</li> <li>• Stores paid for but not delivered Shs.50,000,000 Stores worth Shs.50,000,000 ordered and paid for were not Confirmed to have been delivered as at the time of audit visit.</li> <li>• Improperly vouched expenditure Shs.6,462,075 Payments amounting to Shs.6,462,075 have not been supported with relevant documents contrary to regulation 95 (4) of the Public Finance Regulations, 2001 (revised in 2004).</li> <li>• Payments for maintenance of motor vehicle not routed through TEMESA Shs.26,640,722. Payments totaling Shs. 26,640,722 were made to various private garages in respect of maintenance costs of Government motor vehicles without being supported by the inspection reports filled by the competent Mechanical Technician from TEMESA.</li> <li>• Unclaimed salaries not surrendered to Treasury Shs. 6,612,773 Unclaimed salaries amounting to shs. 21,208,196.80 pertaining to retired employees were not surrendered to Treasury.</li> </ul>
41.	<b>Vote 84 - Singida Regional Administrative Secretariat</b>
	Unclaimed salaries not transferred to Treasury Shs. 42,726,283 Contrary to the Treasury directive on remittances of unpaid salaries communicated to the Regional Administrative Secretary vide letter ref. No.

	<p>EB/AG/05/03/01/VOL.VI/136 of 31<sup>st</sup> August 2007, the Regional Secretariat Singida could not remit Shs. 42,726,283 to Treasury being unpaid salaries.</p> <ul style="list-style-type: none"> <li>• 21 motor cycles not returned to the office of Regional Administrative Secretary from Division Officers Neither allocation records nor disposal particulars were submitted to audit for verification on the newly acquired motorcycles and distributed to Division Officers by the Secretariat.</li> <li>• Improperly vouched expenditure Shs.465,650 The Secretariat could not submit all the necessary documents to support payment of Shs.465,650 made during the year contrary to Sect. 95 of PFR of No. 6 of 2001 (revised 2004)</li> <li>• Internal audit unit not established. The Secretariat has not established the Internal Audit Unit to enhance Internal controls as required by Sect. 28 of PFR No. 6 of 2001 (revised 2004). The details of these matters are given in the Final Management Letter.</li> </ul>
42.	<b>Vote 87 - Kagera Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Excess Vote Shs.1,949,876,520</li> <li>• Stores not taken on ledger charge Shs.48,997,346</li> <li>• Outstanding advances Shs.19,168,000</li> <li>• Outstanding imprests Shs. 21,133,100</li> <li>• Missing expenditure particulars Shs.33,715,189.</li> </ul>
43.	<b>Vote 88 - Dar es salaam Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Fuel purchased worth Shs.106,811,434 not confirmed to have been received and taken on ledger charge.</li> <li>• Expenditure totaling Shs. 68,066,420 wrongly debited to other expenditure account codes.</li> <li>• Payments totaling Shs.72,206,400 chargeable in the financial year 2006/2007 was ostensibly incurred in the financial year 2007/08.</li> <li>• Unretired imprests amounting to Shs.3 1,908,000 pertaining to the year under review not retired as at the time of audit.</li> <li>• Goods and services worth Shs. 62,765,000 were ordered and</li> </ul>



	<p>paid for to various suppliers through special imprests.</p> <ul style="list-style-type: none"> <li>• Purchases of Shs. 33,915,300 made to various suppliers based on one quotation.</li> <li>• Payments amounting to Shs. 34,702,450 made to various suppliers without proper authority.</li> <li>• Bank Reconciliation statement for the Revenue account for the financial year ended 30<sup>th</sup> June, 2008 not submitted along with the final accounts.</li> <li>• Absence of an annual procurement plan, non maintenance of a register of contracts and the established PMU staffed with only one staff who is the procurement officer.</li> </ul>
<b>44.</b>	<b>Vote 89 - Rukwa Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Payments without supporting documents Shs.10,929,950</li> <li>• Missing payment vouchers Shs.4,220,756.63</li> <li>• Un - retired imprest Shs. 7,620,300</li> <li>• Delay in completion of construction of RMO's Rest House Shs. 62,738,703</li> <li>• Non- establishment of internal audit unit</li> <li>• Non - maintenance of contract register</li> <li>• Delay in completion of rehabilitation of operating theatre at Regional Government Hospital</li> <li>• Delay in rehabilitation, improvement and extension of Maternity Ward</li> </ul>
<b>45.</b>	<b>Vote 91 -Drug Control Commission</b>
	<ul style="list-style-type: none"> <li>• Reported expenditure of Shs.12,238,581 not adequately supported by relevant documents.</li> </ul>
<b>46.</b>	<b>Vote 92 - Tanzania Commission for Aids</b>
	<ul style="list-style-type: none"> <li>• Transfer of funds to various Regions via sub Treasuries for facilitating seminars on mobilization and sensitisation against HIV/AIDS on which Training reports/activity were not produced for audit verification Shs.116,323,176.</li> <li>• Twenty - four wheel drive motor vehicles worth Shs.1,324,637,515 procured by AMREF have not been delivered.</li> </ul>

47.	<b>Vote 94- President's Office - Public Service Commission</b>
	<ul style="list-style-type: none"> <li>• Arrears of salaries amounted to Ss.15,277,000</li> <li>• Irregular procurement of services worth Shs.7,834,000</li> </ul>
48.	<b>Vote 95 - Manyara Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Total value of outstanding previous years auditors recommendations Shs.648,099,294</li> <li>• A total of 48 ERVs leaf-lets were found detached from respective ERV books.</li> <li>• Payments of Shs. 71,932,391 were made from deposit account to cater for recurrent expenditure.</li> <li>• Imprest totaling Shs.16,584,500 were neither recorded in the imprest register nor retired.</li> </ul>
49.	<b>Vote 32 -President's Office Public Service Management</b>
	<ul style="list-style-type: none"> <li>• Bank Reconciliation statements disclosed uncleared cheques amounting to Shs. 1,380,080,451</li> <li>• There was un accounted for payroll investigations valued 219,600,250</li> <li>• There was unsupported expenditure amounting to Shs. 275,146,569</li> </ul>
50.	<b>Vote 96 - Ministry of Information, Culture and Sports</b>
	<ul style="list-style-type: none"> <li>• Rental charges payable for Office accommodation amounting to Shs.158,754,795 was not disclosed in the financial statements for the financial year ended 30<sup>th</sup> June, 2008</li> <li>• A total of Shs. 35,560,080 was wrongly refunded to the contractor M/s ENG Group Co. Ltd as a Registration fee paid by the Company to the Contractor's Registration Board (CRB).</li> <li>• Arrears of revenue not disclosed in the financial statement for the year ended 30<sup>th</sup> June, 2008.</li> </ul>

### 3.7 Reasons for the Qualified Opinion

Below is the list of MDAs/RAS and Embassies/Missions issued with Qualified Opinion together with reasons for such opinion.

2.	Vote 42 - National Assembly
	<ul style="list-style-type: none"> <li>• Medical treatment abroad Shs.101,712,872 was not approved by the Ministry of Health and Social Welfare</li> <li>• Un authorised reallocation within votes Shs.63,930,000</li> <li>• Unauthorised payment claims Shs.7,878,745</li> <li>• Improperly vouched expenditure Shs. 526,023,058</li> <li>• Unlawful payments Shs. 102,511,476.31</li> <li>• Un realistic payment of PAYE Shs 8,985,582</li> <li>• Questionable payments Shs.63,930,000</li> <li>• Unclaimed salaries not remitted to Treasury Shs.17,169,340</li> <li>• Under utilised office building at Tunguu -Zanzibar</li> <li>• Salary credited to accounts of the terminated employees Shs.3,489,227.60</li> <li>• Un reconciled difference between cash book balance and bank balance Shs.1,112,690.83</li> <li>• Improper adjustments included in unrepresented cheques of Shs.5,418,250</li> <li>• Un recorded special imprest of Shs.50,282,500</li> <li>• Outstanding Special imprest of Shs.91,159,500</li> </ul> <p>During our audit we covered in details audit of medical expenditure of staff of Parliament. This was necessitated by the speakers statement in Parliament on the 25<sup>th</sup> April, 2008 in which he stated that the CAG will in the course of conducting his ordinary audit will cover thoroughly the audit of medical bills. Audit could not come up with any anomalies on the medical bills for the period in question.</p>
3.	Vote 43- Ministry of Agriculture, Food Security and Cooperative
	<ul style="list-style-type: none"> <li>• Receipts in cash book not in bank statement A total amount of Shs.129,045,950 was noted as receipts in cash book not in bank statement.</li> <li>• Unreconciled difference Shs.1,043,493,192 It was noted that the Statement of Vote Account disclosed a closing balance of Shs.3,962,890,000 as at 30<sup>th</sup> June, 2008 which differs with Shs.2,919,396,808</li> </ul>

	<p>reported in the Consolidated Bank Reconciliation Statement.</p> <ul style="list-style-type: none"> <li> <b>Outstanding Imprests Shs.24,287,759</b>            Audit test check raised one audit query relating to outstanding imprests of Shs. 24,287,759 granted to various officials for various activities performed during the financial year 2007/2008. However, no outstanding schedule has been disclosed in the foot notes to the financial statements.         </li> <li> <b>Purchase of additional Assets not accounted for Shs.1,969,270,000</b>            The statements of assets disclosed additional assets purchased worth Shs.6,572,480,000 out of which assets purchased at a cost of Shs.1,969,270,000 were not accounted for         </li> <li> <b>Stores not taken on ledger charge Shs.8,971,000</b>            Audit test check of the payment vouchers and related records revealed that goods worth Shs.8,971,000 were not taken on ledger charge.         </li> <li> <b>Missing supporting documents Shs.36,001,035</b>            Audit review noted that during the year under review, payments amounted to Shs. 36,001,000 falling under this category were lacking supporting documents contrary to 95(4) of the Public Finance Regulation No. 6 of 2001 (revised 2004).         </li> <li> <b>Irregular procurement of furniture Shs. 60,375,000.</b>            Transfer of funds to Sub Treasury for seminar and workshop Shs. 7,435,000. Its utilization could not be confirmed.         </li> <li> <b>Untraced balance of subsidized UREA fertilizers 100 metric tons worth Shs.20,500,000</b>            It was noted that there was a difference between the Rukwa Municipal Councils' permits for subsidized fertilizers issued to the stockiest and the balance available in the register.         </li> </ul>
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	<ul style="list-style-type: none"> <li>• <b>Unreceipted/Unsold Subsidised Fertilizers to Farmers Shs.30,402,100</b>  <p>During audit at Mbozi (Mbeya), we discovered huge quantities of subsidized fertilizers which were taken by dishonest stockiest for the purpose of selling them to farmers. However, the same were not sold to farmers and the where about of the fertilizers was not known to audit.</p> </li> <li>• <b>Main Supplier who also played the role of Stockiest for fertilizer worth Shs.91,500,000</b>  <p>M/S Mohamed Enterprises entered into contract with government as a main supplier of the subsidized fertilizers for the year 2007/08. The same main supplier was given permits to sale subsidized fertilizers in Ruvuma, but the returns did not show signatures of farmers and price charged. Also, the main supplier to be as a stockiest was contrary to guidelines issued by Permanent Secretary (MOAFS).</p> </li> <li>• <b>Agricultural input not received by the agent Shs.35,100,000</b>  <p>65 tons of Sulfur dust valued at Shs.35,100,000 was found to have not been delivered to Masasi-Mtwara Cooperative Union (MAMCU) although records provided by Cashewnut Board of Tanzania(CBT) has shown that such quantities were sold to the agent</p> </li> <li>• <b>Doubtful supply of inputs to Mkuranga District Council worth Shs.74,448,500</b>  <p>An amount of Shs. 74, 448,500 was said to have been allocated to Mkuranga District Council. However, audit visit conducted at the District Council headquarters noted that the officials responsible for distribution and monitoring of agricultural inputs were not aware of how much money were allocated to the District. On the other hand, the records made available to the auditors by the Cashewnut Board of Tanzania revealed that agricultural inputs worth Shs. 74, 448,500 were sold to the District.</p> </li> </ul>
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4.	<b>Vote 46 - Ministry of Education and Vocational Training</b>
	<ul style="list-style-type: none"> <li>• Uncollected arrears of revenue Shs.525,994,768.56</li> <li>• Revenue collected apparently not banked Shs.50,394,500</li> <li>• Payments without supporting documents Shs.294,587,920</li> <li>• Missing supporting details for fixed assets Shs.2,799,642,326.</li> <li>• Stores not taken on ledger charge Shs.20,747,230.</li> <li>• Late Banking Shs.46,361,500.</li> <li>• Outstanding imprests Shs.123,614,563.</li> <li>• Unpaid Salaries<sup>1</sup> Shs.572,126,518.</li> <li>• Questionable payments made through Bank counters Shs.2,624,516,900.</li> <li>• Payments made to ghost employees Shs.74,335,602.</li> <li>• Un identified employee's duty stations Shs.21,544,758.</li> <li>• Unpaid Salaries not receipted amounting to Shs.8,599,800.</li> <li>• Outstanding Loans and Advances Shs.352,125,500.</li> <li>• Cash not available in the cash boxes Shs.16,905,405.</li> <li>• Outstanding losses of Cash and Stores Shs.161,150,000.</li> </ul>
5.	<b>Vote 51 - Ministry of Home Affairs</b>
	<ul style="list-style-type: none"> <li>• The statement of cash receipts and payments and comparison of budget and actual amount disclosed difference on payments for operations of TShs.63,297,000 which remained reconciled.</li> <li>• Payments of Shs. 23,634,951 were made without being sufficiently supported by relevant documents.</li> <li>• Statement of revenue with comparative previous year amounts not submitted.</li> <li>• Balance due to contractor for construction of refugees buildings at the Ministry of Home affairs. shs.2, 205,993,730.</li> <li>• Financial statement shows commitments outstanding as of 30<sup>th</sup> June 2008 was Shs.1,540,741,798. Payment of these may adversely affect the implementation of activities planned for 2008/09.</li> <li>• Statement of arrears of Revenue Shs.288,000,000.</li> </ul>

6.	<b>Vote 53 - Ministry of Community Development Children and Gender</b>
	<p>Salary wrongly paid to retired employees Shs.26,135,244</p> <ul style="list-style-type: none"> <li>• Statutory deductions not remitted to NSSF Shs.74,937,276</li> <li>• Fuel not taken on Ledger charge Shs.80,872,952</li> <li>• Valuation work not approved by Tender Board Shs.180,332,934</li> <li>• Questionable payment for Contracted works Shs.498,083,400</li> <li>• Un refunded amount borrowed from the Women Development Fund Shs.1,143,779,170</li> </ul>
7	<b>Vote 58- Ministry of Energy and Minerals</b>
	<ul style="list-style-type: none"> <li>• Arrears of Revenue not recovered Shs 1,074,953,913. The adjusted financial statements disclosed arrears of revenue amounting to Shs.1,074,953,913 which needs serious efforts to ensure immediate collection</li> <li>• Payment of Salaries to non employees, Shs 58,466,610. Salaries amounting to Shs.58,466,610 were paid to staff who were either on leave without pay, secondment, died or who had tendered letters of resignation.</li> </ul> <p>Losses of cash and stores Shs 38,003,000. The statement of losses for the year ended 30<sup>th</sup> June 2008 indicated that losses of cash and stores amounting to Shs 38,003,000 were not yet finalised.</p>
8.	<b>Vote 69 - Ministry of Natural Resources and Tourism</b>
	<ul style="list-style-type: none"> <li>• During audit inspection we noted stores valued Shs.14,474,000 to have not been taken on ledger charge.</li> <li>• Examination of banking details revealed that an amount of Shs.36,087,422 were exchanged for cheque.</li> <li>• The revenue collected and banked amounting to Shs.1,402,354,016 were not reflected in the bank statement.</li> <li>• Audit of Saohill forest plantation revealed underbanking of Royalty and LDMA charges amounting to Shs.181,165,465 which no explanation was furnished in this regard.</li> <li>• Examination of payment vouchers revealed inadequately supported expenditure to the tune of Shs.368,243,377.</li> </ul>

	<ul style="list-style-type: none"> <li>Unclaimed salaries amounting to Shs.30,531,295 relating to retired, deceased, terminated were observed to have not been returned to Treasury.</li> </ul>
<b>9.</b>	<b>Vote 72 - Dodoma Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>Improperly vouched expenditure Shs.40,489,678</li> <li>Excess expenditure on rehabilitation of RAS's house Shs.21,772,680</li> <li>Unclaimed salaries Shs.5,653,713.68</li> <li>Un voted/Appropriated Money Shs.68,669,235</li> </ul>
<b>10.</b>	<b>Vote 76- Lindi Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>Payment vouchers, supporting documents and records of the Secretariat tender list for the year under review, revealed that payments amounting to Shs. 82,116,570 were made to non approved suppliers.</li> <li>Stores worth Shs.362,129,473.32 were not brought to account.</li> <li>During the year under review, it was revealed that payment vouchers worth Shs.60,856,132 were missing from their respective batches.</li> <li>Payments amounting to Shs.695,616,227 were noted to have been made without proper supporting documents</li> <li>During the year under review, the secretariat paid Shs.13,084,904 in respect of settling bills raised for services rendered and purchased fuel which related to previous financial years from 2001/2002 to 2006/2007.</li> <li>During the year under review it was noted that a sum of Shs.16,283,000 was spent from the Recurrent account instead of deposit account. However, no reimbursement was noted to that effect.</li> <li>Retention money which were supposed to be deposited in that account amounting to Shs.77,387,419 was not evidenced to have been kept to that account.</li> <li>Exchequer issues released were observed to have exceeded approved estimates by Shs.1,028,226,601 and</li> </ul>



	consequently retrospective approval was not sought from Treasury.
<b>11.</b>	<b>Vote 80- Mtwara Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Previous year(s) outstanding matters totaling Shs.232,195,322 The Regional secretariat has made inadequate follow up on outstanding matters in previous year(s) audit report.</li> <li>• Improperly vouched expenditure Shs.89,795,164 These payments were made without supporting documents including invoices, D/notes, cash sale receipts, payrolls, signed payroll, and such documents.</li> <li>• Differed payment shs.152,253,540 Contrary to budgetary controls, claims related to previous year were settled from 2007/08 budget. This implies approved activities for the current year worth Shs.152,253,540 were not implemented as envisaged.</li> <li>• Missing transfer approval Shs. 288,820,139 The regional secretariat transferred Shs.288,820,139 to deposit account which had to finance development projects during 2008/9. Approval was not sought from the relevant authority.</li> </ul>
<b>12.</b>	<b>Vote 81 - Mwanza Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Improperly Vouched Shs.196,380,623.10 Payments amounting to Shs.196,380,623.10 were inadequately supported by the relevant supporting documents.</li> <li>• Contract Agreements missing Shs.1,670,866,060 The Regional Secretariat spent a sum of Shs.1,670,886,060 in respect of various development projects. However, the respective contract agreements were not produced when called for.</li> <li>• Excess Vote of Shs.482,496,000 The Secretariat incurred an excess expenditure of</li> </ul>

	<p>Shs.482,496,000 in Supply Vote Account without proper authority.</p> <ul style="list-style-type: none"> <li>• <b>Unauthorized transfer of funds Shs.33,450,508</b> The Secretariat transferred Shs.33,450,508 from Development Funds to the Miscellaneous Deposit Account at the end of the financial year to avoid lapse of financial provision contrary to Regulation 85(2) of the Public Finance Regulations, 2004.</li> <li>• <b>Laxity in control over payment of salaries Shs.11,067,836</b> Salary Control sheets and other related records disclosed a sum of Shs.11,067,836 irregularly paid to RAS staff.</li> <li>• <b>Payment of subsistence allowance and accommodation Shs.5,306,000</b> An officer who was transferred from Tarime to Geita District was accommodated in a hotel at a cost of Shs.2,786,000 for 244 days. However, the same officer and his family had been paid 14 days subsistence allowance totaling Shs.2,520,000 contrary to Standing Orders governing payment of subsistence allowances on transfer.</li> <li>• <b>Outstanding Imprests Shs.47,035,000</b> Imprests totaling Shs.47,035,000 were neither recorded in the imprest register nor confirmed to have been retired.</li> <li>• <b>Purchase of Motor Vehicle not Delivered Shs.80,000,000</b> The Secretariat paid Shs.80,000,000 for the purchase of a motor Vehicle Suzuki Grand Vitara but up to the time of writing this report, the vehicle has not been delivered.</li> <li>• <b>Unclaimed salaries Shs.52,264,000</b> Unclaimed salaries relating to retired employees totaling Shs.52,264,000 were returned to Treasury during the year 2007/2008. However, acknowledgement receipts from Treasury were not provided to confirm receipt.</li> </ul>
<b>13.</b>	<b>Vote 82 - Ruvuma Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Procurements made without quotations and calling for Tender 33,157,913</li> <li>• Liquidated damages not recovered from the contractors Shs.10, 641,537</li> </ul>

	<ul style="list-style-type: none"> <li>• Payments made without supporting documents including invoices, delivery notes pay sheets Shs. 179,944,283</li> <li>• Imprest issued to officials during the year under review was not retired contrary to laws and regulations Shs.82, 286,058</li> <li>• Payment of Shs.4,330,000 in respect of Motor vehicles sent to private garages without being supported by inspection reports from TEMESA.</li> <li>• Payments of Shs.24,168,250 from deposit account to finance activities of recurrent nature including transfers, travelling allowances and fuels allowances contrary to Reg. 85 (2) of PFR No.6 of 2001 (revised 2004)</li> <li>• Propriety of expenditures of Shs.11,896,030 not confirmed in the absence of important information such as claims form, referral letters, and medical bills.</li> </ul>
<b>13.</b>	<b>Vote 85 - Tabora Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Payments amounting to Shs .250,217,735 was made without contract awards</li> <li>• The footnotes to the financial statements showed imprest not retired amounting to Shs.32,590,607</li> <li>• Expenditure statement in respect of imprest issued to two officers amounting to Shs.13,783,520 was missing</li> <li>• Revenue of Shs.3,016,100 from collected from cost sharing was not banked.</li> <li>• Deposits of Shs.146,409,571 from cost sharing were not reflected in the accounts of the Regional Administrative Secretariat</li> <li>• Funds amounting to Shs.186,410,609.78 deposited at Medical Stores Department were not reflected in the Regional Secretariat financial statements</li> <li>• Expenditure amounting to Shs.4,340,453/92 were not supported by adequate documents</li> <li>• Unclaimed salaries amounting to Shs.36,044,774.28 received from DED Nzega was not remitted to Treasury</li> <li>• Unclaimed salaries amounting to Shs.8,823,440 from RAS Tabora are not remitted to Treasury</li> </ul>

	<ul style="list-style-type: none"> <li>• Shs.62,952,211.91 were drawn from deposit account to finance cost of recurrent nature</li> <li>• Retention funds amounting to Shs.38,734,104 were not recorded in the register</li> <li>• A sum of Shs.40,000,000 was spent for procurement of motorcycle without authority</li> </ul>
<b>14.</b>	<b>Vote 86 -Tanga Regional Administrative Secretariat</b>
	<ul style="list-style-type: none"> <li>• Expenditure overstated by shs.2, 654,734,144 (Supply) and Shs.4,942,865,111 (Development)</li> <li>• Maintenance and repair cost of motor vehicles not approved by TEMESA -Shs.33, 761,128</li> <li>• Irregular transfer of development funds to deposit account- Shs.51,100,038</li> <li>• Deferred payments of Shs.130,568,207</li> <li>• Non current assets owned by the Secretariat were not valued</li> <li>• Projects implementation reports not made available for audit</li> </ul>
<b>15.</b>	<b>Vote 90 - Land Court</b>
	<ul style="list-style-type: none"> <li>• Inadequately Supported Expenditure Shs.80,223,000. Payments of shs.80,223,000 were made without proper and/or adequate supporting documentation. Audit could not verify the authenticity of the payment made.</li> <li>• Suspected Double Payment of Allowances Shs.5,795,000. It was observed that some officers were paid extra duty allowance of Shs.5,795,000 which coincided with dates on which they were on other official undertakings, such payments appear to be a double payment of allowance.</li> <li>• Non - Compliance with Accounting Circular No. 9 of 2007/08 on Format for annual report as per reg. 8(5) of the Public Finance Regulations 2001 (Revised 2004) The Land Court's annual report missed important information such as physical achievements of the planned target, Plans for the year ahead and the provisional plans for the two subsequent years</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Payment made without Tender Board Approval</b> Shs.57,914,422 Procurement of goods and services worth Shs.57,914,422 were made without being channeled through Tender Board for approval contrary to Reg.40(1) of the Public Procurement Regulation of 2005</li> <li>• <b>Non establishment of Procurement Management Unit.</b> Procurement Management Unit was not established by the Land Court contrary to section 34 of the Public Procurement Act of 2004</li> </ul>
<b>16.</b>	<b>Vote 97 - Ministry of East African Cooperation</b>
	<ul style="list-style-type: none"> <li>• Payments of shs.14,458,000 to supplier out of contract Ministry paid Shs. 28,916,000 to cover period of twelve months while the contract referenced No.EA.124/520/01/35 of 30<sup>th</sup> June, 2007 covered six months.</li> <li>• Improperly vouched expenditure Shs.57,994,259</li> <li>• Procurement of tickets which were not supported by Request Order” Shs.104,133,990</li> <li>• Statement of Outstanding Liabilities Shs.28,731,290 being Balance of outstanding liabilities as at 1<sup>st</sup> December, 2008.</li> </ul>
<b>17.</b>	<b>Vote 98 - Ministry of Infrastructure Development</b>
	<ul style="list-style-type: none"> <li>• <b>Unauthorized expenditure shs.25,458,960</b> Examination of payment vouchers disclosed payments totaling Shs 25,458,960.00 relating to the previous financial year was paid in the financial year under review, contrary to Regulation 54 (4), of the Public Finance Regulation.</li> <li>• <b>Irregular payments of motor vehicle services</b> shs.10,312,686 A sum of Shs.10,312,686 was paid to M/S TOYOTA TANZANIA LTD in respect of repairs and services of government vehicles. However, inspection reports from TEMESA before and after vehicle repair and services as per section 59(1)-(4) part 11 of the Public Procurement Act of 2004 were not made available for audit</li> </ul>

	<ul style="list-style-type: none"> <li>• Payment of recurrent nature paid from Development Account shs.96,528,700.</li> </ul> <p>Payments totalling shs.96,528,700 eligible to have been charged as expenditure from recurrent expenditure account was wrongly charged from development expenditure account.</p> <ul style="list-style-type: none"> <li>• Improperly vouched expenditure shs.2,450,820,568</li> </ul> <p>Payments amounting to Shs. 2,450,820,568 were made without proper supporting documents. This is contrary to Public Finance Regulations 2001 Section 86(1) which requires all disbursements of public money to be properly vouched. Under the circumstance, the authenticity and regularity of the expenditure incurred could not be established.</p>
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### 3.8 Reasons for the Adverse Opinions

Here under are details of the MDAs/RAS and Embassies/Missions issued with Adverse Opinions together with matters leading to such Opinions:-

1.	Vote 60 - Labour Court
	<ul style="list-style-type: none"> <li>• Violation of Procurement Regulations Shs.38,234,088</li> </ul> <p>Payments of Shs.38,234,088 made for procurement of goods and services were observed to have been effected without seeking quotations from three different suppliers and also, without Tender Board approval contrary to Reg. 68(1),(2),(4) and(5) of the Public Procurement (goods, works, non-consultant Services and disposal of public asset by tender) Regulations (2005).</p> <ul style="list-style-type: none"> <li>• Goods not accounted for in the Stores Ledgers Shs.42,279,000</li> </ul> <p>Various stores worth Shs.42,297,000 ordered and paid for were observed to have not been taken on ledger charge contrary to regulation 198 of the Public Finance Regulations of 2001.</p> <ul style="list-style-type: none"> <li>• Missing Contract agreement Shs.7,770,000</li> </ul> <p>Payments of a sum of Shs.7,770,000 were made to M/s Trust Service Camp in respect of cleaning services. However, the contract for this tender was not provided when called for.</p>

	<ul style="list-style-type: none"> <li>• <b>Inadequately supported expenditure Shs.114,120,988.</b> Examination of payments and other supporting records for the year 2007/2008, revealed inadequately supported expenditure of Shs.114,120,988. Effecting payments not adequately supported is contrary to Reg. 95 (4) of the Public Finance Regulation, 2001.</li> <li>• <b>Payment of Wages to Casual Labourers Shs.4,608,000</b> Shs.4,608,000 was paid to Registrar of Labour Court, in respect of casual labourers wages for zonal offices were not supported by signed pay lists</li> <li>• <b>Over Payments of Salaries Shs.1,405,200.</b> A sum of Shs.1,405,200 being salaries were noted over paid to staff as their grades in their personal files differ with grades used to effect such payments.</li> <li>• <b>Salary made to retired and deceased employees Shs.935,720</b> A sum of Shs.935,720 was paid as salaries to employees who had retired or deceased.</li> <li>• <b>Limitation of scope on audit of Donor Funded Project</b> The scope of audit conducted in September, 2008 was limited due to the fact that payment vouchers and other records in respect of the Business Sector Programme Support were not made available to audit with an explanation that all the relevant documents were taken by PCCB.</li> </ul>
<b>3.</b>	<b>Vote 93 - Immigration Services Department</b>
	<ul style="list-style-type: none"> <li>• Revenue of USD12,640 (TShs.16,052,800) collected at Mwanza Immigration Office were not reflected in the Bank Statement.</li> <li>• Revenue amounting to TShs.4,770,000 collected at the District Immigration Office Ilala from January to June 2008 were noted to have been under banked.</li> <li>• Revenue amounting to TShs.40,839,000 recorded in the respective letter of transfer could not be traced in the Immigration Headquarters bank statement</li> </ul>

	<ul style="list-style-type: none"> <li>• Revenue amount of TShs.2,990,000 was not un banked.</li> <li>• Payments amounting to TShs.37,922,605 were made without adequate supporting documents.</li> <li>• Delayed banking of Revenue TShs.68,379,000</li> <li>• Unclaimed salaries TShs.24,495,939.94 were transferred to the Deposit Account. However some of unclaimed salaries were overdue.</li> <li>• Payments of TShs.13,740,000 were noted to be paid to temporary employees contrary to Public Service Commission directives.</li> <li>• Bank reconciliation statement shows receipt in cash book not in bank statement TShs.123,685,680.</li> <li>• Revenue amounting to TShs.2,839,769,300 collected by the Immigration Zanzibar had not been remitted to Immigration Head Office - Dar es Salaam.</li> <li>• Statement of commitment outstanding reflected payments totaling TShs.542,800,000 relating to the previous years were paid during the year under review.</li> <li>• Unresolved matters of previous year's audit Shs.48,673,383,425.60</li> <li>• The statement shows outstanding liabilities TShs.6,207,473,584.64.</li> </ul>
<b>4.</b>	<b>Vote 99 - Ministry of Livestock Development</b>
	<ul style="list-style-type: none"> <li>• Unsupported statement of losses Shs.90,937,000 The financial statements for the year ended 30<sup>th</sup> June, 2008 included a disclosure of losses to the value of Shs.90,937,000 which were not supported by Loss reports and cows' death certificates.</li> <li>• Overstated statement of outstanding imprests by Shs.65,246,106 Financial statements for the year ended 30<sup>th</sup> June, 2008 indicated unretired imprests amounted to Shs.183,851,000. However, audit workings noted that the outstanding amount should have been Shs. 118,604,894 that ended with an overstatement of Shs. 65,246,106.</li> <li>• Questionable statement of Plants, Property and Equipments - Shs.8,596,324,000 Plants, property and equipments valued Shs.8,596,324,000 had the following discrepancies.</li> </ul>



	<ul style="list-style-type: none"> <li>• Various motor vehicles with a value of Shs.576,683,492 were included in the schedule without indicating registration number, thus identification and existence could not be ascertained by audit.</li> <li>• Various motor vehicles, computers and office furniture included in the schedules supporting the financial statements, had their values not indicated.</li> <li>• Various motor vehicles, laptop and desk top with the value of Shs.653,227,254 were noted to have been included in the schedules but their location and registration numbers were not indicated.</li> </ul> <p>Weakness on control over funds issued to District Council - Shs .103,248,730.</p> <p>A sum of Shs.103,248,730 paid to the District Councils for various activities such as facilitation of district hides and skins inspectors, capacity building of LGA staff and others were not supported by acknowledgement receipts and performance reports for management follow-up.</p> <p>Non acknowledgment of funds issued to the Ministry of Industry, Trade and Marketing (MITM) and Leather Association of Tanzania (LAT) Shs. 849,500,000</p> <ul style="list-style-type: none"> <li>• No acknowledgment receipts to support the received funds.</li> <li>• Activity / performance reports were not provided to enable assessment of the activities implemented</li> <li>• The statements of expenditure were not provided to establish the legitimacy of the expenditures incurred.</li> </ul> <p>Two Yamaha motorcycles procured not delivered Shs.9,500,000</p> <p>Two Yamaha motorcycles procured were yet to be delivered as at this report date.</p> <p>Amount overpaid to the supplier of vaccinations Shs.30,096,038</p> <p>The Ministry overpaid Shs.30,096,038 following difference in total amount paid of Shs.162,107,407 which included VAT while the actual contract price did not include VAT</p>
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	<p>Shs.132,011,369.</p> <p>Delays in banking revenue Shs.18,462,350 Ministry's up country stations collected sum of Shs.18,462,350 from different activities that were not banked promptly as required by Reg. 78 (1) of the Public Finance Regulations of 2001 revised 2004.</p> <p>Payments to Up-Country Stations not supported by acknowledgement receipts and performance report Shs.162,335,944.</p> <p>Missing of supporting documents deny authentication of expenditure.</p> <p>Payments of salaries to employees not in public services Shs.7,716,421 Salaries could be intended to pay ghost workers. Reasons are awaited on why payments were effected to non existing workers.</p> <p>Offer of tenders before selections - Shs.55,236,000 Two service providers were offered tenders to provide security and cleaning services before selected in tenders contrary to section 31(a) and (b) of the Public Procurement Act, 2004.</p> <p>Expenditure not properly supported Shs.642,950,050 Examination of the financial statements together with the underlying documents revealed cases where expenditure amounting to Shs.642,950,050 were not properly supported.</p> <p>Outstanding items in the Bank reconciliation statements</p>																												
	<table border="1"> <thead> <tr> <th>S/No</th><th>Description</th><th>Account (Shs.)</th><th>Amount (Shs.)</th><th></th></tr> </thead> <tbody> <tr> <td>1</td><td>Receipts in cash book not in bank</td><td>Supply Vote</td><td>3,105,131.89</td><td></td></tr> <tr> <td>2</td><td>Receipts in cash book not in bank</td><td>Deposit Account</td><td>4,935,663.72</td><td></td></tr> <tr> <td>3</td><td>Receipts in cash book not in bank</td><td>Development Account</td><td>2,855,338.00</td><td></td></tr> <tr> <td>4</td><td>Unpresented payments</td><td>Development Account</td><td>101,666,000.00</td><td></td></tr> </tbody> </table>	S/No	Description	Account (Shs.)	Amount (Shs.)		1	Receipts in cash book not in bank	Supply Vote	3,105,131.89		2	Receipts in cash book not in bank	Deposit Account	4,935,663.72		3	Receipts in cash book not in bank	Development Account	2,855,338.00		4	Unpresented payments	Development Account	101,666,000.00				
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	<ul style="list-style-type: none"> <li>• Revenue collections not banked- Shs.17,240,750 Banking particulars of revenue amounting to Shs.17,240,750 could not be confirmed to have been banked.</li> <li>• Understated statement of outstanding liabilities for the year ended 30<sup>th</sup> June, 2008 Shs.61,061,387 The statement of outstanding liabilities reflected Trade Creditors amounting to Shs.953, 691,000. However, schedules of creditors amounting to Shs.61,061,387 were not submitted along with the financial statements.</li> <li>• Bank Reconciliation Statements for Revenue account not submitted The Ministry did not prepare and submit monthly Bank reconciliation statements for the financial year 2007/2008 as required by the Reg.162 (1) of PFR, 2001.</li> </ul>
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## CHAPTER 4

### AUDIT RESULTS OF DONOR FUNDED PROJECTS, AGENCIES, EMBASSIES/MISSIONS AND PROGRAMMES UNDER VOTES

#### 4.0 Introduction

The Office of the Controller and Auditor General is mandated to audit all Government revenues and expenditures. Further, the jurisdiction of my audit covers the audit of Donor Funded Projects, Government Agencies, Programmes and Embassies under the Ministry of Foreign Affairs and International Cooperation.

In this year's report of the MDAs, I have summarised audit results for Projects, Agencies, Embassies, Programmes and Bodies under Votes to highlight key issues of my concern for the attention of the responsible authorities. The detailed audit findings and recommendations are well covered in the individual Management Letters and Audit Reports issued to Accounting Officers.

Findings from Management Letters and Audit Reports are summarised below:-

1.	Ministry: Energy and Minerals Vote 58
1.1	Project: Energy and Minerals (MEM) Components of Songosongo Gas Development and Power Generation Project IDA CREDIT NO. 3569 TA
	<p><b>Audit Opinion: Unqualified opinion</b></p> <p><b>Matters of Emphasis</b></p> <ul style="list-style-type: none"><li>• Payments amounting to USD 8,600 (Shs.10,242,600) were disbursed from the Project account for activities not related to the project and for which no prior authority was given by the Accounting Officer. There was no evidence that the amount paid had since been reimbursed to the project.</li><li>• Contract works with a value of Shs.4,721,242,700.00 which were scheduled for completion in eight months period from 24/7/2006, were still uncompleted up to 26/9/2008 when auditors visited the construction site.</li></ul>

	<ul style="list-style-type: none"> <li>We noted substandard fence being constructed at Ikwiriri Power Substation which had not been rectified up to the time of conducting the site visit.</li> </ul>
1.2	<p>Project; Energizing Rural Transformation Project, (Grant No. TF 054418).</p> <p>Audit Opinion: Unqualified Opinion</p>
1.3	<p>The Mineral Sector Development Technical Assistance Project - Special Account: NDF Credit No.277 for the period from 1<sup>st</sup> July, 2007 to 31<sup>st</sup> December, 2007</p> <p>Audit Opinion: Unqualified Opinion</p>
1.4	<p>The Rural Energy Agency (REA):</p> <p>Audit Opinion: Unqualified Opinion</p>
2.	<p>Prime Minister's Office Regional Administration and Local Government (PMO-RALG) - Vote 56</p>
2.1	<p>Project: Local Government Support Project - IDA Credit No. 4003-TA</p> <p>Opinion : Qualified Opinion</p>
	<ul style="list-style-type: none"> <li>Short release of funds USD.18,699,558.35 from the International Development Agency (IDA) compared to the budget of USD.38,281,890.42.</li> <li>Funds not transferred Shs.7,382,624,000 to LGAs for Capital Development Grant (CDG) and Capacity Building Grant (CBG).</li> <li>Advance to Local Government Reform Programme Shs.1,200,000,000 has not been recovered.</li> <li>Inadequate performance of contractor Shs.741,979,535</li> <li>Assets omitted from the Balance Sheet USD.42,858.30</li> </ul>
2.2	<p>Project: Dar Rapid Transit Agency (DART); A component under Central Transport Corridor Project - CTCP</p> <p>Opinion: Unqualified</p>
3.	<p>Ministry: Health and Social Welfare -Vote 52</p>
	<p>Project: Health Sector Development Project under IDA Credit 3841/GR No.H071-TA</p> <p>Opinion: Unqualified.</p>

4.	Tanzania Commission for AIDS (TACAIDS) - Vote 92
	Project: Tanzania Multi-Sectoral Aids Project IDA Grant No.H069 Opinion: Unqualified Opinion
4.1	Tanzania Main land Component: Opinion: Unqualified Opinion
4.2	Zanzibar Component Opinion: Unqualified Opinion

#### 4.1 AUDIT RESULTS FOR THE EMBASSIES AND MISSIONS

During the year 2007/08, I audited 32 Tanzania Embassies/Missions abroad. Analysis of Audit Opinions issued based on the audit findings are shown below:-

	Type Of Opinion	Number of Embassy	
		2006/2007	2007/2008
(i)	Unqualified Opinions	8	3
(ii)	Unqualified Opinions with Matters of Emphasis	13	19
(iii)	Qualified Opinions	8	8
(iv)	Adverse Opinions	1	2
	Total audited Embassies/Missions	30	32

##### 4.1.1 Missions / Embassies with Unqualified opinion without matters of emphasis

The following three (3) Embassies were issued with unqualified opinion with no matters of emphasis.

1. Riyadh - Saudi Arabia
2. Harare - Zimbabwe
3. Maputo - Mozambique

##### 4.1.2 Missions/Embassies with Unqualified Opinion with matters of emphasis

The following nineteen (19) Embassies/Missions were issued with Unqualified Opinion with matters of emphasis:

1.	Ottawa - Canada
	<ol style="list-style-type: none"> <li>1. No cash books were maintained in respect of four bank accounts operated by the Mission during the year under review, as such the Mission did not prepare the respective bank reconciliation statements.</li> <li>2. Revenue collections amounting to CAN \$ 4.463 were not banked.</li> </ol>
2.	Muscat - Oman
	<ul style="list-style-type: none"> <li>• As at 30<sup>th</sup> June 2008 the supply vote account of the embassy had an over expenditure of Shs.44,878,197 as compared with the approved budget of Shs.677,104,800.</li> <li>• Payments made direct from visa collections Shs.57,763,187.75 Payments amounting to Oman Rials 18,013 equivalent to Shs.57,763,187.75 (Average exchange rate OR 1= TShs.3,206.75) were effected direct from the visa revenue collections without authority from Permanent Secretary, Ministry of Foreign Affairs and International Cooperation.</li> </ul>
3.	New York - United Nations
	<ul style="list-style-type: none"> <li>• Nugatory expenditure Shs.5,033,160 (Payment USD 4,100 )  We noted USD 4100 (equivalent to Shs.5,033,160), paid as house rent for the month of May, 2008 in respect of an officer of the embassy. However records show that, in April 2008 the officer was transferred to the Tanzanian Embassy in Addis Ababa, Ethiopia. Hence, the Mission incurred a nugatory expenditure.</li> <li>• Payment from deposit A/C not refunded USD 804,169.21 (Shs.987,198,122)  The Mission transferred USD804,169.21 (Shs.987,198,122) from the Deposit Account to various accounts as per Ministry instructions. However, the amount had not been</li> </ul>

	<p>refunded to the Deposit Account as at the time of audit in December 2008.</p> <ul style="list-style-type: none"> <li>Irregular refund of medical expenses USD.5,191.98 (Shs.6,373,675)</li> </ul> <p>A sum of USD 5,191.98 (equivalent to Shs. 6,373,675) was refunded to Mission officials being medical expenses incurred from their own pockets. However, the procedure was against Reg. 142(b) of the Tanzania Foreign Service Staff Regulations (TFSSR) Part 1, as revised in 1979.</p>
<b>4.</b>	<b>Washington - USA</b>
	<ul style="list-style-type: none"> <li>Procurements of services amounting to USD 15,370 (Shs.18,459,370) were not approved by the Mission's Procurement Committee.</li> <li>Stores worth USD. 4,901 (Shs.5,886,101) purchased during the year under review were not properly accounted for.</li> <li>An amount of USD 30,000 (Shs.36,030,000) was deposited as part payment for the purchase of a new chancery building but the building is yet to be acquired due to insufficient funds.</li> <li>The Mission hired a private car for a total of USD.4,858.73 (Shs.17,845,335) to provide transport service to the Ambassador's family.</li> </ul>
<b>5.</b>	<b>Abudhabi - United Arab Emirates</b>
	<p>The Embassy made unauthorized payments from revenue collections amounting to Shs.32,901,880 (DHS 94,600).</p> <ul style="list-style-type: none"> <li>The Mission received more funds than it was approved in the budget by Shs.612,762,029; There was an over expenditure of Shs.431,853,396.</li> <li>Under banking of revenue collections of Shs.3,596,252 (DHS.10,340.00) by under recording of the revenue in the Revenue Collectors Cash Book (RCCB).</li> <li>Cancelled ERVs at Dubai Consulate were not attached to the respective copies. In the absence, it was not possible to ascertain whether or not cash was collected by using the cancelled ERVs.</li> </ul>



6	<b>Berlin - Germany</b>
	<ul style="list-style-type: none"> <li>• Audit findings raised in the previous year's audit relating to unutilized proceeds from sale of embassy property for Euro 1,265,506 and non maintenance of fixed assets were yet to be finalized.</li> <li>• Unauthorized transfer from the revenue account to vote account Euro.470,000 (Shs.876,300,900).</li> <li>• The Mission spent a sum of Shs.1,691,600,760 above the approved budget of Shs.1,408,283,846 resulting to an over expenditure of Shs.283,316,914. without appropriate authority.</li> </ul>
7.	<b>New Delhi - India</b>
	<ul style="list-style-type: none"> <li>• The Mission has outstanding Commitments amounting to Shs.950,542,500 being the outstanding payments for the contractor and consultants of the mission building.</li> <li>• The Mission's building has been occupied since April, 2007. Although there is no official handle over to the Government.</li> </ul>
8.	<b>Brasilia - Brasil</b>
	<ul style="list-style-type: none"> <li>• Special imprest amounting to USD 130,500 was paid to the Head of the Chancery for purchasing office furniture and settlement of office debts instead of issuing cheques to the respective suppliers.</li> <li>• We noted R\$ 17,604.84 equivalent to USD 12,000 paid by the Embassy as tuition fees for Sipho Kafumba (a six years old child) a grandchild of an Officer Helen Kafumba for a period of eight months, effective November, 2007 to June 2008. However the grandchild was not yet formally and legally adopted by Hellen Kafumba.</li> <li>• During the year under review, we noted Shs.70,969,731.56 (R\$.108,550) paid to various suppliers of goods and services without competitive bidding.</li> </ul>
9	<b>London - UK</b>
	<ul style="list-style-type: none"> <li>• Supply Vote Account as at 30<sup>th</sup> June 2008 closed with an expenditure of Shs.1,736,398,548 while the approved budget was Shs.1,575,508,800; this resulted to an over-expenditure of Shs.160,889,748.</li> </ul>

	<ul style="list-style-type: none"> <li>• Missing title deeds for land and buildings at plot 17 in Denehurst and plot 29 in Mayfield.</li> <li>• Missing motor vehicle Registration Cards for a Mercedes Benz and one motor vehicle with Reg No. 262D208.</li> <li>• The Mission has secured Plot No. 19 Denewood Road London N6 \$AQ and obtained a permit to construct a building comprising of four flats for staff housing. As at the time of audit - December 2008, the Mission had not obtained funds for construction. Delay in developing the plot may lead to the plot being withdrawn by the UK Government authorities for being left undeveloped within the agreed period.</li> </ul>
10.	Paris - France
	<ul style="list-style-type: none"> <li>• The Embassy entered into agreements and paid Euro 240,157.41 equivalent to Shs.432,283,338 to various land lords as house rent for home based staff, without prior approval from the Permanent Secretary, Ministry of Foreign Affairs and International Cooperation</li> <li>• Delay in banking of revenue collection Euro 12,250 (Shs.20,732,166).</li> <li>• Missing ERV book issued to Honorary Consular in Nice Paris.</li> <li>• In August 2008, the Embassy paid Euro 2,500 equivalent to Shs.4,500,000 to an embassy officer in order to meet traveling expenses for a sick Tanzanian student and a Nurse to escort the student to Tanzania. These costs were supposed to be incurred and paid by the Ministry of Education Vocational Training, however up to the time of audit in December 2008 the amount had not yet been refunded.</li> <li>• Non valuation of residential house of Head of Chancery.</li> <li>• Construction of the office for the Head of Chancery in Paris being not undertaken.</li> </ul>

11.	<b>Lilongwe - Malawi</b>
	<ul style="list-style-type: none"> <li>• Non preparation of annual procurement plan.</li> <li>• Mission's properties including five buildings worth MK 75,000,000 and one Mercedes Benz costing Rand 349,001 acquired/purchased in the year 2003 were not reflected in the schedule of non-current assets.</li> <li>• Fuel purchased on cash basis worth Shs.34,347,176.21 instead of entering into contract with the fuel station.</li> </ul>
12.	<b>Beijing - China</b>
	<ul style="list-style-type: none"> <li>• Funds received or transferred in respect of defence matters to Mission Abroad are operated separately by the Military Attaché and payment returns are sent to the Ministry of Defence Headquarters Dar es Salaam for further processes. Exchequer issues remittances for Shs.8,735,186 in respect of June 2007 salaries for Mission staff was delayed thus received and accounted for in July, 2008.</li> <li>• The Mission is currently dispatching all paid payment vouchers and related supporting documents to the Ministry of Foreign Affairs and International Cooperation in DSM and retain copies of the same. Apparently, retained copies are not susceptible for audit by external auditors when we conduct our regularity audits.</li> </ul>
13.	<b>Nairobi - Kenya</b>
	<ul style="list-style-type: none"> <li>• The Embassy did not have a strategic plan for the International Business Development Program nor the Commercial Attaché dedicated to the International Business Development Programme.</li> <li>• Title deeds were missing for three maisonettes with the name of Kilimanjaro Court at plot no.2/472 located at Kilimani area along Ole Odume road.</li> </ul>
14.	<b>Bujumbura - Burundi</b>
	<ul style="list-style-type: none"> <li>• An amount of USD 24,250 equivalent to TShs.25,797,119.50 was not remitted to the Ministry headquarters in respect of visa fees for the months of July 2007 to June 2008.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Embassy did not have a strategic plan for the International Business Development Programme nor a Foreign Service officer dedicated to the International Business Development Programme.</li> <li>• The embassy purchased TOYOTA GX at a cost of USD.67,831.00 (BUF 79,860,000). However, the competitive quotes from four firms showed that NISSAN costing USD 30,000 was the cheapest and recommended by the procurement committee.</li> <li>• The Embassy did not have an annual procurement plan.</li> </ul>
15.	Kigali - Rwanda
	<ul style="list-style-type: none"> <li>• An amount of USD 16,880 equivalent to Shs.20,276,830 in respect of visa fees for the months of July 2007 to June 2008 was not remitted to the Ministry of Foreign Affairs and International Cooperation.</li> <li>• The Embassy did not have a strategic plan for the International Business Development Programme nor a Foreign Service officer dedicated for the International Business Development Programme.</li> <li>• Plot not developed. This plot which was granted to us by the Republic of Rwanda since 2003 at Kacyiru north area has not been developed up to date. The embassy should develop the plot in order to reduce or eliminate rental cost and also avoid the risk of the plot offer being withdrawn.</li> </ul>
16.	Tokyo - Japan
	<p>Exchequer issues remittances Shs.14,182,398 (equivalent to Yen 1,313,185) being salaries for June, 2007 for Mission staff received late at the embassy, thus they were accounted for in July, 2008.</p> <ul style="list-style-type: none"> <li>• The Mission is currently dispatching all paid payment vouchers and related supporting documents to the Ministry Headquarters DSM and retains copies of the same. Apparently, retained copies are not susceptible for audit</li> </ul>

	by external auditors when we conduct our normal regularity audits.
<b>17.</b>	<b>Lusaka - Zambia</b>
	<ul style="list-style-type: none"> <li>• Stores items amounting to ZK 36,961,963 were bought by the Embassy, however they were not recorded in stores ledgers.</li> <li>• The Mission overspent Shs.106,286,188 above the approved budget without authority.</li> <li>• Outstanding Liabilities amounting to Shs.57,147,600 were yet to be settled.</li> </ul>
<b>18.</b>	<b>Addis Ababa - Ethiopia</b>
	<ul style="list-style-type: none"> <li>• The Mission spent a sum of Shs.151,293,979 above the approved budget without authority.</li> <li>• Remittances amounting to Shs.347,711,723 were received by the Embassy but were omitted from the list of remittances received from the Ministry of Foreign Affairs and International Cooperation.</li> <li>• Funds amounting to Shs.19,328,506 (USD 16,191.81) aimed for promotion of tourism were wrongly spent for normal operating activities of the Embassy.</li> <li>• No evidence was provided to confirm remittances amounting to Shs.12,825,272 from the Ministry of Foreign Affairs and International Cooperation to have been received by the Embassy.</li> </ul>
<b>19.</b>	<b>Kuala Lumpur - Malaysia</b>
	<ul style="list-style-type: none"> <li>• Staff salaries for June, 2008 amounting to Shs.23,868,724 were received late and accounted for in July, 2008. Also payment of Shs.6,769,848 (equivalent to US Dollar 5,698.51) made for clearing the official car was accounted for in July, 2008.</li> <li>• The Mission is currently dispatching all paid payment</li> </ul>

	vouchers and related supporting documents to the Ministry of Foreign Affairs and International Cooperation DSM and retains copies of the same. Apparently, retained copies are not acceptable for audit by us (external auditors) when we conduct our regularity audits.
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#### 4.1.3 Embassies/Missions issued with Qualified Opinion

The following eight (8) Embassies/Missions were issued with Qualified Opinion:

1.	Brussels - Belgium
	<ul style="list-style-type: none"> <li>Revenue not recorded in the RCCB-Shs.17,841,500 Revenue collections amounting to Shs.17,841,500 were not recorded in the Revenue Collectors Cash Book. This hindered evaluation of revenue performance of the Embassy.</li> <li>Un approved transfer of funds from Revenue Collection Account to Vote Account Shs.179,350,000 The Embassy transferred Shs.179,350,000 from the revenue collection account to vote account without approval from the Ministry.</li> <li>Expenditure made from visa fee and rent collections without approval from the Ministry Shs.6,042,694 The Honorary Consul-Netherlands spent Euro 4,316.21 equivalent to Shs.6,042,694 to meet various expenses without the approval from the Ministry of Foreign Affairs and International Cooperation</li> <li>Transfer of funds not acknowledged Shs.162,400,000 A total amount of Euro 116,000 equivalent to Shs.162,400,000 was transferred from the office of the Honorary Consul - Netherlands to Tanzania Embassy Rome in Italy but no acknowledgement receipts were issued.</li> </ul> <p>5. ERVs books not recorded in the Counterfoil Register Seven revenue receipt books were not recorded in the</p>

	Counterfoil Register. Hence we failed to determine the actual number of used and unused ERV books.
2.	<b>Cairo - Egypt</b>
	<ul style="list-style-type: none"> <li>• Tanzania Embassy in Cairo is not aware of the revenue amount collected by the Honorary Consul in Ronit Israel.</li> <li>• The account of Military attaché was not reflected in the Mission's financial statements Shs.324,719,627.</li> <li>• Cash balance at the end of the year 30<sup>th</sup> June 2008, was understated by Shs.149,649,097. The Financial Statements reported Shs.24,679,173 instead of the correct and verified figure of Shs.174,328,270.</li> </ul>
3.	<b>Geneva - Switzerland</b>
	<ul style="list-style-type: none"> <li>• Unauthorised transfers of revenue from revenue vote account Shs.288,289,611.</li> <li>• We noted that Shs.288,289,611 in respect of Salaries to Local staff, House rent, extra duty allowances and other expenses for the year under review, was transferred from revenue Account to Vote expenditure account without seeking authority of the Permanent Secretary, Ministry of Foreign Affairs and International Cooperation.</li> <li>• Non preparation of procurement plan.</li> <li>• Liabilities amounting to Shs. 85,727,244 in respect of a contractor were expected to be settled by the Mission, were not included in the Statement of liabilities as at 30<sup>th</sup> June 2008.</li> </ul>
4.	<b>Moscow - Russia</b>
	<ul style="list-style-type: none"> <li>• Non preparation of a procurement plan</li> <li>• Fifteen visa stickers and one cancelled sticker were found missing.</li> </ul>

	<ul style="list-style-type: none"> <li>• Payments amounting to Shs.22,393,280 (Rbls 447,866) made by the Mission were not supported with the relevant documents.</li> <li>• Delay in retirement of imprests amounting to Shs.24,480,057.</li> <li>• The Mission had various fixed assets whose values were not established thus not shown in the statement of assets. These assets include 69 office chairs, 10 sofa seats, 5 refrigerators, 10 computers, 6 printers, 3 scanners and one washing machine.</li> <li>• Balance of Shs.23,431,949 (Equivalent to USD.9,972) received from the Ministry of Natural Resources and Tourism for promoting tourism activities were not spent.</li> </ul>
5.	Stockholm - Sweden
	<ul style="list-style-type: none"> <li>• We noted that Shs.130,196,234 (SEK 657,722.83) being visa fee collections from the Consular in Denmark for the period of January to December 2007 were not remitted to the Embassy.</li> <li>• The Mission did not prepare an annual Procurement plan.</li> </ul>
6.	Kampala - Uganda
	<ul style="list-style-type: none"> <li>• The High Commission closed its accounts with excess vote of Shs.93,475,061 and excess expenditure of Shs.20,575,364 being amounts spent above the approved budget and actual exchequer issues received respectively. However, there was no written approval from the Paymaster General to surpass the approved limits. This practice amounts to violation of Regulation 4(4) of the Public Finance Regulations 2001 (revised 2004) as well as the Appropriation Bill for the fiscal year 2007/08.</li> <li>• The previous year comparative figures in the financial statements lack systematic and sufficient supporting schedules showing how the transactions were grouped and summarized. Therefore the figures were not reliable.</li> </ul>



	<ul style="list-style-type: none"> <li>The internal control system is weak due to the fact that there is no segregation of duties, due to the small size of the Mission. Hence the work of the Financial Attaché was not reviewed by another person.</li> </ul>
7.	Kinshasa - DR Congo
	<ul style="list-style-type: none"> <li>Embassy closed its accounts with excess vote of Shs.141,968,611 and excess expenditure of Shs.148,345,450 being amounts above the approved budget and actual exchequer receipts respectively. However, there was no written approval from the Paymaster General to surpass the approved limits.</li> <li>The figure of 'Other Receipts' reflected in the Statement of Receipts and Payments was understated by Shs.78,571,503; thus the financial statements being misstated.</li> <li>The financial statements figures for both revenue and expenditure as well as for the previous year comparative amounts lack systematic and sufficient supporting schedules showing how the transactions were grouped and summarized. In addition, figures in the notes to the financial statements are not supported with general ledgers to prove that all payments were properly coded. In the absence of the vital details, it is not possible to rely on the figures.</li> <li>The internal control system is weak since Ambassador cannot segregate duties effectively. For example, the work of the Financial Attaché was not reviewed by any other person as there was no evidence to prove that accounting records were reviewed by the Internal Audit Unit of Ministry of Foreign Affairs and International Relations.</li> <li>The Financial Statements as at 30<sup>th</sup> June 2008 included incomplete statements and Reports as per cash IPSAs requirement.</li> </ul>
8.	Pretoria - South Africa
	<ul style="list-style-type: none"> <li>High Commission closed its accounts with excess vote of TShs.352,720,586 and excess expenditure of TShs.125,482,321 being amounts above the approved budget and actual exchequer receipts, respectively.</li> </ul>

	<ul style="list-style-type: none"> <li>• Deposits funds amounting to Shs.47,156,479 were overdrawn without early detection because revenues are commingled within a 'Deposit Account' since High Commission does not have revenue bank account.</li> </ul> <p>The internal control system is weak since High Commissioner cannot segregate duties effectively owing to small size of High Commission. The work of the Financial Attaché was not reviewed by another person.</p>
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#### 4.1.4 Embassies/Missions issued with Adverse Opinion

The following two (2) Embassies/Missions were issued with Adverse Opinion:

1.	Abuja - Nigeria; Adverse Opinion
	<ul style="list-style-type: none"> <li>• The Mission processed and issued cheques amounting to Shs.205,194,250 in the absence of payment vouchers</li> <li>• The mission made procurements without quotations amounting to Shs.8,890,750</li> <li>• Purchases of goods worth Shs. 8,060,800 (Naira 806,080) were not recorded in the stores ledger contrary to procurement regulations.</li> <li>• During the financial year 2007/2008, tourism funds amounting to Shs.18,059,376.00 was received from the Ministry of Natural Resources and Tourism. The Financial Statements of the Embassy showed that Shs.16,876,416 were spent for tourism purposes during the year. However according to the audit scrutiny we did not find any tourism expenditure incurred during 2007/08.</li> <li>• Expenditure amounting to Shs.14,137,450 were paid for on cash during the year without being authorized by the relevant authority.</li> <li>• The Financial Statements reflected revenue collected</li> </ul>

	<p>during the year as Shs.156,500,000. However the actual amount collected as per ERVs and RCCB was Shs.155,228,500 (Naira15,522,850x10) hence there was an over statement of Revenue by Shs.1,271,500.</p> <ul style="list-style-type: none"> <li>While comparing the mission's approved estimates and actual expenditure by item for the year 2007/2008, we noted that there was an over expenditure of Shs.218,596,601. (i.e. approved estimates of Shs.573,837,800 against actual expenditure of Shs.792,434,401).</li> </ul>
2.	<b>Rome - Italy; Adverse Opinion</b>
	<ul style="list-style-type: none"> <li>The Mission received more funds than its approved budget by Shs. 236,087,412 and there was over expenditure of Shs.130,513,416.</li> <li>Questionable deduction of commission charges by Consulate The Hon Consulate deducted Euro 25,441.49 (Shs.42,614,495.75) as commission charges. The basis of deducting the commission charges was not availed to auditors. Further, signed agreement between the Agent and the Treasury was not available during audit.</li> <li>Unspent funds from Tourist Board Shs.17,057,412.75 Tanzania Tourist Board sent Shs.17,057,412.75 (Euro. 10,183.53) to the Embassy in order to promote tourism, however as at the report date, the funds were not utilized by the Embassy.</li> <li>Outstanding liabilities Shs.513,499,800 As at 30<sup>th</sup> June 2008 the embassy had an outstanding liabilities amounting to Shs.513,499,800 in which salary arrears was Shs.48,562,800 and other debt was Shs.464,937,000.</li> <li>Receipts from the Hon Consulate Istanbul Euro 31,578.22 (Shs.52,893,518.50) was not supported by returns and basis of deducting commission was not transparent. During the year under review receipts totaling to Euro 31,578.22 were received from Hon. Consulates Istanbul. The</li> </ul>

	<p>remittances were not supported by returns i.e. ERVs, RCCBs and the schedules of Visa stickers used.</p> <ul style="list-style-type: none"> <li> <p><b>Unauthorised transfer of funds from Visa Collection Account to Recurrent Account</b>  The amount of Euro 254,267.55 (Shs.425,898,146.25) was transferred from visa revenue account to recurrent account. However, there was no evidence that the transfer complied with Section 1 (A) (3) of the Circular No. 2 of 2003/2004 issued by Ministry of Foreign Affairs and International Cooperation</p> </li> <li> <p><b>Transfer of Visa Receipts from the Hon Consulate the Hague Shs.83,644,475</b>  The amount of Shs.83,644,475 (Euro 49,937) was transferred from the Hon. Consulate the Hague and received vide ERV no. 21360769 of 18/10/07. We failed to establish if the transfer was authorized by the Permanent Secretary, Ministry of Foreign Affairs and International Cooperation.</p> </li> <li> <p><b>Pension contributions not remitted Shs.49,774,300</b>  We noted that Shs.49,774,300 being 8.8% deductions from salaries of local staff together with 15% as employer's contributions were not remitted by the embassy to various pension schemes.</p> </li> <li> <p><b>Payments made direct from visa collections Shs.64,027,478</b>  The embassy effected payments totaled Shs.64,027,478 by hard cash directly from visa revenue collections, however there was no authority to do so from Permanent Secretary, Ministry of Foreign Affairs and International Cooperation.</p> </li> </ul>
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## CHAPTER 5

### FINANCIAL AND ASSET MANAGEMENT

#### 5.0 INTRODUCTION

This chapter aims at providing information on the financial performance of MDAs/RAS Embassies/Mission for the year under audit. This includes a review of MDAs/RAS, Embassies/Missions status in regard to outstanding matters from the previous audit recommendations, funding analysis, and current key audit findings.

#### 5.1 Outstanding matters from previous audits

Various MDAs and RAS made good progress in implementing outstanding matters arising from the previous years' audits. However, in this year's audit 41 MDAs/RAS had previous years' outstanding issues amounting to Shs.1,036,225,348,815 and JPY 17,139,499,858 with the Public Debt General Service having the largest share of Shs.657,297,268,712 followed by the Ministry of Finance and Economic Affairs with Shs.267,211,606,702 and JPY 17,139,499,858 while Immigration Services Department is third with an amount of Shs.48,673,383,426. 9 Embassies/Missions had outstanding matters worth Shs.2,227,595,821 being over expenditure above the approved budget.

Embassies/Mission with outstanding matters arising from previous year.

Pretoria	267,868,546
Lusaka	150,339,238
Harare	87,909,164
France	1,171,099,881
Berlin	301,016,847
Bunjumbura	53,433,675
New York	66,840,160
Kinshasa	60,181,362
Malawi	68,906,951
Total Shs.	2,227,595,821

The purpose of audit findings and recommendations to the auditee is to assist the auditee in rectifying matters of concern in the MDAs/RAS with a view of improving the financial management and control of resources of the entities. Non responding to the auditors' findings and recommendations as is the case with the forty one (41) MDAs/RAS as reported to in the audit report of 2007/08 is a serious malpractice on the part of the Accounting Officer and management of the concerned MDAs/RAS. The consequences of not acting upon the auditors' observations and recommendations leads to the recurrence of the anomalies observed by the auditors in subsequent financial reporting years. This can also reflect lack of seriousness and non commitment on the part of the Accounting Officers and management of the entities concerned. The list of outstanding matters from previous audit reports is in *annexure I* of this report.

**A comparative summary of outstanding matters of 2006/07 and 2007/2008**

FINANCIAL YEAR	OUTSTANDING MATTERS (TSHS)	JPY	MDAs/RAS INVOLVED
2006/2007	64,504,129,099	-	17
2007/2008	1,036,225,348,815	17,139,499,858	41

The summarized results above shows the total value of outstanding matters from the previous year's audit for the year 2006/2007 which involved 17 MDAs/RAS amounting to Shs. 64,504,129,099. In the financial year 2007/2008 the number of MDAs/RAS with outstanding audit matters increased from 17 to 41 and the amount involved increased to Shs. 1,036,225,348,815 and JPY17,139,499,858 compared to Shs.64,504,129,099. This indicates that the MDAs/RAS managements have not made concerted efforts in dealing with recommendations raised by auditors. *Annexure I* attached to this report shows the detailed list of MDAs/RAS and amounts of previous years' matters not cleared.

**5.2 Funding Analysis for MDAs/RAS and Embassies/Missions for 2006/2007 and 2007/2008**

This section gives a critical analysis of the funding portfolio of MDAs/RAS and Embassies/Missions for the financial year

2006/2007 and 2007/2008. MDAs/RAS and Embassies/Missions are mainly funded by Exchequer Issues from the Treasury. Detailed analysis at *annexture II*.

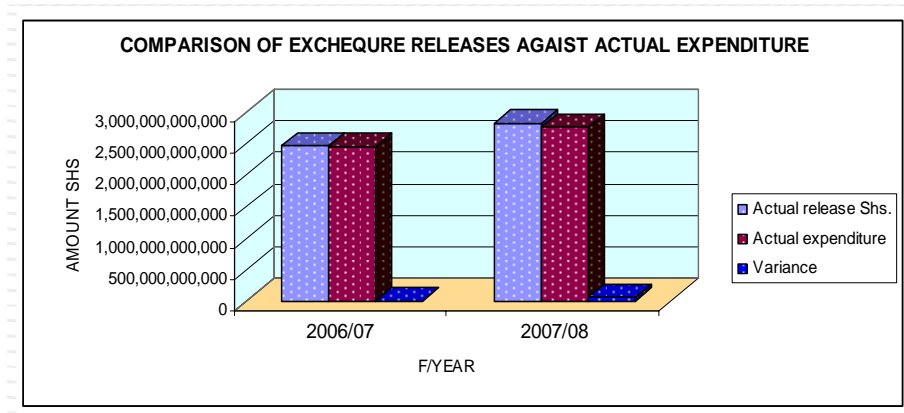
#### 5.2.1 Comparison of Exchequer Issues received and Actual Expenditure for Supply Votes of MDAs, RAS, and Embassies/Missions

Records show that total exchequer issues released by Treasury for Supply Vote Account in the financial year 2006/2007 was Shs. 2,458,150,077,402 whereas actual expenditure was Shs. 2,455,151,411,934. On the other hand, the exchequer issues released by Treasury to MDAs/RAS in the year 2007/2008 was Shs.2,830,069,934,973 whereas actual expenditure was Shs.2,766,275,839,979.

The above data is summarized in the table below:

Activity	F/year 2006/07	F/year 2007/08
Actual release Shs.	2,458,150,077,402	2,830,069,934,973
Actual expenditure Shs.	2,455,151,411,934	2,766,275,839,979
Variance Shs.	2,998,665,468	63,794,094,994

The above information can be shown on the histogram below:-





### 5.2.2 Comparison of Actual exchequer released for MDAs Supply and Development Vote Account 2006/2007 and 2007/2008.

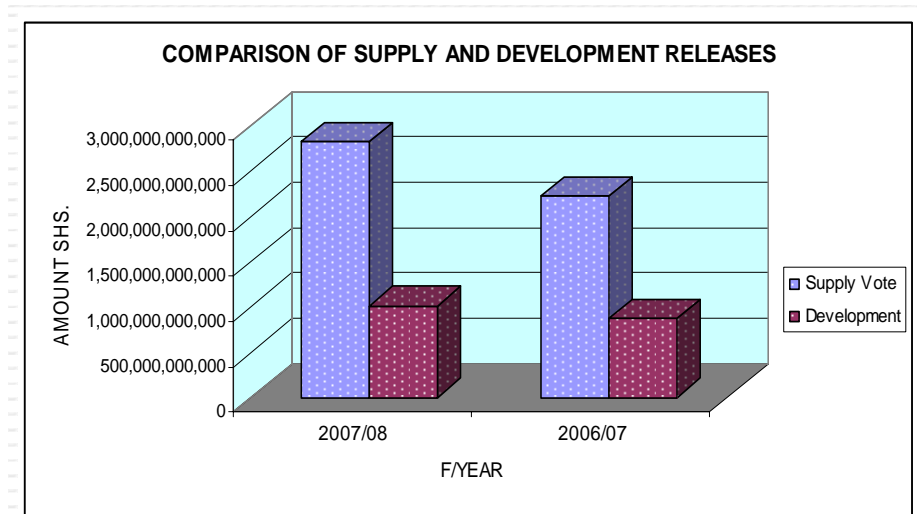
Records show that total exchequer issues released for Supply and Development Vote Account in the annual year 2006/2007 was Shs.923,648,016,468 and Shs.780,750,799,609 respectively recording a difference of Shs.142,897,216,859.

In addition the exchequer issues released to supply and Development account in the financial year 2007/2008 was Shs.2,835,961,168,175 and Shs.1,017,152,725,965 recording a difference of Shs.1,818,808,442,210 (64%)

The above findings can be summarized as follows:-

F/year	Supply Vote Shs.	Development Shs.
2007/08	2,820,012,285,104	1,017,152,725,965
2006/07	2,215,951,821,789	873,234,003,120

Alternatively, the above data can be presented in the form of histogram as follows:



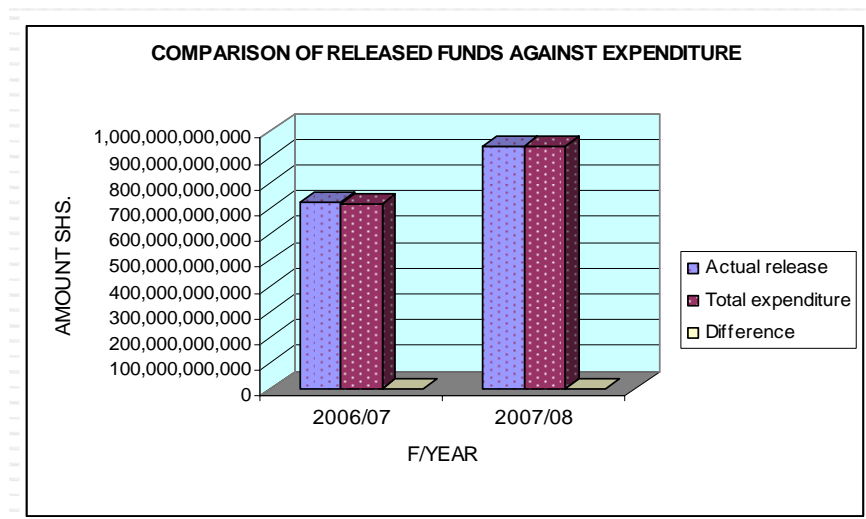
### 5.2.3 Comparison of Actual Funds released by Treasury against Actual Expenditure for RAS and Embassies/Mission Supply Vote Account F/Y 2006/2007 and 2007/2008

#### Regional Votes

Records show that total exchequer issues released by Treasury for Supply Vote Account for RAS in the financial year 2006/2007 was Shs.756,910,909,377 whereas actual funds released in the financial year 2007/2008 was Shs.943,105,659,768. Funds approved and released for Embassies/Missions during the year under review amounted to Shs.34,516,361,131. On the other hand, actual expenditure in the financial year 2006/2007 was Shs.718,389,024,543 whereas for financial year 2007/2008 actual expenditure was Shs.940,329,658,619. Actual expenditure for the Embassies/Missions for 2007/2008 amounted to Shs.40,820,717,485. Summarized results of the above findings are shown on the table below:

	2006/2007	2007/2008
Actual funds released year	721,328,792,401	943,105,659,768
Total expenditure	718,389,024,543	940,329,658,619
Difference	2,939,767,858	2,776,001,149

The above analysis is shown in the histogram below:-



Details of the analysis above are in *Annexure III(a)*

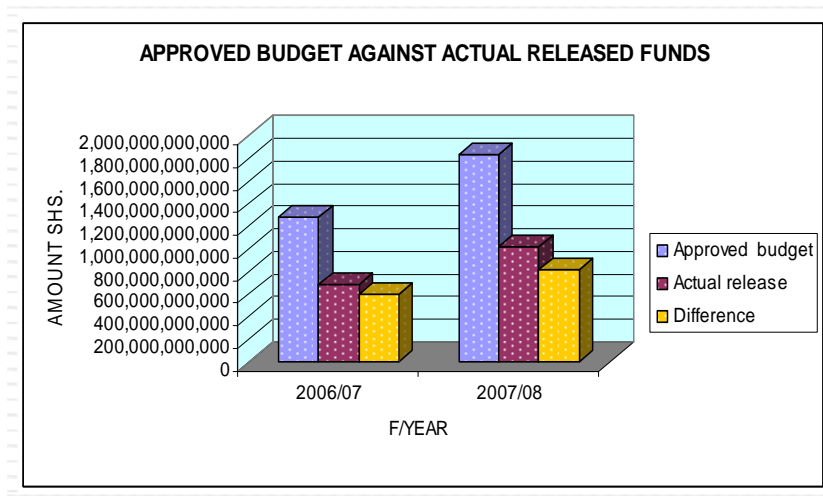
#### 5.2.4 Comparison of approved budgets against actual funds released by the Treasury for Development A/C for MDAs

The approved budget for Development Vote A/c for MDAs in the year 2006/2007 was Shs. 1,286,987,165,103 whereas the actual funds released was Shs. 691,787,169,237 resulting into under funding of Shs. 595,199,995,866 (52%). Likewise, the approved budget for Development Vote A/c for MDAs in the year 2007/2008 was Shs. 1,836,306,237,025 while the actual funds released was Shs. 1,016,926,970,925 resulting into under funding of Shs. 819,379,266,100 (55%).

A summary of Approved budgets for Development Vote A/C - Ministerial Votes.

	Approved budget	Actual released	Difference
2006/2007	1,286,987,165,103	691,787,169,237	595,199,995,866
2007/2008	1,836,306,237,025	1,016,926,970,925	819,379,266,100

The above analysis is shown in the histogram below



From the above analysis, it is obvious that there is a serious problem of funding for Development activities. The trend for the two years reveals under funding whereby there has been decrease in funding as depicted by the summarized results shown in the table above.

### 5.3 Other Audit Findings

#### 5.3.1 Cash Management

Reg.162(1) of the PFR states that “The balance of every bank account as shown in the bank statement must be reconciled with the corresponding cash book balance at least monthly, the reconciliation statement being filed or recorded in the cash book.

In addition, Reg. 161(3) of PFR states that “Copies of reconciliations of all accounts other than those of the Treasury shall be sent to the Accountant General”.

In the financial year 2007/2008 results of outstanding matters in the bank reconciliation statements revealed that out of 70 MDAs/RAS audited 9 MDAs/RAS had outstanding bank reconciliation items as explained below:-

- An amount of Shs. 840,904,407 being total outstanding receipts in MDAs/RAS Cash book but not in Bank Statements. This is a serious weakness since MDAs/RAS - Revenues could be misappropriated.
- A total amount of Shs. 51,747,899,938 being cheques drawn in favour of various payees but not presented to bank until the closure of the financial year 30<sup>th</sup> June, 2008.
- A total amount of Shs. 3,158,679,958 was debited to the MDAs bank account without being credited to MDAs/RAS Cash book.
- A sum of Shs. 4,947,632,297 was recovered by bank on behalf of the MDAs/RAS without a correspondence debit in the MDAs/RAS Cash book.
- Finally, payment other than unpresented cheque of Shs.3,561,521,900 had no corresponding debit entry in the cash book

As at 30<sup>th</sup> June, 2008, the above unreconciled issues were still outstanding. The list of the MDAs/RAS Votes tested for accuracy in bank reconciliation is given in *Annexure III (b)* of this report.

### 5.3.2 Unretired Imprests Shs. 976,045,660

Reg.103 (1) of PFR 2001 states that “All imprests shall be retired as soon as the necessity for them ceases to exist and in any event, except as provided under these Regulations by the close of business on the last working day of the financial year in which they were issued and where a new imprest is necessary in the subsequent financial year it will be issued under the authority of the imprest warrant for that year.

(2) Except as provided under these Regulations, where a Public Officer to whom an imprest has been issued fails to retire it in full within 30 days of the close of the financial year in which the imprest was issued or otherwise on the demand of the Accountant General, the amount outstanding may forthwith be recovered from any salary or other emoluments or from any other amounts due to the officer.”

A review of cash imprests of MDAs/RAS and Embassies/Mission in the financial year 2007/08 has revealed that as at the time of writing this report ( March 2009) a total of Shs. 976,045,660 was still outstanding in the MDAs/RAS contrary to the above requirement. The list of MDAs/RAS with outstanding imprests is shown in the table below.

SNO	VOTE	NAME OF MINISTRY OR RAS	AMOUNT(TSHS)	
			2006/2007	2007/2008
1.	48	Ministry of Land and Human Settlement	126,833,593	0
2.	26	Vice President's Office	3,829,450	0
3.	28	Ministry of Public Safety and Security	24,439,650	131,000,000
4.	32	Public Service Management	352,975,891	0
5.	65	Ministry of Labour Youth Development	3,185,000	0
6.	42	Office of the National Assembly	67,43,78,600	91,159,500
7.	43	Ministry of Agriculture and food Security	0	24,287,759

8.	46	Ministry of Education and Vocational Training	18,819,620	123,614,563
9.	49	Ministry of Water and Irrigation	-	33,750,969
10.	57	Ministry of Defence and National Service	-	36,327,040
11.	58	Ministry of Energy and Mineral	89,840,579	0
12.	61	National Electoral Commission	-	32,648,864
13.	94	Public Services Commission	3,829,450	
14.	52	Ministry of Health	750,239,100	406,620,102
15.	34	Ministry Foreign Affairs and International Cooperation	5,344,000	0
			8,475,300	0
16.	90	Land Court Division	3,308,680	0
17.		Government Press	3,098,500	0
18.	38	Ministry of Defence and National Service (Ngome)	0	0
19.	48	Ministry of Lands and Human Development	126,833,593	0
20.	49	Ministry of Water	38,794,530	0
21.	57	Ministry of Defence and National Service	0	36,327,040
24.	71	RAS Coast	3,515,000	0
25.	74	RAS Kigoma	0	25,312,200
26.	77	RAS Mara	0	4,063,000
27.	81	RAS Mwanza	21,254,750	47,035,000
28.	82	RAS Ruvuma	106,651,100	0
21.	86	RAS Tanga	53,640,300	0
22.	87	RAS Kagera	0	21,133,100
23.	88	RAS Dar es Salaam	3,185,000	0
24.	95	RAS Manyara	0	0
25.		RAS - Arusha	0	6,527,377
26.	72	RAS - Dodoma	0	4,123,750
27.		RAS - Rukwa	0	7,620,300
25.	99	Ministry of Livestock	80,677,530	0
		Government Press	1,310,093,343	0
	31	Vice President's Office	0	13,471,000
		Grand Total	3,138,942,669	976,045,660

A summary of outstanding imprests for F/Y 2006/07 and 2007/08 is shown in the table below.

Financial Year	Amount (Shs)	MDAs/RAS Involved	Embassies/Mission (Shs)
2006/2007	3,138,942,669	23	10,969,219
2007/2008	976,045,660	17	-

The summarized results of outstanding imprests in the financial year 2007/08 depicts improved situation whereby outstanding impress in the year 2006/2007 was Shs. 3,138,942,669 as compared to Shs. 976,045,660 of the financial year 2007/2008. The number of MDAs/RAS involved with outstanding imprest decreased from 23 MDAs/RAS in the year 2006/2007 to 16 MDAs/RAS in year 2007/08.

### 5.3.3 Difference of Arrears of Revenue reported in the consolidated final accounts of MDAs/RAS

	MINISTRY		AMOUNT
48	Land & Human Settlement Development-48	Arrears of revenues from Land rent	353,654,282
52	Health and Social Welfare- 52	Arrears of revenue in respect of un-collected training fees.	133,539,841
96	Information, Culture and Sports		16,804,216
28	Public safety and security	Arrears of revenue means, the revenue of the Ministry/Department of which for one reason or another, remained uncollected as of the end of respective year.	98,000,000
	Energy and Minerals	Outstanding rent on mining.	1,074,953,913

46	Education	Outstanding School fees	15,446,200,000
51	Home Affairs	Arrears of revenue means, the revenue of the Ministry/Department which for one reason or another, remained uncollected as at the end of respective year	288,000,000
TOTAL			17,123,152,252

**5.3.4 Questionable Payments for the year 2007/08**  
Shs.10,056,706,649

During the financial year 2007/2008 (14) MDAs/RAS incurred payments of Shs. 9,965,490,302. However, the payments lacked relevant and sufficient information to establish the validity of the payments and hence qualify to be a proper charge to the public funds. However, there was no such payments in the Embassies/Missions.

A detailed analysis of these payments of questionable nature is given in the table below:

S/No	MINISTRY	Particulars	AMOUNT
1.	Land & Human Settlement Development	Refund to Integrated Transport Service Ltd being termination of the Contract	232,023,900
2.	Health and Social Welfare	Payments for medical expenses abroad whose supporting documents were missing.	1,519,538,337
3.	National Assembly-42	Payments to a Building Contractor which valid contracts documents were missing	170,843,200



4.	National Service	Being reimbursement of funds advanced from National Service Bar and canteen, Mgulani JKT Officers Mess and Ndege Beach JKT Club.	266,879,800
5.	Accountant General Treasury	Settlement of TRC and RAHCO debts on fuel owed to M/S GBP (T) Ltd, MGS International (T) Ltd, BP (T) Ltd, and Total (T) Ltd.	4,400,000,000
6.	Education and Vocational Training	Payments as salaries whose payrolls were not signed by the employees.	2,624,516,900
7.	PMO Office	Payment was found to have been paid twice.	44,924,400
8.	Foreign Affairs-	Missing Transportation documents on personal effects of one of the Director of the Embassy.	24,456,936
9.	Community Development and Gender	Interim payment certificates from the Contractor were missing	498,083,400
10.	Land Court Divion	Doubled payment of various allowances	5,795,000
11.	Home Affairs	Payments to two service providers whose contractual documents to support the payments were missing.	44,134,080
12.	Treasury Vote 50	Payment of terminal benefits to a Consultant for the work of setting and	134,294,349

		developing the Institute of Accountancy Arusha.	
13.	COAST	Payments of various nature totaling shs. 13,828,928.85 paid to individuals had different limitations on justification of grounds of payments contrary to Reg. No. 87 of the Public Act No.6 of 2001	13,828,928.85
14.	LINDI	Payments of various nature totaling shs. 13,828,928.85 paid to individuals had different limitations on justification of grounds of payments contrary to Reg. No. 87 of the Public Finance Act No.6 of 2001 (revised 2004)	77,387,419
	<b>TOTAL</b>		<b>10,056,706,649</b>

Summarized results of questionable payments for financial year 2006/2007 and 2007/2008 are given in the table below for comparison purposes:-

Financial Year	Amount (TShs)	MDAs/RAS involved
2006/2007	82,820,848,330	5
2007/08	10,056,706,649	14

#### 5.3.5 Deferred Payments

Reg.54(4) of the PFR states that “No Accounting Officer or any officer shall cause to transfer expenditure from one financial year to another, and any such transferred expenditure shall be treated as unauthorized expenditure. Contrary to this requirement, we noted that payments amounting to Shs

2,437,427,510 relating to the previous year were withheld and paid during the year under review to avoid over expenditure in the financial year 2007/2008. Details are shown below:

Vote	Name of Ministry	Amount Shs.	
		2006/2007	2007/2008
50	Treasury	0	713,447,601
38	Ministry of Defense and National Service (Ngome)	0	1,347,482,003
	Coast	0	1,973,270
	Dar-Es-Salaam	0	72,206,400
	Lindi	0	13,084,904
	Mtwara	0	152,253,540
	Tanga	0	130,568,207
	Morogoro	0	6,411,585
	<b>TOTAL</b>		<b>2,437,427,510</b>

Summarized results of deferred payments for financial year 2006/2007 and 2007/2008 are given in the table below:-

Financial Year	Amount (TShs)	MDAs/RAS involved
2006/2007	904,567,135	6
2007/2008	2,437,427,510	8

As summarized above, the number of votes with questionable payments has increased from 6 in 2006/07 to 8 votes in 2007/08. Further to that amounts involved increased from Shs.904,567,135 in 2006/07 to Shs.2,437,427,510 in 2007/08, the bulk of which is made up of Shs.1,347,482,003 from the Ministry of Defense and National Service (Ngome) (55%).

#### 5.3.6 Unvouched Expenditure (Missing Payment Vouchers) Shs 250,324,074

During the year under review a sum of Shs. 250,324,074 was incurred by 6 MDAs and 6 RAS without documentations. This is a violation of Reg. 86 (1) of PFR 2004 which requires all disbursements of public money to be properly vouched on the prescribed form of payment voucher which must be attached

thereto with full particulars of the service for which payment is made. The tested MDAs and RAS with unvouched expenditure are as follows:-

Vote	Ministry/Independent Dept/Region	2006/2007	2007/2008
		Amount (Shs)	Amount (Shs)
25	Prime Minister's Office	1,703,579	0
38	TPDF ( Ngome)	614,980,930	139,741,637
39	National Service Force	291,509,765	0
46	Ministry of Education and Vocational Training	0	4,130,000
48	Ministry of Lands and Human Settlements	0	38,474,250
91	Drugs Control Commission	37,139,969	0
76	RAS Lindi	0	60,856,132
77	RAS Mara	6,241,688	0
85	RAS Tabora	89,467,246	0
88	RAS Dar Es Salaam	0	2,901,300
89	RAS Rukwa	0	4,220,755
95	RAS Manyara	207,134,500	0
Grand Total		1,288,040,677	250,324,074

Summarized results of unvouched (missing payment vouchers) expenditure for financial year 2006/2007 and 2007/2008 are given in the table below:-

Financial Year			
2006/2007		2007/2008	
Entity involved	Amount (Shs)	Entity involved	Amount (Shs)
4 MDA	945,334,243	3 MDA	182,345,887
3 RAS	302,843,434	3 RAS	67,978,187
Total	1,288,040,677		250,324,074

The above table indicates that custody of the payment vouchers has been remarkably improved.

### 5.3.7 Improperly Vouched Expenditure Shs.16,847,293,994

According to Reg. 86(1) of PFR 2001, improperly vouched expenditure occurs when a payment voucher exists but is not supported by other documents such as a local purchase order, invoice, master roll, receipted payroll, delivery note, expenditure statements etc.

During the Financial year 2007/08, thirty (30) MDAs and sixteen (16) RAS incurred expenditures totaling Shs. 16,847,293,994 without supporting documents.

A comparison of payments not supported by proper documents (improperly vouched) for the financial year 2006/2007 and 2007/2008 shows that there has been a remarkable increase from Shs.9,489,465,695 to Shs. 16,847,293,994 as shown at *Annexure V*.

During audit of Embassies/Missions there was no query on improperly vouched expenditure.

Summarized results of improperly vouched expenditure (payment not supported by relevant documents) for financial year 2006/2007 and 2007/2008 are given in the table below:-

Financial Year			
2006/2007		2007/2008	
MDAs and RAS involved	Amount (Shs)	MDAs and RAS involved	Amount (Shs)
17	7,487,956,762	30	15,375,464,335
13	2,001,508,933	16	1,471,829,659
Total	9,489,465,695		16,847,293,994

The above summarized results indicate that the payments effected without sufficient documents had not improved.

### 5.3.8 Outstanding Commitment and liabilities Shs.293,101,605,975

#### (i) Commitments

During the year under review, Appropriation accounts for MDAs and RAS submitted for audit reflected commitments outstanding amounting to Shs.23,423,772,319. Detail of the outstanding commitments and liabilities are as shown in *appendix II*.

The position indicated an increase of Shs. 14,277,408,101 (156%) against previous year's reported amount of Shs.9,146,364,218. It is evident that the payment of these commitments from deposit account will imply running two budgets concurrently.

Comparison of commitments outstanding for financial year 2006/2007 and 2007/2008 is shown below:

Financial year	Amount
2006/07	9,146,364,218
2007/08	23,423,772,319
Increase of	(14,277,408,101) 156%

(ii) Outstanding Liabilities (Creditors) Shs.269,677,833,656

53 MDAs and RAS reported outstanding liabilities amounting to Shs. 269,677,833,656 in the financial statements submitted for audit. 80% of the liabilities relates to unpaid salary arrears which had accumulated from July, 2007 following the restructuring of Civil servant salaries.

However, reasons for non payment of these arrears could not be availed to audit

(iii) Loans and guarantees Shs.850,489,829,670

Records maintained by the MDAs and RAS showed that the outstanding loans and guarantees in respect of various transactions during the year amounted to Shs.480,850,107,793 and Shs.369,639,721,877 respectively.

It is imperative that Treasury should make a close follow up on the above statement.

## 5.4 Governance and Internal Control System

### Governance Issues

The term *governance* refers to how an organization makes and implements decisions – “the processes by which organizations are directed, controlled, and held to account” for the resources and powers entrusted to managers and staff. As part of willingness of the government to foster good governance it is

mandatory for any public entity to enhance transparency as well as checks and balances through:

- Establishment of effective Procurement Management Unit,
- Establishment of effective Internal Audit Unit,
- Establishment of effective Audit Committee and
- Establishment of Client Service Charter,
- Management and employees as well, to adhere to the Codes of Ethics promulgated both by the Government and Professional Bodies as is relevant.

Therefore, the role of these elements is to ensure the MDAs finance statement are transparent for the purpose of detecting and deterring public corruption, including fraud, inappropriate or abusive acts, and other misuses of powers and resources entrusted to government officials.

As a rule of thumb, in order to protect the public interest, every MDA therefore, requires independent audit activities that can provide a range of assurance and advisory services; from financial attestation to performance and operational efficiency, whether through the use of internal or external audit services, or a combination of the two. As such, Auditors whether external or internal, should preserve independence by not assuming any management role.

It is worth mentioning that, because government's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, I decided to perform IT audit in MDAs in order to evaluate whether they are operating on the framework of good governance. In particular, the assessment is designed to assess and monitor the effectiveness of the entire management's internal control structure to identify and reduce the conditions that breed corruption, thereby instill confidence among citizens and stakeholders. In examining the full scope of the MDAs' financial and performance control systems, I identified deficiencies affecting good governance and recommended corrective actions. The following are deficiencies noted in the course of examining a selected sample of MDAs.

Internal audit weaknesses in MDAs and RAS as found in the course of the audit is indicated on the table below:

Vote No.	Names of MDAs	MDAs which have not established Internal Audit Unit	Internal Audit with Staff Less than three/no report/not effective	Internal Auditors engaged in Pre-audit Functions	Management not replying to internal auditor's reports	MDAs not conducting financial & performance review /Annual plan not approved by Audit Committee
20	Presidents office Statehouse		✓			
26	Vice president Office				✓	
30	Presidents office Cabinet Secretariat		✓			
31	Vice President office		✓		✓	
34	Min. Foreign Affairs.		✓			
37	Prime Minister's Office		✓			
38	TPDF-Ngome			✓	✓	✓
49	Ministry of Water and Irrigation		✓		✓	
52	Health and social Welfare		✓			
55	Human Right Comm.		✓			
57	Defence		✓		✓	✓
58	Energy and Minerals		✓	✓	✓	✓
60	Labour Court		✓		✓	✓
66	Planning commission				✓	
92	TACAIDS		✓			
93	Immigration		✓		✓	✓



96	Information, Culture and Sports		✓			
99	Life Stock development and Fisheries		✓			
71	RAS Coast		✓			
73	RAS Iringa		✓			
74	RAS Kigoma	✓				
75	Kilimanjaro		✓			
76	RAS Lindi	✓				
77	RAS Mara	✓				
78	RAS Mbeya		✓			
79	RAS Morogoro		✓			✓
84	RAS Singida	✓				
87	RAS Kagera	✓				
88	RAS DSM		✓			
89	RAS Rukwa	✓				
92	RAS Tabora	✓				
95	Manyara		✓			

#### Assessment of Audit Committee weaknesses

Vote No.	S/N MDA/RAS	No established of Audit Committee	No Audit Committee Charter	Absence of meeting quarterly meetings	Internal Audit plans not approved by Audit committee internal audit annual Plan
20	Presidents office Statehouse		✓	✓	✓
30	Presidents office Cabinet Secretariat		✓	✓	✓
31	Vice President office		✓	✓	✓
38	TPDF- Ngome		✓		✓
39	National Service		✓	✓	✓
42	National Assemblies		✓		✓
48	Ministry of Lands		✓	✓	✓
58	Energy and Minerals		✓	✓	✓

65	Ministry of Labour, Employment and Youth Development		✓	✓	✓
93	Immigration		✓	✓	✓
96	Information, Culture and Sports		✓	✓	✓
74	RAS- KIGOMA	✓			
71	RAS- Coast		✓	✓	✓
73	RAS - Iringa		✓	✓	✓
95	RAS- Manyara		✓	✓	✓
77	RAS- Mara		✓	✓	✓

Assessment of PMU weaknesses in MDAs/RAS

S/N	Vote	MDA/RAS	No PMU	PMU understaffed	PMU not effective
1	75	RAS Kilimanjaro		✓	✓
2	85	RAS Tabora		✓	✓
3	89	RAS Rukwa	✓		
4	84	RAS Singida		✓	✓
5	88	RAS- DSM		✓	✓
6	77	RAS- Mara		✓	✓
7	76	RAS- Lindi		✓	✓

Based on the above analysis of weaknesses, it can be concluded that Audit Committee in the MDAs and RAS did not effectively discharge the obligatory responsibilities as follows:

- Review the internal audit coverage and annual work plan to ensure the plan is based on Ministries risk management plan, and recommend plan to the Chief Executive.
- Advise the Accounting Officers on the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved internal audit plan
- Oversee the coordination of audit programs conducted by internal and external audit and other review functions
- Review all audit reports and provide advice to the Chief Executives on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice.
- Monitor management's implementation of internal audit and external audit recommendations
- Review the internal audit charter to ensure appropriate ministry's structures, authority, access and reporting arrangements are in place
- Periodically review the performance of internal audit; and

provide advice to the Chief Executives on the appointment of the Head of internal audit recommend to the Accounting Officer the appointment of the internal auditor.

Based on the weaknesses noted above, I recommend that:

- The committee should consist of at least three and not more than five members appointed by the Accounting Officer. At least one member of the committee should be an independent member.
- The Accounting Officer will appoint the Chair of the committee who is proposed to be an independent member to be obtained from outside the MDA/RAS
- Members should be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance.
- The Accounting Officer, Chief Accountant and the Head of internal audit unit will not be members of the committee, but may attend meetings as observers as invitees.
- The members, taken collectively, should have a broad range of skills and experience relevant to the operations of MDA/RAS. At least one member of the committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.
- Members of the Committee shall perform their duties in good faith, in a manner they reasonably believe to be in the best interests of the Committee

#### 5.5 Non - current assets management

The non-current assets owned by MDAs and RAS are categorized into motor vehicles, plant, equipment, buildings and land.

A review of assets management covered acquisition, disposal and recording of non- current assets the following shortfalls were noted during audit.

A number of MDAs and RAS were noted to have unsatisfactory management of the non current assets. These were evidenced by lack of Assets Registers, un-updated fixed asset registers, inadequate recording of assets in the Asset Registers, non valuation of non current assets, and lack of assets unique identification code numbers and Serial numbers.

Detailed analysis of the concerned MDAs and RAS is as follows:  
Weaknesses observed in non Current Asset Management of MDAs/RAS

S/N	VOTE	MDAs/RAS	AMOUNT(Shs.)	KEY FINDINGS
1.	43	Ministry of Agriculture, Food Security and Cooperatives	1,969,270,00	Purchased additional Assets not accounted for in assets register
2.	93	Immigration Services Department	723,660,000  103,180,000	<ul style="list-style-type: none"> <li>Un-reconciled difference on acquisition of household furniture and Equipments</li> <li>Motor vehicles loaned to Immigration employees not disclosed in the financial statements</li> </ul>
3.	98	Ministry of Infrastructure Development	52,130,956	Assets not recorded in the fixed assets register
4.	92	Tanzania Commission for Aids	Values not given	Commission's assets such as office equipment were not coded for easy identification and protection against misplacement. Also, it was noted that a register for immovable fixed asset was not updated
5.	57	Ministry of Defense and National Service	Values not given	List of Movable Fixed Assets not verified because the responsible liaison officer was away on official journey up to the time of writing this report.
6.	33	Ethics Secretariat	631,907,724	Missing schedule of fixed assets
7.	96	Ministry of Information, Culture and Sports	Values not indicated	Four vehicles which belongs to other ministries were wrongly included in the list of motor vehicles owned by the Ministry.
8.	58	Ministry of Energy and Minerals	Values not indicated	3 motor vehicles -Mitsubishi Pajero with registration Nos. STK 741, STK 742 AND STK 736 were grounded since June, 2008 and the dealer - Diamond motors confirmed that there were no spare parts for these

				vehicles.
9.	49	Ministry of Water and Irrigation	Values not indicated	9 Ministry's motor vehicles were found grounded at the Ministry Offices for a long time and no action has been taken to dispose them off. As a result, the salvage value of the motor vehicles continued to decline day after day.
10.	56	Prime Minister's Office-Regional Administration and Local Government	261,209,929	Five (5) Motor vehicles were locally re- allocated to the PMO-RALG's affiliated Institutions without official authority or proper supporting documents to justify such a transfer. Unofficial transfers may result in misplacement or loss of fixed assets.
11.	42	Office of the National Assembly	Value of the building was not given	Under utilised National Assembly office building at Tunguu -Zanzibar -  The office has 10 rooms, 6 conference rooms, 1 library, 6 computers, standby generator and executive furniture but to date only 2 rooms occupied, only one computer is used and no any committee meeting held there.
12.	60	Labour Court	264,282,000	We were unable to verify non current assets worth Shs.264,282,000 (the figure includes fixed assets purchased during the year of shs.37,046,000) due to non - submission of fixed assets analysis schedules .
13.	90	High Court - Land Court	593,993,000	In absence of assets analysis schedules non current assets worth Shs.593,993,000 owned by the Land Court could not be verified.
14.	52	Ministry of Health and Social Welfare	Values not given	Dental equipment donated by Side by Side International Organization - Japan not received by bonafide recipients/beneficiaries at Tabora, Shinyanga, Kagera, Dodoma and Temeke Regional Hospitals.
15.	48	Ministry of	141,191,243	Equipment valued at



		Tourism		<ul style="list-style-type: none"> <li>Valuation report from a consultant is awaited.</li> </ul>
21.	28	Police Force	9,060,000,000	A non current assets register was not properly maintained to show description of the assets, their respective values, location and date of purchase and several assets were not coded for ease identification.
22.	30	Cabinet Secretariat	4,593million	Correctness of the value of non current assets of Shs. 4,593million could not be verified and ascertained due to non maintenance of assets register.
23.	26	Vice President's Office	191,124,623	Non current assets worth Shs. 191,124,623 were not recorded in the assets register therefore there is a risk of assets being misallocated or lost.
24	81	RAS Mwanza	Shs. 88,313,260	<ul style="list-style-type: none"> <li>Understatement of Property plants and by Shs. 88,313,260 for not including additional assets procured during the year.</li> <li>The Property, Plants and Equipments register not maintained.</li> </ul>
25	86	RAS Tanga	Value could not be determined	Non-current assets owned by the Secretariat not valued.

26	70	RAS Arusha	Shs.8,850,000	Noncurrent Assets not accounted for -
27	80	RAS Mtwara	Value not given	Some assets shown in the list of non-current assets did not bear values.
28	92	RAS Tabora	17,500,000	<ul style="list-style-type: none"> <li>- 10 motor vehicles (values not disclosed) and 7 motor cycles worth Shs.17,500,000 were not included in the schedule of non current assets.</li> <li>- 6 motor vehicles (values not disclosed) included in the schedule of assets were neither recorded in the register nor their value being disclosed.</li> </ul>
29	95	RAS Manyara	Value not given	During the year under review two motor vehicles were disposed off. However, the proceeds from disposal were not disclosed in the statement of property, plant and equipment.
30	76	RAS Lindi	Value not given	Non-current assets register was not maintained.
31	84	RAS Singida	Value not given	Regional Secretariat Singida issued 21 newly acquired motor cycles to Division Officers but the motor cycles previously issued to Division Officers were not returned to the Office of Regional Administrative Secretary.

Assets management remains the major challenges to effective internal control in the Ministries, Departments, Agencies and Regional Secretariats.

#### 5.6 Preparation and submission of financial statements for audit

The responsibility for the preparation and presentation of the financial statements to the Controller and Auditor General for



audit purposes lies with individual Accounting Officers of MDAs/RAS. Sect. 25 of the PFA 2001(revised 2004) specifies the types of financial statements to be prepared by the Accountant General, Accounting Officers and other Public Officers administering legally established funds. Sect. 25(4) of the same Act requires the presenters of financial statements to state the accounting basis for their presentations and that they should be presented in accordance with generally accepted accounting principles.

Further, Reg. 8 (5) of the PFR 2001 requires every Ministry, Agency, Department and Regional Secretariat to ensure that information is available to the general public in respect of its activities and finances and for this purpose each MDAs/RAS to prepare and make available to the general public an Annual Report stating the overall budget strategy, nature and objectives of each main programme, assessments for output and performance against objective, summary of the financial results for the fiscal year in a form approved by the Accountant General, the plans for the year ahead, as approved by Parliament and the provisional plans for the two subsequent years.

## 5.7 Payroll Management

Payroll management is concerned with all aspects of the arrangements that are in place to ensure that employees of an organization receive remuneration which is in accordance with their terms of employment, is lawful and is appropriately presented in the financial statements of the organization.

The payroll activity includes all processes required to pay salaries and wages in accordance with policies, laws, regulations and establishment circulars/instructions issued by the Ministry of Finance and Economic Affairs the President' Office establishment.

The main objectives of the audit were to:

- Determine whether the MDAs/RAS have established effective internal control frameworks for the management of payroll operations.
- Assess whether payment of salaries and related expenditures is made in accordance with the relevant terms and conditions of employment.

A test check of payroll management in some MDAs and RAS revealed the following matters :-

(a) Ministry of Finance and Economic Affairs

The Government payroll is managed jointly by the MoFEA through its Computer Service Department and the President's Office Public Service Management. The Computer Service Department of MoFEA on its part has put as its first target: an accurate timely payroll system for stakeholders to be operationalised by 2009/10. Audit review of records and information in relation to the expenditure and performance of the department operations was made in order to evaluate, among other things, the Ministry's direction towards its objectives noted the following:

- (i) The retirement date of an employee is shown on the salary slip of each employee and on the control sheet of MDA receiving the salary. However, a test examination of 13 employees picked from the Administration and General Department (Code 1001) of the MoFEA itself showed that most of these dates are inaccurate because they indicate an erroneous retirement date for all these employees to be on 01/01/1760 therefore cannot be linked to salary payment.
- (ii) The dates noted above would have given the respective parties (MDA, MoFEA and employee) advance information about a date of employee retirement. In order to ascertain possible effects of not linking retirement date and payment of salaries some further procedures were performed and noted incidences in which salaries were released well after retirement of employee. A sample taken from only one vote (46) for retirees who were paid through PSPF for the period of 1<sup>st</sup> August to 31<sup>st</sup> August 2008 indicated salaries for some of these retirees were released for the period of 2 up to 21 months after cessation of their employment and put at risk nearly Shs 27,893,743.78, if these would not be returned as unclaimed salaries.

- (ii) Audit of the Central Government for the financial year ended 30<sup>th</sup> June, 2008 was able to establish that the problem of unclaimed salaries not surrendered to Treasury amounted to Shs.382,607,255. The same problem on the other hand for the Local Government Authorities amounted to Shs.881,966,748.
- (iii) In reviewing the contract between M/s CATS TANZANIA LIMITED on one side and MoFEA and PO-PSM on the other side regarding Annual Maintenance Contracts for the Lawson Integrated Human Resources and Payroll System we noted the following issues:
- The contract is operated jointly between the Ministry and PO-PSM but the costs are paid by MoFEA alone. However, the original contract which explains the terms of settlement of cost was not provided when requested.
  - Consultancy work was undertaken to review suitability of Lawson by a consultant M/s Michael Bitz, Technology Consultant who submitted a report of his work on June 30, 2007 (and amended it on 23<sup>rd</sup> October 2007). This report revealed issues about the system which audit required management to explain on how it addressed them, but no response was provided as at the time of drafting this management letter.
  - Service provider Ms CATs ability to support Lawson was noted in the report to have been seriously eroded; management has not explained measures it has taken to rectify this weakness.
  - The Ministry was advised to take precautions by seeking out contracting expertise to assist in drafting of any contractual agreements, before adopting a proposal to up grade the Lawson system. The review of past contracts, revealed that few measures were taken to mitigate the GoT's risk and ensure better accountability from vendors. The Ministry has not explained how it has addressed these issues.

- Poor coordination, competing IT reforms and scarce technical resources surrounding the project were pointed out as problems in the report. The Ministry has not explained how it has addressed this issue.
- Furthermore, audit would like to know how the issue of project ownership has been clarified especially on matters such as PO-PSM having a leading role on development and maintenance, but the equipment being kept within MoFA, which according to the consultant impedes PO-PSM's ability to monitor and maintain the Lawson system.

(b) Payroll investigation carried out by the President's -  
Office Public Services Management

The PO-PSM carried out payroll investigation in Dar es Salaam region, Coast region, Ministry of Natural Resources and Tourism; RAS Morogoro , Ministry of Health and Social Welfare and Ministry of Education and Vocational Training . The cost involved in the exercise which started since 2007 reached Shs.270,380,000 during the financial year 2007/2008.

The Consolidated Investigation report which was issued in January 2008 revealed that the Government suffered a loss of Shs. 3,043,609,699 through payments to 1,413 ghost workers in the Ministry of Education and Vocational Training, above. Imagine what a national consolidated investigation would come up with.

Results indicate that benefits accrued from the payroll investigation in the Ministry of Education and Vocational Training have overshadowed the cost incurred implying that the exercise was feasible and therefore should be sustained.

Since it is the responsibility of the President's Office - Public Service Management (Establishment) to conduct such investigations as stipulated in the Public Service Regulations, the PO - PSM management should give status of actions (legal or disciplinary) taken by the government in regard to the salary payments made to ghost workers including the staff who were behind such malpractices indicating controls which are being proposed or instituted to ensure that such a menace is completely eradicated in the Public Service.

We are looking forward to be appraised with the performance results of the on going payroll activities during the year 2008/2009 and among other things, we expect to be availed with all the necessary documents such as inspection audit reports for our independent appraisal including the assessing of the scope of work, methodology used and reviewed documents.

- (c) Audit findings raised during the review of payroll management pertaining to other votes are as summarised hereunder:-

SN.	Name of MDA/RAS	Audit findings	Amount (Shs.)
1.	RAS- Kilimanjaro	<ul style="list-style-type: none"> <li>Unclaimed Salaries Shs. 8,915,709</li> </ul> <p>Examination of the Secretariat's payrolls for the year under review disclosed a sum of Shs. 8,915,709 to have been reported as unclaimed salaries. However, the amount was not supported by schedule of names of the unpaid payees and no sufficient reasons were given for none paying of salaries.</p> <ul style="list-style-type: none"> <li>Salary arrears Shs.236,827,881</li> </ul> <p>The Statement of Outstanding Liabilities for the year ended 30<sup>th</sup> June, 2008 reports a balance of salary arrears amounting to Shs.236,827,881</p>	<p>8,915,709</p> <p>236,827,881</p>

		. The Statement has not got any analysis which gives details of salary arrears as ageing analysis and reasons of not paid on time.	
2.	RAS- Mwanza	<p>Laxity in control over payment of salaries Shs.11,067,836</p> <p>A test examination of RAS's computerized salary payrolls, salary control sheets and other related records disclosed that a sum of Shs.11,067,836 was irregularly paid to a certain officers as follows:-</p> <p>(i) Two officers were using each two different salary check numbers for the period between August, 2007 to February 2008. A total sum of Shs.3,117,280 had therefore been double paid to the officers.</p> <p>(ii) Unclaimed</p>	<p>11,067,836</p> <p>52, 264,000</p>

		<p>salaries Shs.7,950,556 salaries in respect to deceased/retired and resigned officers of Shs.7,950,556 have not been remitted to Treasury.</p> <p>Unclaimed salaries Shs.52, 264,000 The Statement of outstanding liabilities for the year ended 30<sup>th</sup> June, 2008 submitted along with the financial statements under audit disclosed unclaimed salaries relating to employees who retired totaling Shs.52,264,000 were returned to Treasury during the year 2007/2008. However, the acknowledgement receipt from Treasury was missing.</p>	
3.	RAS-Kigoma	<ul style="list-style-type: none"> <li>• There was no prescribed system to ensure that all information is received in the salary section</li> <li>• Staff absentees were not being recorded in the register by the supervising officer</li> </ul>	

		<ul style="list-style-type: none"> <li>No register was maintained for the purpose of recording amendments/changes relating to payment particulars.</li> </ul>	
4.	RAS-Shinyanga	Unclaimed salaries amounting to Shs.6,612,773.25 not remitted to the Treasury contrary to the requirement of Para (ii) of letter with reference No. EB/AG/5/03/01/VOL.IV /136 dated 31 <sup>st</sup> August, 2007.	6,612,773.25
5.	RAS- Lindi	Unclaimed salaries not reflected in the statement of outstanding liabilities.	32,027,780
6.	RAS-Mara	Unclaimed salaries not surrendered to Treasury	12,709,560
7.	RAS-Mtwara	<p>Salaries Arrears Shs.156,310,740</p> <p>The statements of outstanding liabilities for the year ended 30<sup>th</sup> June, 2008 reflected salary arrears totaling Shs.156,310,740 pertaining to Mtwara Region Secretariat staff . However, there</p>	156,310,740



		was no analysis schedule to indicate among other things names of staff and basis of calculating the arrears.	
8.	RAS-Dodoma	Un signed Payroll and Pay lists	42,132,045
9.	RAS-Tabora	<ul style="list-style-type: none"> <li>Unclaimed salaries received from DED Nzega not Remitted to the Treasury</li> <li>Unclaimed salaries not remitted to Treasury Shs.8,823,440 Contrary to the Treasury circular No.EB/AG/5/01 /Vol.VI/136 of 31/8/2007; we noted that the amount of Shs.8,823,440 pertaining to retired, deceased, absentees and absconded employees were not deleted from the computer payrolls on time.</li> </ul>	36,044,774  8,823,440
10.	RAS-Mbeya	Delay in deleting	11,275,716

		names of ineligible payees from computer print - outs was observed ranging from six (6) to sixteen (16) months.	
11.	RAS-Kagera	Unclaimed salaries not paid back to Treasury	3,415,550
12.	Ministry of Livestock Development and Fisheries	<p>Payments of salaries to employees not in public services</p> <p>A test check of salary control sheets against personal files revealed that a sum of Shs 7,716,421 was paid to employees who are no longer in public service for different reasons.</p> <p>Unclaimed salaries returned by Bank</p> <p>During the audit we have noted that a sum of Shs 14,236,049 being salary for the month of December, 2007 to July, 2008 were returned by the National Microfinance Bank to the Ministry for various reasons such as invalid bank account, no account and closed account. The reason of existing workers in the system was not disclosed.</p>	<p>7,716,421</p> <p>14,236,049</p>
13.	Ethics Secretariat	Salaries paid to employees who left	2,028,200

		<p><b>Public Services</b></p> <p>Audit examination on payroll revealed that, salaries for different months totaling to shs. 2,028.200.00 of five ex-officials were still paid to them when no one was in public service.</p>	
14.	Immigration Services	<p>Payment of salary to absconded, deceased and dismissed employees</p> <p>Payments to temporary employees Scrutiny made on payment vouchers revealed that the Director of Immigration Services has been paying monthly salaries to temporary employees contrary Standing Orders S. 24 (b) and (d) and the Public Services Commission directives.</p>	<p>7,847,094.50</p> <p>13,740,000.00</p>
15.	Ministry of Land, Housing and Human Settlement Development	<p>Delay in deleting unclaimed salaries: An audit test check on payroll transactions revealed that, resigned, retired and terminated Ministry's staff was not deleted from the salary payroll meaning that</p>	10,579,480

		they are continuing to receive salaries through their bank accounts.	
16.	Ministry of Energy and Minerals	Payment of salaries to non-employees Examination of salary control sheets for the year 2007/2008 up to September 2008 revealed that salaries amounting to Shs. 58,466,610 were paid to staff who were either on secondment, leave without pay, died or who had tendered letters of resignation.	58,466,610
17.	Ngome	Unpaid Salaries not remitted to the Treasury	264,581,124
18.	Ministry of Planning, Economy and Empowerment	Salaries paid to employees who are no longer in the Public Services	8,553,453
19.	Ministry of Water and Irrigation	Retired employees register not properly maintained Audit review of the retired employees register revealed the same to have not been properly maintained in the sense that, the register does not show check numbers and retirement dates, hence we were unable to confirm deletion of the respective names	

		from the payroll. In addition, registers for newly recruited employees, deceased employees and transfers on secondment were not maintained	
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There is a weak internal control system over the management of the payroll system which may lead to loss of Government funds.

## 5.8 IT AUDIT

### AUDIT FINDINGS FROM EVALUATION OF INFORMATION TECHNOLOGY (IT)

#### Introduction

Information Technology in the Public Sector is a powerful enabler for service delivery to the people. Therefore, IT should facilitate public service delivery initiatives and should only be of value if it enables users to achieve increased productivity, cost-effectiveness and improved service delivery.

The purpose of this paragraph is to facilitate public accountability in IT by highlighting material shortcomings and the related risks in Accounting Information Systems. The following weaknesses were noted from information systems reviewed at a selected sample of MDAs operating on Epicor as well as stand-alone-packages.

- The Epicor system has not been activated to incorporate and process records of fixed assets, inventories, generation of LOPs, Cheques, and generic reports. In addition, the system does not allow for individual sub-vote holders to prepare their bank reconciliation statements. Invariably, the systems cannot summarize financial data to generate financial statements. The MDAs therefore supplements these deficiency through manual work or through computer worksheets.

- Integration of the accounting systems is not yet sophisticated enough to reliably interface with the mainframe at the Ministry of Finance and Economic Affairs. There are frequent breakdowns due to network failure and power interruptions. In addition, some MDAs are not yet connected hence they are using computer spreadsheets to prepare accounts and financial statements.
- MDAs are lacking computer-built-in programmed controls and programmed accounting procedures that would facilitate prevention or detection of irregularities or errors.
- Most MDAs are lacking IT policy that would have set limits of system accessibility, operational procedures as well as defined physical and logical controls.
- Password controls are inadequate as some computer users have no secret codes and no evidence that periodical reviews are being done by management.
- Lack of systems administrators to attend and debug slipups and absence of backup facilities.
- Lack of skilled personnel to man the IT systems eg. Epicor accounting package, Microsoft Excel and general computer operations.
- There are no reliable fire protection systems both for the computer rooms and operation areas. Where fire extinguishers are installed, it was found that they are not serviced as prescribed by the manufacturer.
- The back-up support of the service provider from the centre to all the sub-Treasury and LGA across the country is not adequate and dependable.

The table below shows the results of the audit tests conducted in the Ministries, Regional Administrative Secretariats (RAS).

### Assessment of weaknesses in IT systems for MDA/RAS

Vote No.	Name of the MDA	Lack of IT Policy	Inefficient or Ineffective use of IT	Environment for IT not conducive or risky
28	Police Force Department	/	/	/
29	Prisons Service Department	/		/
40	Judiciary	/	/	/
42	National Assembly	/	/	/
44	Ministry of Industry, Trade and Marketing	/	/	
52	Health and Social Welfare	/	/	/
57	Ministry of Defense and National Service	/	/	
60	Labor Court	/	/	
61	National Electoral Commission	/	/	/
66	Ministry of Planning, Economy and Empowerment	/	/	
68	Communication, Science and Technology	/	/	/
96	Ministry of Information, Culture and Sports	/		
97	Ministry of East African Cooperation	/	/	
98	Infrastructure Development	/	/	

### Regional Administrative Secretariats

Vote or Sub-Vote No.	Name of the MDA	Lack of IT Policy	Inefficient or Ineffective use of IT	Environment for IT not conducive
74	RAS Kigoma	/	/	
70	RAS Arusha	/	/	
76	RAS Lindi	/		/
77	RAS Mara		/	
79	RAS Morogoro	/		/
80	RAS Mtwara	/		

81	RAS Mwanza	✓	✓	
86	RSA Tanga	✓		✓
87	RAS Kagera			✓
89	RAS Rukwa	✓	✓	





## CHAPTER 6

### REVIEW OF PROCUREMENT PROCESSES

#### Introduction

PPRA prepared and submitted report on performance of procuring entities for period under review which highlighted most of the issues which largely featured also in the previous report. I appreciate the work done by the Authority and I have noted that the observations raised by them are useful and contain significant issues to be incorporated in my report.

Summary of the findings and weaknesses observed are narrated below:

#### 6.0 Performance of Procuring Entities (PEs)

Information collected from 153 out of 357 Procuring Entities indicated that contracts worth TShs.1,800,974 million were awarded in the financial year 2007/2008 of which 38% were for goods, 55% were for works, 4% were for consultancy services and 3% were for non-consultancy services. On overall there has been poor response by Procuring Entities to provide information on awarded tenders which would have facilitated the collection and provision to the public of this important data on public contracts. This is good starting point and it is expected that many Procuring Entities would come forward to provide information once they realize the usefulness of the contract award information to the public and for planning purpose.

Out of 70 procurement audits carried out, it was established that the average level of compliance of Procuring Entities to the PPA CAP 410 and its Regulations was 43%. MDAs had a highest compliance level of 45% compared to that of LGAs of 41%. The highest compliance

level was 76% while the lowest was 7%. With this level of compliance, PPRA has a daunting task of ensuring that a compliance level of 80% is attained by 2010.

#### 6.1 Common weaknesses noted by PPRA

In the course of PPRA conducting regulating the procurement function in Public procuring entities, it has come up with the following common observations:

- (a) Poor record keeping:  
There were no proper filing systems and most of the procurements had no complete set of records.
- (b) Lack of Established PMUs:  
PMUs were not established contrary to the provision under Section 34 of the PPA CAP, 410 which requires procuring entities to establish Procurement Management Units staffed to appropriate levels,
- (c) Interference of powers  
There were interference powers and functions between the Accounting Officers. Tender Boards PMUs and User Department contrary to the requirements under Section 38 of PFA which calls for independence of functions and powers of the Accounting Office. Tender Board, PMU and User Departments.
- (d) Non preparation of AAP  
APPs were not prepared. Preparation of procurement Plans is a mandatory requirement under section 45 of the PPA, CAP 410.
- (e) No Using STDs,  
STDs were not used contrary to the provision under Reg.83 (3) of the GN.No.97 of 2005 and Regulation 52 (2) of the GN No.98 of 2005 which requires Procuring Entities to use appropriate standard documents prepared by PPRA

- (f) **Inappropriate Tender Evaluation**  
The evaluation of tenders did not follow evaluation guidelines issued by PPRA, some of the used evaluating criteria were not stipulated in the tender documents, important documents such as minutes of tender opening, list firms which purchased building documents were not appended to the evaluation report.
- (g) **Not following appropriate approval channels:**  
  
There were no approvals by the Tender Board on invitation to bidders, draft bidding documents, procurement methods and variation orders.
- (h) **Inappropriate Communications on contract Award**  
The secretaries to the Tender Board communicated award decisions to successful bidders contrary to the requirements under Sect 33 of PPA CAP.410. Award notifications to unsuccessfully bidders were not done contrary to Regulation 97 (11) of GN No.97 of 2005 which requires notifications to be issued to unsuccessful bidders by indicating the name and accepted bid price of the successful bidder.
- (i) **Lack of quality assurance**  
The Accounting Officers did not appoint Inspection and Acceptance committees to inspect the supplied goods. This contrary to the provisions under Reg.126 and Reg.127 of G.N. No.97 of 2005 which requires Accounting Officers to appoint goods inspection and acceptance committees to ascertain the quality of the supplied goods with respect to specifications in the contract.
- (j) **Not publishing tender awards**  
Tender awards were not published to the public contrary to the requirement of Reg. 97 (12) of the G.N. No.97 of 2005.
- (k) **Not submitting monthly and quarterly procurement reports to PPRA**

Monthly and quarterly procurement reports were not prepared. This is a requirement under the Checking and Monitoring System for procurement activities to all MDAs (A Circular was issued by PPRA on 23<sup>rd</sup> July, 2007)

(l) **Non submission of tender adverts to PPRA**

Tender advertisements were not submitted for posting into PPRA's website. This is a requirement under regulations 9(a) and 7(a) of G.N. No.97 and G.N No. 98 of 2005 respectively.

(m) **Using bid security instead of bid securing declarations**

A circular issued by PPRA to use Bid Securing Declaration instead of Bid Security to procurements eligible for exclusive preference was ignored.

(n) **Poor contract management**

There were a number of weaknesses in contract administration such as delayed payments, lack of quality control, delayed compilation of projects excessive variation order incorrect claims assessment etc.

More observations from specific procurement audit follows

**6.2 Procurements made without Annual Procurement Plans**

Sect.45 of the PPA of 2004 requires every procuring entity to plan its procurement in a rational manner to avoid unnecessary emergency procurement and be able to aggregate its requirements so as to obtain value for money, reduce procurement costs and have effective procurement contract arrangements. During the year under review, 3 MDAs/RAS had effected procurement of goods and services without complying to the procurement plans as detailed here below:

VOTE	Name of MDAs/RAS	Amount (Shs)
31	Vice President's Office	78,148,000
89	RAS - Rukwa	79,281,200
78	RAS - Mbeya	47,028,080
	<b>Total</b>	<b>204,457,280</b>

#### 6.2.1 Irregularities in procurement and maintenance of motor vehicles

All MDAs/RAS are required to service and maintain government vehicles through TEMESA or using private dealers who should be authorized by TEMESA upon submission of documentary evidence to confirm their competencies and capacities in the particular field as required by Reg. 5 of the Public Procurement (Goods, works, non consultant services and disposal of public assets by tender) Regulations 2005.

During the year under review, a test check has revealed the following irregularities noted on motor vehicles maintenance and services.

VOTE NO.	DESCRIPTION	AMOUNT PAID (SHS)	REMARKS
98	Ministry of Infrastructure Development	14,133,000	Motor vehicle parts stolen from motor vehicle sent to TEMESA for repairs
		10,312,686	Irregular payments for motor vehicles
		114,847,860	Non delivery of procured motor vehicles
93	Immigration Service Department	103,180,000	Motor vehicles loaned to employees not disclosed in the statements
51	Ministry of Health and Social Welfare	440,709,678	Motor vehicles not delivered
	RAS - Iringa	47,798,500	Motor vehicles not delivered
65	Labour and Youth Development	13,634,287	Repairs without proper authority
	Total Shs.	744,616,011	

#### 6.2 .2 Weakness in contracting and contract management Shs.11,233,987,843.37

Part (x) of the Public Procurement (selection and employment of consultancy) Regulations 2005 spells out clear procedures for managing contracts. It was however, found out during the audit that there are substantial weaknesses in managing public procurement contracts as pointed out below from the sample tests conducted:

VOTE	MDA/RAS	Irregularities noted	Amount (shs)
34	Ministry of Foreign Affairs and International Cooperation	Contract for the renovation of Matsalamat Building not executed.	425,118,597
31	Vice President's Office	<ul style="list-style-type: none"> <li>▪ Site items not handed over to the client</li> <li>▪ Contrary to Contract Clause 49.1 Liquidated damages were not deducted</li> </ul>	178,723,316.58
95	RAS Manyara	<ul style="list-style-type: none"> <li>• Questionable contract of land scarping and gardening of the Regional Block</li> <li>▪ Questionable building contract of shs.98,336,125:Tender file and contract agreements were not availed to audit when requested</li> </ul>	52, 595,800  98,336,125
88	RAS Dar es Salaam	<ul style="list-style-type: none"> <li>▪ Non maintenance of a Contracts register</li> </ul>	Nil
85	RAS TABORA	<p>Payments made to Contractors for the works not executed.</p> <ul style="list-style-type: none"> <li>▪ Relevant particulars relating to 7 contracts worth Shs. 801, 239,693.43 were not availed to audit. The project</li> </ul>	513,426,614.00 801,239,693.43

		are still outstanding	
71	RAS COAST	<ul style="list-style-type: none"> <li>Contract agreements were missing</li> <li>Progress report was not submitted.</li> </ul>	3,821,040 90,000,000
72	RAS DODOMA	<ul style="list-style-type: none"> <li>Delay in completion of contracted works</li> </ul>	2, 040,947,482
75	RAS KILIMANJARO	Non existence of contract register	0
87	RAS KAGERA	Missing certificate of work done	50,667,367.36
82	RAS RUVUMA	Liquidated damages not recovered	10, 641,537
78	RAS MBEYA	Non maintenance of Contracts register	
77	RAS MARA	Additional works lacks appropriate approval from the Regional Tender Board	
51	Home Affairs	<ul style="list-style-type: none"> <li>Interest on delayed payments.</li> </ul>	53,299,485
		<ul style="list-style-type: none"> <li>Unpaid balance on contract</li> </ul>	2,205,993,730
		<ul style="list-style-type: none"> <li>Questionable variation order</li> <li>Irregularities noted on the procurement of generator</li> </ul>	1,161,432,654 431,760,000
55	Human Rights	Missing contract agreements	31,649,800
61	National Electoral Commission	Procurements made without contracts	1,589,400,652
90	Land Court	Non maintenance of	



		contracts register	
53	Community Development	Questionable payment for contracts	498,083,400
60	Labour Court	Missing contract agreement	7,770,000
60	Labour Court	No contract register is maintained	
48	Ministry of Land & Human Settlement Development	Questionable payments for incomplete works	89,369,997
93	Immigration	Questionable payments for various contracts	821,710,553
99	Livestock Development	Outstanding issues on contract no RTB/MBY/R170/11/94	78,000,000
		Total Shs.	11,233,987,843.37

#### 6.2.3 Goods/Services Paid for but Partly/Not Delivered- Shs.6,563,642,067

Goods worth Shs. 6,563,642,067 were ordered and paid for but were found either to be partly delivered or undelivered in the MDAs/RAS listed in the table below. The noted practice contradicts the requirement of PPR No. 122 (1) (Goods, Works and non Consultant Services) Regulations 2005 which requires a procuring entity to obtain reports on the receipt of goods that have been delivered against contracts in order to authorize promptly payment to the supplier.

VOTE	MDA/RAS	Description of Goods and Services	Amount (Shs)
92	TACAIDS	20 Motor Vehicles	1,324,637,515
41	Ministry of Justice	9 Motor Vehicles	612,399,860
56	Prime Ministers Office Regional Administration and Local	56 Motor Vehicles	3,417,487,388

	Government		
48	Ministry of Land	1 Motor Vehicle	110,000,000
53	Ministry of Women, Gender and Children	Electrical equipments including: 3 phase transformer, cable wires, mitering units and switch gear	110,081,352
52	Ministry of Health and Human Social welfare	1 Motor Vehicle	440,709,678
66	Planning Commission	4 Motor Vehicles	229,695,722
33	Ethics Secretariat	<ul style="list-style-type: none"> <li>• 5 tyres Shs 2,808,000</li> <li>• internet service for 6 Months Shs. 4,244,052</li> </ul>	7,052,052
75	RAS Kilimanjaro	1 Motorcycle	3,780,000
81	RAS Mwanza	1 Motor Vehicle	80,000,000
73	RAS Iringa	1 Motor Vehicle	47,798,500
80	RAS Mtwara	2 Motor Vehicles	180,000,000
	Total		6,563,642,067

#### 6.2.4 Other Procurement Irregularities Shs.2,133,609,305

Findings on procurement procedures mentioned above are not exhaustive to represent all procurement issues found in MDAs/RAS audited during this financial year.

The table hereunder presents other procurement irregularities noted during this year's audit that draws attention of the responsible authorities:

#### Other procurement Irregularities in MDAs/RAS

VOTE	MDA/RAS	Procurement irregularity	Amount(Shs)
34	Ministry of Foreign Affairs and International Cooperation	Questionable procurement of furniture. Two suppliers of furniture from Arusha were contracted to supply furniture to African Court - Arusha, were paid a total of Shs. 74,087,994. However, issuing of LPOs, delivery, invoicing, issuing of cheques and acknowledgment receipt were done on the same day i.e. 30 <sup>th</sup> October, 2008 in Dar es Salaam, hence making the payment to be questionable.	74,087,994
31	Vice President's Office	Procurement of Office Furniture not included in the procurement plan Shs.78,148,000. The office purchased extra furniture worth Shs.78,148,000 which was not included in the procurement plan and was made through shopping method contrary to Sect.68 (1) of the PPA No. 21 of 2004	78,148,000
48	Ministry of Lands and Human Settlement	Purchases relating to computer cartridges and photocopy papers exceeding approval of tender Board/ approved contract.	43,758,000
49	Ministry of Water and Irrigation	Purchases of defective photocopier machine	2,600,000

88	Dar es salaam Regional Administrative Secretariat	Goods and services being ordered and paid to various suppliers through special imprest.	62,765,000
70	Arusha Regional Administrative Secretariat - RAS Arusha	Consultancy fees being paid for supervision of construction/renovation works of two projects of Government buildings for the year 2007/2008, but the projects were not performed.	9,843,641
71	Coast Regional Administrative Secretariat - RAS Coast	Contract agreement in respect of quarterly subscription fees for internet service was not produced. Service may be rendered at over normal price since it was sought from only single source of supply, further there there was no contract between RAS and internet service provider.	3,821,040
74	Kigoma Regional Administrative Secretariat - RAS Kigoma	Questionable purchase of washer and drier machines	23,000,000
43	Ministry of Agriculture, Food Security and Cooperative	Irregular procurement of School furniture Shs.60,375,000.  Payments were made to M/s RVTSC for purchase of school's furniture worth Shs.60,375,000 for MATI Ilonga and Kilombero Sugar Institute vide invoice No.15045 for Shs.35,750,000 and Invoice	60,375,000

		No.15046 for Shs.24,625,000. Audit verification revealed that receipt attached was for Vocational Education and Training Authority and not for RVTSC as per payment voucher	
97	Ministry of East African Cooperation	<p>Payments of Shs.14,458,000 to supplier out of contract.</p> <p>The supplier of breakfast (M/s Giant Trading and General Supplies) was contracted for six months i.e. from 01/7/2007 to 30/12/2007 as per letter referenced No.EA.124/520/01/35 of 30<sup>th</sup> June, 2007. However, the Ministry paid Shs.28,916,000 to cover twelve months i.e. from 01/07/2007 to 30/6/2008.</p>	14,458,000
76	Lindi Regional Administrative Secretariat - RAS Lindi	Payment vouchers, supporting documents and records of the Secretariat tender list for the year under review, revealed that payments amounting to Shs.82,116,570 were made to non approved suppliers.	82,116,570
60	Labour Court	<p>Missing Contract agreement Shs.7,770,000.</p> <p>Examination of payments revealed that a sum of Shs.7,770,000 was paid to</p>	7,770,000

		Trust Service Camp in respect of cleaning services. However, the contract for this tender was not availed to auditors for verification.	
81	Mwanza Regional Administrative Secretariat - RAS Mwanza	Missing Contract Agreements Shs.1,670,866,060. During financial year 2007/08 the Secretariat spent Shs.1,670,886,060 in respect of various development projects but contract agreements were not availed to auditors for verification.	1,670,866,060
	Total	2,133,609,305	

#### 6.2.5 Stores not brought on Stores Ledger - Shs.839,630,061

Reg.198 of the Public Finance Regulations of 2001 (revised 2004) states that “except provided, all stores received must be brought on charge without delay in the stores ledger and supported by the relevant receipt in the manner described in these regulations”. Audit tests carried out on the management of stores revealed that 14 MDAs/RAS did not comply with the above stated regulation as follows:

List of procured stores not recorded in stores ledger in MDAs/RAS

VOTE	NAME OF MDAS/RAS	AMOUNT INVOLVED
40	Judiciary	134,955,680
91	Drugs Control Commission	19,294,391
53	Ministry of Community Development and Gender	80,872,952
43	Ministry of Agriculture and Food Security	8,971,000
43	Ministry of Agriculture and Food Security	60,375,000

87	RAS - Kagera	48,997,346
70	RAS - Arusha	3,668,000
72	RAS - Dodoma	4,994,550
28	Police Force Department	155,801,466
58	Ministry of Energy Minerals	4,872,000
60	Industrial Court	42,279,000
28	Police Force Department	155,801,446
93	Immigration Services Department	98,000,000
46	Ministry of Education and Vocational Training	20,747,230
	<b>Total</b>	<b>839,630,061</b>

#### 6.2.6 Procurement Made Without Competitive Bidding

Shs. 601,578,354

A test check of payment vouchers and procurement records revealed that the following MDAs/RAS effected payments amounting to Shs 601,578,354 for procurement of works, goods and consultancy services. However, it was observed that competitive bidding was not sought to enable MDAs and RAS to obtain the most economical prices while ensuring good quality of goods, works and services purchased.

Vote	Name of MDA/RAS	Description	Amount (Shs)
72	RAS - Dodoma	Various goods	5,297,000
98	Ministry of Infrastructure Development	Various goods	517,688,300
83	RAS - Shinyanga	Various goods	17,603,054
28	Police Force Department	Various materials	40,110,000
28	-do -	Training services	20,880,000
	<b>Total</b>		<b>601,578,354</b>

#### 6.2.7 Procurement Made Without Tender Board's Approval

Shs.168,154,699

During the year under review, we noted instances whereby 4 MDAs/RAS effected procurement without Tender Boards approval hence contravening requirement of Regs. 40 and 41 of the Public

Procurement (goods, works, non consultant Services and disposal of public assets by tender) Regulations 2005 as summarized in the table below:

Vote	MDA Name	Description	Amount (Shs)
28	Police Force Department	Various goods and services	103,270,700
28	- do -	Various goods	31,734,000
61	National Electoral Commission	Various goods	33,149,999
Total			168,154,699

#### 6.2.8 Stock Verification Reports on Stores Management

Part XV of the PFR deals with the need for having an Independent Stock Verification in stores of MDAs/RAS. In that regard therefore, I have received Stock Verification reports in accordance with Reg.245(3) of PFR 2001 (revised 2004) that “The Stock Verifier shall retain one copy of the report for his own record and send one copy each to the Accounting Officer concerned, the Permanent Secretary, Accountant General and to the Controller and Auditor General.”

In compliance with the above requirements, the Stock Verification Unit under the Ministry of Finance and Economic Affairs conducted thorough Stock Verification for twenty (20) MDAs and fifteen (15) RAS for the year ended 30<sup>th</sup> June, 2008.

During the year under review, there has been a considerable gap in the management of stores as explained in a condensed summary of Stores Mismanagement table below:

##### Stores Mismanagement

List of stores mis-management in MDAs/RAS/Embassies

No.	Details	2007/2008 (Shs)
a.	Unsupported issues of stores	566,556,302.68
b.	Unsupported receipt of stores	1,318,719,250.90



c.	Unaccounted receipts of stores	285,465,571.30
d.	Unaccounted issues of stores	476,769,998.00
e.	Deficient stores	581,349,974.20
f.	Unaccounted purchases of stores	2,035,321,677.97
g.	Unreceipted issues of stores	547,025,424.60
h.	Unreceipted receipts of stores	14,865,200.00
i.	Doubtful issues of stores	28,511,300.00
j.	Untransferred balance of stores	28,393,563.00
k.	Stores neither in master register nor inventory sheet	823,318,093.00
l.	Outstanding loan of stores	40,053,906.80
m.	Unauthorized loan of stores	2,720,000.00
n.	Unauthorized purchases of stores	13,713,210.00
o.	Unserviceable stores	53,845,729.90
p.	Unaccounted fuel	125,284,510.90
q.	Furniture and office equipment neither in master inventory nor inventory sheet	285,526,200
r.	Maintenance and repair of government vehicles to private garage without prior approval from TEMESA	141,608,514.00
s	Unpaid for stores	61,395,090.00
t	Uncollected credit sales	79,061,567.00
u	Undelivered stores	70,249,600.00
v	Expired drugs	39,873,062.00

w	Stolen items	1,417,000.00
x	Unposted issues of stores	27,829,450.00
y	Excessive issues of stores	10,857,500.00
z	Procurement without competitive quotation	49,109,418.00
za	Unaccounted for livestock	49,825,000.00
	<b>TOTAL</b>	<b>7,758,666,114.28</b>

Details of these matters are given in *Annexure 5 (i) to (xxvi)* of this report.

All matters raised are within the sphere/ambit of operation of procurement and supplies professionals. The professional's efficient and effective performance of the noble responsibility entrusted to them will earn a high place in the management of the MDAs and RAS. Avoiding the noted shortcomings will enable the procurement and supplies professionals to contribute to the economic success and optimal utilization of the scarce resources, poverty alleviation, improvement of the livelihood of the individuals and the public as a whole.

#### 6.2.9 Payments made before delivery of goods & services Shs.1,331,126,925

A test check of compliance to procurement regulations revealed advance payments adding to Shs.1,331,126,925 (analysed below) which were made by five MDAs to suppliers of goods and services/works based on proforma invoices contrary to Reg. 122 (1) of Public Procurement (goods, works, non-consultant Services and disposal of public assets by Tender) Regulations, 2005. This Regulation requires any procuring entity to obtain report on satisfactory receipt of goods as per contract before processing payments.

Also, sub-Regulation (2) of the same Regulation requires procuring entities to institute liquidated damages against suppliers who delay deliveries beyond the contract agreement

period. Nevertheless, since payments were made prior to delivery of goods, no charges were imposed for the delays.

Vote No.	Name of MDA	Goods Shs.	Works Shs.
37	Prime Minister's Office and Affiliated Bodies	1,112,157,623	
53	Ministry of Community Development Gender and Children	110,081,352	
71	RAS Coast	23,640,160	
75	RAS Kilimanjaro	11,563,360	
82	RAS Ruvuma	17,434,430	
83	RAS Shinyanga	50,000,000	6,250,000
	Total	1,324,876,925	6,250,000

## CHAPTER 7

### AUDIT RESULTS OF TANZANIA REVENUE AUTHORITY (TRA) AND THE NATIONAL CONSOLIDATED FINANCIAL STATEMENTS

#### 7.0 Result of audit of the National Consolidated Financial Statements

##### 7.1 Introduction

This chapter details the results of the audit of the Consolidated Financial Statements of the United Republic of Tanzania for the financial year ended 30<sup>th</sup> June, 2008.

The Consolidated Financial Statements (CFS) contributes to a transparent and accountable government. The CFS and associated financial analysis are designed to allow readers to assess the annual financial performance and position of the Government for the period under audit.

##### 7.2 Out come of the audit

The CFS were submitted for audit purposes on 14<sup>th</sup> November 2008 and the detailed audit findings below were communicated to Treasury management during an exit meeting held on 11<sup>th</sup> March, 2009.

##### 7.2.1 Outstanding matters from the previous year - 2006/07

During the previous year's audit, several recommendations were made on some key issues which required management's necessary attention and action for improvement. Most of the issues raised were implemented except for the following matters as shown below:-

Para	Item	Total value of the outstanding matter (Shs.)	Management Response	Audit Comments
5.11	Report on National Investments	5,296,890,205,858	Analysis showing all entities into which the government has invested has	Still outstanding. The submitted analysis was not signed by the Accounting Officer.

			been attached for verification (Appendix D).	
5.12	Report of Government Guarantees	202,547,947,047	Management concurs with auditors recommendations.	Repayment rate for the guaranteed loans is not yet satisfactory.
5.15	Difference between opening and closing balances of PMGs A/c	43,241,392,435	Reply submitted for verification	Reply does not meet the requirement.

The Treasury management is urged to expedite implementation of the outstanding audit recommendations.

## 7.2.2 Expenditure performance

### (i) Supply Vote

The financial performance of the Consolidated Statement of the National Accounts for the recurrent Votes accounts of the Government was as follows:-

A	B	C	A-B	B-C
Approved estimates (Shs) 000	Exchequer Issues received (Shs) 000	Net Expenditure (Shs) 000	Under releases (Shs) 000	Unspent amount (Shs) 000
3,862,068,244	3,777,007,973	3,763,524,160	85,060,271	13,483,813

The Consolidated statement for the recurrent votes accounts reflected total approved estimates of Shs.3,862,068,244,000 against exchequer issues received of Shs.3,777,007,973,000 resulting in under releases of Shs.85,060,271,000 or 2% of the approved estimates.

Total exchequer issues received during the year amounted to Shs.3,777,007,973,000 against the total net expenditure of Shs.3,763,524,160,000 thereby closing with unspent balance on

issues of Shs.13,483,813,000 with the Paymaster General's Account at the Bank of Tanzania (BoT).

(i) Development vote

The financial performance of the Consolidated statement of the National Accounts for the development votes accounts of the Government was as follows:-

A	B	C	A-B	B-C
Approved estimates (Shs) 000	Exchequer Issues received (Shs) 000	Net Expenditure (Shs) 000	Under releases (Shs) 000	Unspent amount (Shs) 000
2,203,774,990	1,278,394,713	1,253,854,036	925,380,277	24,540,677

The Consolidated Statement of development votes accounts reflected total approved estimates of Shs.2,203,774,990,000 as at 30<sup>th</sup> June 2008 against the exchequer issues received of Shs.1,278,394,713,000 resulting to an under releases of Shs.925,380,277,000 or 42% of the approved estimates.

This implies that 42% of the planned activities were not implemented due the non release of pledged funds from development partners. Development Exchequer Issues received during the year amounted to Shs.1,278,394,713,000 against the total net expenditure of Shs.1,253,854,036,000 thereby closing with a cash balance of Shs.24,540,677,000 or 2% with the Paymaster General's Account at the BOT.

### 7.2.3 Revenue Performance

(i) Recurrent Revenue

The consolidated statement of comparison of budget and actual amounts for the recurrent votes reflected actual collection of Shs.3,857,655,493,000 as against the approved estimates of Shs.3,862,068,244,000 resulting in an under collection of Shs.4,412,751,000 of the approved estimates.

Total revenue collection during the year 2007/08 increased from Shs.3,350,170,727,000 recorded in year 2006/07 to

Shs.3,857,655,493,000 in year 2007/08 resulting in a increase of Shs.507,484,766,000 or 15%.

(ii) Development Revenue

The consolidated development revenue statement reflected Development revenue collected during the year of Shs.1,278,394,713,000 as against the approved estimates of Shs.2,203,774,990,000 recording an under collection of Shs.925,380,277,000 or 42%.

Total revenue collection during the year 2007/08 increased from Shs.1,100,205,718,000 recorded in year 2006/07 to Shs.1,278,394,713,000 in year 2007/08 resulting in a increase of Shs.178,188,995,000 or 16%.

The development revenue of Shs.1,278,394,713,000 relates to funds received from development partners. This is a serious situation whereby the government does not contribute to its development activities. There is a high risk in the event that donors fail to remit the promised aid funds.

There is a need of setting aside a raise the percentage of internally generated revenue collections to finance development activities. This should mean that the government should streamline and cut down on its recurrent expenditure with the view of increasing its development expenditure. The development of the country will depend on the country's development activities and expenditure pattern.

	2006/07 Shs. '000	2007/08 Shs. '000	Difference Shs. '000	Perce- ntage
Recurrent	3,857,655,493	3,350,170,727	507,484,766	15.15
Develo- pment	1,278,394,713	1,100,205,718	178,188,995	16.20
Total	5,136,050,206	4,450,376,445	685,673,761	15.68

#### 7.2.4 Total Government Spending

The table below depicts a general trend for the recurrent and development expenditures during the financial years 2006/07 to 2007/08.

Expenditure Account	Year 2006/07 (Shs.)	%	Year 2007/08 (Shs.)	%
Recurrent	3,239,842,542,000	75%	3,763,524,160,000	75%
Development	1,098,237,324,000	25%	1,253,854,036,000	25%
Total	4,338,079,866,000	100%	5,017,378,196,000	100%

The recurrent expenditure account increased from Shs.3,239,842,542,000 recorded in 2006/07 to Shs.3,763,524,160,000 in year 2007/08 an increase of Shs.523,681,618,000 or 16%.

Development expenditure increased from Shs.1,098,237,324,000 in 2006/07 to Shs.1,253,854,036,000 in year 2007/08 an increase of Shs.155,616,712,000 or 14%.

Further, these figures are supported by the consolidated statement of cash receipts and payments which also reflects total government expenditures of Shs.4,338,079,866,000 and Shs.5,017,378,169,000 for the years 2006/2007 and 2007/2008 respectively.

Actual revenue collection for the recurrent account decreased by 11% while that of the development revenue decreased by 42% when compared with the approved budget estimates.

A comparison between revenue collections as per Para 7.2.3 and expenditures indicate an increase in revenue collection for the recurrent and development accounts of 15% and 16% respectively. On the other hand, expenditures recorded an increase of 16% for recurrent and 14% for the development account respectively as shown below:

	Revenues	Expenditures
Reccurent	15%	16%
Development	16%	14%
average	15.5%	15%



Though this situation indicates almost a commensurate increase in both revenue collections and expenditures, there is a need of immediate attention and action as this situation may paralyze the economy. A better situation is where increasing rate in revenue collection is higher than increasing rate in expenditures. The government thus is recommended to take appropriate action to improve the trend.

#### 7.2.5 Disagreement between revenue collected and transferred by TRA to the exchequer account and the revenue reflected in the National Consolidated Accounts

Note 12 to the National Consolidated Accounts, disclosed the following:

- (i) Actual revenue reported to have been collected by TRA was Shs.3,465,835,500,000 as against the actual collection amount reported by TRA in its financial statements of Shs.3,546,452,798,063 which includes Treasury vouchers of Shs.33,642,797,450 resulting to a difference of Shs.80,617,298,063.
- (ii) In addition, the amount reported as transferred from TRA to the Exchequer Account as per the consolidated statement was Shs.3,352,642,632,000 which differs with that reported by TRA of Shs.3,548,831,912,503 a shortfall of Shs.196,189,280,503.
- (iii) The note also reflected an amount of Shs.26,889,251,000 being Tax collected but not yet transferred to the Exchequer Account.

The disparities noted cast doubt as to the reliability of the data reported in the National Consolidated Accounts and Treasury management is called upon to follow up and make the necessary reconciliations and adjustments.

#### 7.2.6 Statement of Arrears of Revenue

The consolidated national accounts disclosed that arrears of revenues decreased from Shs.16,993,060,000 in year 2006/07 to Shs.789,247,000 in year 2007/08 a decrease of Shs.16,203,813,000 or 95%. This shows an improved performance

in accounting for arrears of revenue compared to that of the previous year suggesting that more efforts were exerted in collecting government revenues during the year under audit.

All in all, there is a need to further reduce the amount of arrears of revenue to improve collectability of government revenues to maximize government revenue collection.

#### 7.2.7 Statement of losses of public money and stores

The statement of loss indicates that losses incurred by the Government has increased from Shs.2,370,688,000 during the year 2006/2007 to Shs.3,594,209,000 during year 2007/2008 being an increase of Shs.1,223,521,000 or 52%.

This indicates that internal controls over government assets have continued to deteriorate in such an alarming pace as more than 50% of public assets have been subjected to losses by more than 50%. This situation should not be acceptable, therefore all efforts should be exerted to substantially reduce or reverse this situation.

The government should take appropriate steps to strengthen its internal controls to reduce the reported big rise of losses of government money and stores.

#### 7.2.8 Statement of Commitments

The statement of consolidated commitments reflected an amount of Shs.289,387,271,000 as at 30<sup>th</sup> June 2008 an increase of Shs.157,489,516,000 or 100% compared to those of year 2006/07 of Shs.131, 897,755,000. This is an alarming situation which calls for an urgent need to rectify the situation. We however noted that some cases of commitments were made in the absence of contractual obligations contrary to Reg. 85 of the Public Finance Act of 2001 (revised 2004).

Commitments not supported by contracts may lead to deferring expenditures which could have been charged to the respective financial year.

The increase of 100% calls for the attention of the government to institute controls over its commitments. Moreover, this situation

almost puts into mockery the government's approved annual budget.

#### 7.2.9 Statement of Contingent Liabilities Shs.10,480,907,000

As at the end of the financial year under review, the Government had contingent liabilities in respect of four ministries as shown below:

Name of the Ministry	Amount claimed (Shs.)
Healthy and Social Welfare	1,156,144,000
Livestock Development and Fisheries	915,308,000
Local Authority Provident Fund	1,875,167,000
Ministry of Tourism and Natural Resources	6,534,288,000
<b>Total</b>	<b>10,480,907,000</b>

However, the reported contingent liabilities in respect of LAPF lack details to support the stated amount.

#### 7.2.10 Statement of Government guarantees Shs.529,772,316,000

As at 30<sup>th</sup> June 2008 the Government had contingent liabilities in the form of Government guarantees amounting to Shs.529,772,316,000 as tabulated below:

S/N	Category of Borrower	Loan Amount Shs.'000	Amount Guaranteed Shs.'000
1.	Parastatals	367,362,995	367,362,995
2.	Small and Medium enterprises	5,868,662	2,792,035
4.	Export Guarantee Fund	175,929,028	137,028,164
5.	Refinancing Facilities	25,348,821	22,589,122
	<b>Total</b>	<b>574,509,506</b>	<b>529,772,316</b>

Section 3 (b) of the Government Loans, Guarantees and Grants Act of 1974 (revised 2004) stipulates that "The extent of the guarantee covered shall not be more than 70% of the amount borrowed". Contrary to the above provision of the law, we noted that, some of the loans guaranteed by the Government were in the average of 92% of the total loans. The analysis in the table

above, indicates that the amount borrowed by parastatals were guaranteed to the tune of 100% whereas in the Small and Medium Enterprise the guarantee was in average of 50% while in the category of Export Guarantee Fund the amount guaranteed ranged from 66%-80% and borrowers under Refinancing facilities were guaranteed on the average of 100%.

This arrangement is contrary to the above Act. In these circumstances, the Government is exposed to high credit risk of incurring large amount of money to liquidate the defaulted loans and other related costs thereon.

- (ii) Sec.13 (b) of the same Act stipulates that the organization or body corporate which benefits from such guarantee should provide adequate securities to cover the guarantee in the event of default.

However, we were not provided with a list of securities pledged by these borrowers. Further, the performance of the guarantees was not given to show performing and non performing guarantees.

Furthermore, we noted loans taken from the National Social Security Fund and guaranteed by the government by three beneficiaries tabulated below to have not been included in the consolidated statement of outstanding government Guarantees.

Beneficiary	loan amount (Bln. Shs)	% of guarantee	Guaranteed amount Bln. Shs)
Kagera sugar	7.6	100	7.6
Kiwira Coal	13.5	75	10.13
Dsm Cement Company	5.7	50	2.85
Total	26.8		20.58

Giving guarantees over and above the authorized ceiling is contrary to the above law. Non recording of these loans is a sign

of inadequate internal control over guarantees which also exposes the Government to unnecessary risks of shouldering the burden of the guarantees in situations of default.

#### 7.2.11 Statements of outstanding liabilities Shs.71,283,761,000

The consolidated National Accounts disclosed in its statement of outstanding liabilities for the year ended 30<sup>th</sup> June, 2008 Shs.71,283,761,000. Included in the amount is an amount of Shs.16,959,107 pertaining to goods and services not supported by an analysis to show the type of goods and services provided for.

In the absence of the analysis, the nature and type of the goods and services involved could not be established.

#### 7.2.12 Statement of Public Debt Shs.6,620,503,450,000

The statement of public debt as reflected in the annual consolidated accounts for the year ended June 2008 disclosed a total debt stock of Shs.6,620,503,450,000 made up of domestic debts of Shs.1,875,794,360,000 and external debts of Shs.4,744,709,090,000 as summarised under.

F/y	Domestic Debt (Shs.)	External Debt (Shs.)	Total (Shs.)
2006/07	1,832,420,670,000	3,828,710,640,000	5,661,131,310,000
2007/08	1,875,794,360,000	4,744,709,090,000	6,620,503,450,000
Increase	43,373,690,000	915,998,450,000	959,372,140,000
%	2.36	23.92	16.94

The above table show an increase of 23.92% of the external debt from that reported in year 2006/07 to the year 2007/08. On the other hand, domestic debt increased by 2.36% in year 2007/08 from that reported in year 2006/07. Generally, government debt increased by 16.94 in year 2007/08 from that reported in year 2006/07.

### 7.2.13 Foreign currency transactions not subjected to audit.

We noted that foreign currency transactions in respect of the following bank accounts were not submitted for audit for the past two years.

- MDRI
- Paris Club
- OPEC

Only balances for Escrow accounts were submitted, however the related bank reconciliations and bank statements were not submitted.

<b>NATIONAL CONSOLIDATED ACCOUNTS BASIS OF OPINION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2008</b>	
If misstatement exceeding 2% of the expenditure the accounts are qualified subject to qualitative factors.	
<b>Quantitative issues</b>	<b>(Shs.)</b>
Actual revenue reported to have been collected by TRA as against the actual collection amount reported by TRA in its financial statements differ (under stated)	80,617,298,063
The amount reported as transferred from TRA to the Exchequer Account as per the consolidated statement was understated	196,189,280,503
Statement of Contingent Liabilities was not supported with an analysis in respect the report Local Authority Provident Fund amount	1,875,167,000
Three loans taken from NSSF and Guaranteed by the government were not reflected in the consolidated statement of outstanding government Guarantees.	20,580,000,000
The consolidated National Accounts disclosed in its statement of outstanding liabilities not supported by an analysis to show the type of goods and services provided.	71,283,761,000

Total misstatement	370,545,506,566
Total (Recurrent and Development) Actual Expenditure	5,017,378,196,000
Percent of Misstated transactions and balances	7%
Qualitative issues	
<b><u>CONCLUSION AND RECOMENDATION:</u></b> The 7% of transactions and balances were noted with anomalies and misstatements. Given the size of the Council's operations and pre-set materiality level of the NAO for the current year of 2%. I therefore recommend QUALIFIED AUDIT OPINION for Consolidated Accounts of the government for the year ended 30th June 2008	

## CHAPTER 8

### PRE-AUDIT OF TERMINAL BENEFIT PAYMENTS

#### 8.0 INTRODUCTION

Pre-audit of terminal benefits is carried out by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania (URT) 1977 and Sect. 29 of the Public Audit Act No. 11 of 2008. Sect.5 (a) of the same Act requires the Controller and Auditor General to authorize the use of money paid out of the Consolidated Fund upon being satisfied that Article 136 of the Constitution has been or shall be complied with. It is thus essential to pre-audit all individual payments of the Government which can not easily be forecasted and appropriated such as terminal benefit payments.

#### 8.1 Purpose of the pre-audit

The purpose of this audit is to check the accuracy of terminal benefit payments to enable early detection of errors with the intention of ensuring that the retirees are being paid fairly. Pre-auditing is necessary, since any wrongly paid amount may not be easily recovered from retirees. It is also my duty to ensure that applicable pension laws, regulations, standing orders and schemes of service are complied with.

#### 8.2 Pre-audit coverage

The findings and recommendations contained in this report covers terminal benefits involving:-

- Civil Servants, Military Officers and Men, Teachers, and Intelligence Officers.
- Contract payments for Political leaders, Non citizens and re-appointed retired officers.
- Compassionate gratuity for non pensionable Civil Servants, and
- Gratuity for Rank and file Police officers.



However, the findings do not include civil servants whose terminal benefits are processed by the Public Service Pension Fund (PSPF), the National Service Pension Fund (NSSF); the parastatal Pension Fund (PPF); the Local Government Pension Fund (LGPF)

### 8.3 Detailed findings and recommendations

#### 8.3.1 Out-turn

During the year under audit - 2007/08, the office started the pre audit exercise with a backlog of 218 files from the previous year - 2006/07. In addition, 5,095 retirees files were received making a total of 5,313 files available for pre-audit. Out of the total work load, 5,203 files were examined, 313 were returned to the respective Accounting Officers for amendments and as at 30<sup>th</sup> June, 2008 110 files were still under examination as summarized below:-

Details	Files
Balance on 1 <sup>st</sup> July, 2007	218
Received during the year	<u>5,095</u>
Available for audit	5,313
Examined	<u>5,203</u>
Balance on 30 <sup>th</sup> June, 2008	<u>110</u>

#### 8.3.2 Over/under calculation of terminal benefits

Review of pension papers submitted noted calculation errors with over/under payments of terminal benefits. For example, out of the 5,313 pension files examined, 171 files had overstated the payable benefit by Shs.484,963,656.51 whereas 142 files were understated by a total amount of Shs.288,320,408.89 as analysed in para 1.3.2 (i) - (ii) below.

The net effect would be an overpayment of Shs.196,643,247 (Shs.484,963,656.51 - Shs.288,320,408.89) if the files had not been subjected to pre-audit. In addition, pensioners could have raised claims for the underpaid amounts. A different scenario is that the pensioners would have suffered under payment of

Shs.288,320,409 because most of them do not know how the terminal benefit are calculated.

(i) Overstated amounts Shs.484,963,655.94

The over stated amount of Shs.484,963,656.51 was occasioned by 3 main reasons as explained below:

NO.	SUBJECT	NUMBER OF CASES	AMOUNT (SHS)
1.	Period overstated	74	234,057,634.85
2.	Wrong calculations	64	168,814,535.93
3.	Overstated salaries	32	82,091,485.16
	Sub-total amount	171	484,963,655.94

(ii) Understated amounts Shs.288,320,408.89

The under stated amount of Shs.288,320,408.89 was brought about to three reasons explained below:

NO.	SUBJECT	NUMBER OF CASES	AMOUNT (SHS)
1.	Period understated	62	133,430,369.10
2.	Wrong calculations	15	34,953,499.63
3.	Understated salaries	66	119,936,540.16
	Sub- Total Shs.	143	288,320,408

(iii) Net amount (i) - (ii)

NO.	SUBJECT	AMOUNT (SHS)
1.	Overstated amount	484,963,655.94
2.	Understated amount	288,320,408.89
	Net amount	196,643,247.05

### 8.3.3 Problems encountered during the year under audit

During the year under audit, my Office faced several problems including:

(i) Operational problems, and

- (ii) Misinterpretation of relevant pension laws, regulations and related laws by various stakeholders.

Specifically, the main problems faced were:

- Using wrong salaries as a basis of calculating terminal benefits
- Combining pensionable terms and contract terms
- Wrong interpretation of terminal benefit laws by some officers handling pension matters thus making conflicting resolutions.
- Non compliance with pension laws
- Delay in submission of pension papers for audit
- Incomplete documentation to support proposed pension payments.

- (i) Using wrong salary as a basis of calculating terminal benefit payments

Pension laws require the last salary paid to an employee while in the civil service to be used as one of the basis of calculating terminal benefits. However, there were several cases noted whereby personal salaries of some employee who have been appointed to work outside the civil service during their term of employment e.g. working in Government Agencies or appointed to political posts were used as a base of calculating terminal benefits.

- (ii) Double claims of terminal benefits (Pension plus contract benefits)

Some public officers, during their employment period were appointed to different posts under contract terms and at the same time maintaining their pension term status. At the time of retirement, these employees ended up being paid double terminal benefit i.e. contract gratuity and pension for the same

period of service. This is contrary to the terminal benefits laws which restrict double payment of terminal benefits.

(iii) Conflicting approvals by different government authorities

We noted that, different authorities were resolving some terminal benefits cases without observing laws and Regulations governing payments of pension.

For example; authorizing a retiree to be paid terminal benefits basing on replaced laws instead of the prevailing pension ones.

(iv) Non compliance with pension laws

We noted cases whereby terminal benefits of some employees who were seconded or attached to different institutions were calculated basing on the laws governing terminal benefits under those institutions they last served. Nevertheless, the right applicable laws and salaries should be these of basic employer and in this case, the Civil Service.

(v) Delay in submission of pension papers for audit

Pension laws require the process of payment of terminal benefits to start 6 months before retirement dates. This requirement is aimed at finalising the preparation, audit and payment formalities well in advance to insure retirees are paid on the due dates. To the contrary, most of the terminal benefit papers are received by my office for pre-audit some months or years after the retirement dates.

(vi) Incomplete documentation

Several pension files are submitted for audit examination incomplete. Under the circumstances, the claims cannot pass through the pre audit exercise be passed for payment and such papers, have to be returned for rectification. Incomplete documentation has the effect of delaying the whole pension processing procedure thereby frustrating the objective of timely payments of pension to retirees process and the objective of timely payments to the retirees is frustrated.

## The way forward

In order to resolve some of these problems and other issues pertaining to the specify and efficient processing of terminal benefits, I called a stakeholders meeting, on 07<sup>th</sup> August 2008. A high ranking level of officials from the following offices attended the meeting: the President's Office - Public Service Management, President's Office State House, Ministry of Finance and Economic Affairs, Ministry of Home Affairs, Ministry of Defense and National Service, Chief Executives of all the Pension Funds and Social Security Funds. Other invitees were: the Public Service Commission and Human Rights and Constitutional Affairs.

This meeting came up with the following main recommendations:

- (i) Terminal benefits processors to observe terminal benefit laws and regulations governing terminal benefits and ensure terminal benefit papers are complete. This is a way of speeding up terminal benefit payments.
- (ii) The President's Office - Public Service Management was advised to appoint a desk officer who shall coordinate all matters pertaining to retirees and terminal benefits in the public Service.
- (iii) The government should look into a possibility of improving the terminal benefit package through enhancement of the current factor of 15.5. This factor is one of the basis of computing terminal benefit which was last raised from 12.5 to 15.5 in 1991.
- (iv) Employers are required to keep proper records of employees and to educate them on terminal benefits laws, regulations and other related matters.
- (v) There is a need of conducting regular actuarial valuation of all Social Security Funds in the country.

## CHAPTER 9

### CONCLUSIONS AND RECOMMENDATIONS

#### 9.1 Conclusions

The enactment of the Public Audit Act has broadened this year's audit of MDAs/RAS/Embassies/Missions and Donor Funded Projects, as the Act required me to perform audit of not only financial statements, and value for money, but also to include forensic and environmental audits.

During the year under review, audit themes were also expanded to include, risk assessment, payroll and IT audits.

In actual fact the audit done by my office this financial year 2007/2008 is what is known as comprehensive audit. In the coming years, it is the intention of the office to perfect the system and widen the audit scope in such a manner as to continue to effectively enhancing the accountability of the use of public resources in the country.

The capacity of my office will be enhanced in terms of training, increased number of staff, office accommodation so as to meet the growing challenge including the decision reached by the Government on Decentralization by Devolution (D by D). I worked very closely with all stakeholders including the Oversight Committees of the Parliament whose recommendations are part of my concluding remarks.

Inputs from our auditees regarding quality and improvement of this report were taken into consideration. Contribution in terms of ideas and challenges from INTOSAI cannot be overemphasized. The outcome of this working cooperation is the timely submission of this General report to His Excellency the President of the United Republic of Tanzania (URT) Jakaya Mrisho Kikwete who will cause it to be tabled in Parliament.

Remarkable improvements were noted this financial year in terms of financial reporting in the sense that all the audited accounts were prepared and presented in accordance with the

International Public Sector Accounting Standards (IPSAS) - cash basis of accounting.

The outcome of the audit of the financial statements for MDAs/RAS and Missions/Embassies in the year 2007/2008 has shown that there has been a decrease in Unqualified Opinions from 73% in the financial year 2006/2007 to 71% in the financial year 2007/2008.

Qualified Opinions have decreased from 26% in the financial year 2006/2007 to 25% in the financial year 2007/2008. Adverse Opinion have increased from 1% in the financial year 2006/2007 to 5% in the financial year 2007/2008.

The above outcome was a result of widening the scope of audit in terms of coverage and an indicator of inadequate financial management and control, including inadequate concentration in implementing my recommendation which leads into them being issued with Adverse Opinion.

Analysis of audit results revealed that out 70 MDAs and RAS, forty nine (49) or 70% were issued with Unqualified opinion with matters of emphasis, while eighteen (18) or 25% of all MDAs/RAS were issued with Qualified opinion.

Three (3) or 4.3% of Votes performed badly and accordingly were issued with Adverse opinion. Those were Votes No.60, 93 and 99.

Status of opinion for Embassies/Missions revealed that eight (8) or 25% were issued with Unqualified opinion without emphasis of matter while fourteen (14) or 43.7% were issued with Unqualified opinion with emphasis of matter. Two (2) or 6.2% of the Embassies/ Missions who performed badly were issued with Adverse opinion. Those are Abuja - Nigeria and Rome - Italy

Revenue collected by the TRA has indicated a remarkable increase in the past three years of 2005/2006 to 2007/2008 as shown in Chapter 7 Para 7.1.3. Apart from the over collection of 90 billion recorded this financial year, tax exemptions granted by the Government during the year under review added to Shs.754,316,200,000 or 21.2% of the total revenue collections, indicating that TRA could have collected more revenue save for the massive tax exemptions been granted.

Nevertheless, it has become apparent that the Government tax revenue has shown a growing trend, and TRA is advised to widen the tax base. All efforts should be exerted by all parties to ensure that the available non-tax revenue is equally thoroughly pursued. All potential non-tax revenue sources not yet tapped should be brought into the fold.

Budget performance on the expenditure pattern indicate that there was unspent balance on issues with the Paymaster General's Account at the Bank of Tanzania (BoT), which defeats the spirit of cash budget and the adherence to the Medium Term Expenditure Framework pattern. More so, like previous year outcome of the audit, Government expenditure has increased by far compared with revenue collected.

Changes in the structure of salaries for Civil Servants has resulted into huge accumulation of liabilities as analysed at Para 5.3.8 of my report.

Furthermore, there was material increase in the outstanding Government commitments as at 30<sup>th</sup> June, 2008 which if not controlled will result to the execution of two parallel budgets within one financial year.

In spite of mentioning the problems of lack of standardization of Government motor vehicles, furniture acquisition, inadequate control of motor vehicles in my previous report as possible causes of excessive recurrent expenditure of the Government, no serious measures have been taken by the Government to address these problems.

Procurement is a dominant activity in Central Government which takes a substantial part of Government expenditure which is between 70% to 80%. Considering the magnitude of the funds that goes into procurement and looking at the extent of non compliance with procurement laws that audit tests found, it is obvious that MDAs/RAS have not got to the point of effectively managing procurements. Ineffective management of procurements in its broad sense means conducive environment for losses, misappropriations, corruption and poor performance of procurement contracts as pointed out in this report.



It has come out very clearly from the audit that Government is weak in controlling procurement of furniture for its entitled officials. In most cases, the furniture for Government houses have been procured based on the taste/need of users due to non compliance with standardized furniture entitlement and procurement procedures.

Pre-audit of terminal benefits is one of my responsibilities of the controllership of public resources. From the matters I have reported in this report, I conclude that arrangements of paying terminal benefits to retirees are still inefficient. There is significant non compliance to laws governing terminal benefits and use of inaccurate information in arriving at the payable terminal benefits.

Regarding audit of donor funded projects during the year under review, audit of Basket Funds, Road Funds, TASAF, Agriculture Sector Development Programme, Global Funds and Water Sector were conducted in all the Local Councils and separate reports and management letters issued to the management of the respective Councils.

Audit results are reported in my general report of the Local Government Authorities.

Recommendations in my previous years report on donor dependency budget financing bore fruits as the Government has allocated more funds from recurrent budget to development budget from Local taxes in the ongoing budget of 2008/2009 which presumably will show positive impact.

According to the statement of performance submitted along with the financial statement on the National Debt, we observed that during the year under review, the Government increased both its Domestic and Foreign Debts by Shs.43,373,690,323 (2.4%) and Shs.915,998,462,558.99 (24%) respectively, implying the expansion of the Government activities which corresponds positively with the growth of the economy.

The down turn in global growth, decline in most commodity prices, decrease in foreign aids and tighter credit which are the result of the ongoing global financial crisis, have significantly worsened the economic outlook for Sub-Saharan Africa, where

most of the economies are donor dependent. In Tanzania, we have started experiencing the crisis through the key indicators of the economy.

## 9.2 Recommendations

Based on the above conclusions drawn from this year's audit, I put forward the following recommendations for improvement on the financial management and control of financial and other resources in the MDAs, RAS, and our Embassies/Missions as follows:

### (i) Implementation of Auditors recommendations

All Accounting Officers and any other Officers entrusted with public resources who receives my audit reports should adhere to Sect.40 of the Public Audit Act which requires them to respond to my annual reports and prepare action plan of the intended remedial actions for submission to the Paymaster General.

In line with the above recommendation, the role of the Oversight Committees of Parliament should be strengthened and ensure that their reports and recommendations are implemented by the Government.

### (ii) Ensuring compliance with laws and reporting frameworks

Accounting Officers are urged to institute strong control systems in their entities so as to safeguard public resources. Further, efforts by the Accountant General on the adoption of International Public Sector Accounting Standards (IPSAS) - cash basis of accounting for the first time this financial year should be commended and supported in terms of making available adequate resources and ensure that the concepts are clearly understood among personnel of the entities so that the financial statements prepared can be fully compliant with the applicable financial reporting standards.

### (iii) Strengthening discipline in Government expenditures

This year's audit report (2007/08) has continued to indicate lack of adequate discipline in Government's expenditure pattern as pointed out in my previous reports. To minimize unnecessary

expenditure, the Government should channel the available resources according to its agreed national priorities. The Government should work hard to ensure that the impact of revenue and economic growth at large can easily be felt by all Tanzanians. This can be achieved through the following:-

- The Government should review motor vehicles procurement policy to minimize the unnecessary avoidable costs. It has to come up with standardized motor vehicles/furniture's and institute control's on fuel consumption. Allocation of motor vehicles to entitled officers should carefully be re-visited as a measure to minimize costs.
- Every Accounting Officer should identify training needs and develop annual training plans beneficial to the entities. I urge Accounting Officers to find ways of making training /seminars /workshops more beneficial to the running of the Government. There should be value for money derived to the Government for every training undertaken.

It is imperative that the government strive to control both domestic and foreign debts particularly given the cash budget and the IFMS we are currently using. The mushrooming domestic debt should be discouraged by the Accounting Officers. Likewise, on foreign debt, the Government should widen the tax base for maximum tax collection which ultimately will enable the Government to finance to a larger extent its Development budget and reduce its reliance on foreign funding whether be it aid or borrowing.

(iii) On Global financial crisis, the Government has to address the following:

- Collection of taxes

Efforts should be intensified by all bodies responsible with tax collection as the current collection is less than 50 percent of all the monies supposed to be collected from key areas - including mining, tourism, agricultural goods, fishing, industrial goods, merchandising etc.

- Financial discipline

There is a need for controlling expenditure by identifying priorities for financing rather than the current trend where

priorities are not defined in the budget process. Multiplicity of allowances to the public servants, unnecessary foreign trips by high Authorities should be reviewed to save the meager forex and local monies from tax payers which ultimately will be channeled to development activities.

- Economic policies  
Strengthening economic policies and ensure good governance in all sectors of the economy.
  - Investment  
Deliberate efforts are needed to create conditions that would attract private investments.
- (v) Strengthening of procurement process

Government expenditure pattern has indicated that about 80% of the development budget is spent on procurement. Non compliance with procurement laws heavily attracts losses and encourage corruption. Therefore, Accounting Officers are urged to observe the responsibilities vested in them by Sect. 8 of the PFA No.6 of 2001 (revised 2004). They should further observe their responsibilities imposed by Reg.44 of the Public Procurement (Selection and Employment of Consultants) Regulations 2005. In view of the laws referred to, I recommend that Accounting Officers should take disciplinary action against staff who mismanages procurement under their votes.

More importantly, procurement contracts, which was adequately covered during audit has shown serious weaknesses which should be managed more effectively from the initial stage to their completion. Specifically, procurement contracts must adhere to the requirements of Reg.121 of the Public Procurement (goods, works, non - consultant Services and disposal of public assets by Tender) Regulations 2005.

The Government and Development Partners need to support PPRA in its endaeover of ensuring that more and more Procuring Entities comply with the Act and the Regulation. This shall be possible through

provision of adequate funds to implement various capacity building and monitoring intervention already developed to PPRA.

(vi) Improving terminal benefit payments

The GoT through Treasury is urged to analyse and identify all problems that lead into inconveniences of retirees during follow up of their terminal benefits. Frequent review of terminal benefit is encouraged to match them with inflationary effects and cost of living index in line with the spirit of National strategy on Poverty Eradication (MKUKUTA)

(vii) Increase control over donor funded projects, Agencies, Programmes and the Embassies/Missions

Accounting Officers of the Ministries are supposed to enhance control in management of the donor funded projects, Government Agencies, Programmes and the Embassies/Missions which are under the Ministry of Foreign Affairs and International Cooperation. Accounting Officers are further required to ensure timely submission of financial statements for audit and the Government should take disciplinary actions on any Accounting Officer responsible for financial mismanagement.

Sub Accounting Officers in the Embassies/Missions should observe the Appropriation Act and refrain from expenditure above the approved budget.

All revenues collected from VISA fee and from any other source should be credited to the Paymaster General's Account.

(viii) Strengthening of the internal audit function

The internal audit function needs to perform its duties independently from the Accountant General's Office. To this end therefore, I strongly urge the government to heed to my earlier recommendation of establishing an Internal Audit Directorate at the Ministry of Finance and Economic Affairs to report directly to the Paymaster

General. Concerning internal control system, I recommend that management of MDAs/RAS should comply with laws, regulations and procedures. I would like to emphasize the role of the internal audit unit as the overseer of all other controls in an entity. To be able to conduct its functions of checking various aspects of functioning of the MDAs/RAS including its budgeting, accounting and resources management processes with reference to the relevant rules and orders, it is essential that the Internal Audit Unit is manned by staff who are appropriately trained and qualified.

(ix) Early risk assessment and mitigation

Risk management was accorded due attention during this year's audit for reasons that the absence of risk management plan may weaken overall structure of internal control systems. In this regard, it is recommended that the MDAs and RAS should design and institute adequate mechanism of risk assessment, grading of risk, analysis of the impact as well as control activities for monitoring and mitigating this risks.

(x) Review of revenue retention schemes

The Government should review and revisit the applicable retention schemes currently in place e.g TANAPA and NGORONGORO Conservation Area Authority.

Further, revenue collection in our Embassies/Missions should clearly be controlled by the Ministry of Finance and Economic Affairs including restatement of the retention rates. In this regard, I strongly urge compliance with Article 135 of the Constitution of the URT (1977) and Sect.11 of PFA 2001 (revised 2004) which requires all public revenue to be credited to the Consolidated Fund.

a. Mis - management of Government Properties

Most of the offices and residential houses of most of our Embassies are in terrible conditions. Others are almost abandoned eg. Lusaka, Pretoria, Maputo etc. The situation of these offices/houses is so bad that one wonders as to who or which Ministry/Department of the

Government is responsible for these Government properties? Is it the Ministry of Foreign Affairs and International Cooperation, is it the Ministry of Infrastructure Development or is it the Tanzania Building Agency? I think it is important for the Government to clearly assign responsibility of these houses to an entity which should be held responsible for their upkeep.

- b. **Preparation for the opening of the Umoja Bridge**  
The Umoja Bridge is being constructed by the two Governments of Tanzania and Mozambique. This bridge is expected to be completed towards the end of this year. We are aware that the Government of Mozambique is working very hard in putting the necessary infrastructure on their part of the bridge. I would strongly recommend that the Government of the URT start preparing for the official opening of the bridge by putting the necessary infrastructure in place eg. Customs House, Immigration Office; Police post etc including the provision of critical amenities like power and water.

**ANNEXURE**

**ANNEXTURE I**

**OUTSTANDING MATTERS FROM PREVIOUS YEARS AUDIT REPORT**

Vote	Ministry/Independent Dept/Region	2007/2008		2006/2007	
		JPY	Shs.	TShs	Euro
23	Accountant General's Department		958,476,612	2,572,937,325	0
22	Public Debt and General Services		657,297,268,712	0	0
26	Vice President's Office		0	459,294,956	0
28	Police Force		23,006,894,235	3,581,779,288	0
29	Prison Service Department		8,557,606,793	302,926,716	0
32	Public Service Management		0	4,556,342,481	0
34	Ministry of Foreign Affairs and International Cooperation		209,900,000	2,015,430,364	5,924
37	Prime Minister's Office		1,383,210,994	1,715,009,555	0
38	Ministry of Defence and National Service (Ngome)		0	2,984,556,286	0
39	National		954,745,087	1,646,733,473	0



	Service				
40	Judiciary		609,468,772	570,588,273	0
41	Ministry of Constitutional Affairs and Justice		35,970,523	0	0
42	Office of the National Assembly		4,264,701,311	0	0
44	Ministry of Industry Trade and Marketing		129,063,000	0	0
46	Ministry of Education and Vocational Training		1,242,586,802	844,528,238	0
48	Ministry of Land		236,988,525	106,191,380	0
49	Ministry of Water		1,796,773,904	3,106,953,054	0
50	Ministry of Finance and Affiliated Bodies	17,139,499,858	263,211,606,702	0	0
51	Ministry of Home Affairs		4,577,860,148	0	0
52	Ministry of Health and Social Welfare		39,069,800	1,343,689,052	0
53	Ministry of Community Development Gender and Children		253,444,406	0	0
57	Ministry of Defence and National		7,568,619,817	1,128,888.700	0

	Service				
58	Ministry of Energy and Minerals		53,001,303	12,248,019,053	0
65	Ministry of Labour Employment and Youth Development		0	393,592,144	0
22	Public Debt and General Service		657,297,268,712	0	
69	Ministry of Natural Resources and Tourism		192,330,868	0	
93	Immigration Service		48,673,383,426	20,028,592,292	
94	Public Service Commission		459,294,956	459,294,956	
96	Ministry of Culture Information and Sports		33,097,500,807	2,474,284,909	
98	Ministry of Infrastructure Development		51,323,988	0	
99	Ministry of Livestock Development and Fisheries		1,216,100	0	
92	Tanzania Commission for Aids		16,030,000	0	
70	Arusha		4,422,000	0	
71	Coast		7,395,000	44,155,000	

72	Dodoma		0	32,216,292	
73	Iringa		4,767,254	0	
74	Kigoma		8,863,090	0	
75	Kilimanjaro		105,319,138	0	
76	Lindi		40,668,159	0	
78	Mbeya		18,922,426	43,568,746	
80	Mtwara		232,195,322	1,122,087,299	
81	Mwanza		125,490,563	0	
82	Ruvuma		178,957,361	221,309,455	
83	Shinyanga		18,747,766	0	
85	Tabora		0	2,356,300	
86	Tanga		689,377,175	0	
89	Rukwa		3,027,570	0	
95	Manyara		648,099,294	498,803,512	
	Sub Total		0	24,926,668,761	5,924
	Grand Total	17,139,499,858	1,036,225,348,815	64,504,129,099	5,924

## Funding analysis for MDAs and RAS

Ministry	Vote	Amount received		Unspent balance	
		Supply	Development	Supply	Development
Ministry of Finance and Economic Affairs	50	153,600,231,313	14,277,046,851	98,355,073	72,882,771
Ministry of Defence and National Service	57	9,327,027,000	54,028,000,000	-	-
Ministry of Information, Culture and Sports	96	11,611,993,897	5,121,745,680	1,533,809	7
State House	30	5,891,233,000	-	102,837	-
Prime Minister's Office	25	3,326,718,300	-	2,518,300	-
President's Office and Cabinet Secretariat	30	130,892,608,003	65,136,530,846	541,578	1,704,423
Vice President's Office	31	36,209,074,257	7,015,291,002	2,184,110	505,574
Prime Minister's Office and Affiliated Bodies	37	11,695,070,000	18,355,880,000	9,690,000	-
Defence	38	207,624,284	-	-	-
Labour Court	60	724,400,000	225,655,000	415,999	-
National Electoral	61	15,878,842,019	-	17,138,755	-
Political parts	27	18,167,289,000	-	8,786,730	0
Drug Control Commission	91	1,111,802,000	-	1,351,000	-
Law Reform	59	810,085,885	-	12,761,918	-
TACAIDS	92	3,489,144,987	29,808,857,912	-	-
Ministry of Community Development Gender and Children	53	7,087,322,533	3,097,347,000	949,109	1,519,218
Ministry of Justice	41	7,688,834,343	7,221,353,491	395,631	3,087,948
Prison Service Department	29	68,240,802,948	2,400,000,000	127,247,638	4,445,250
Land Court	90	813,086,450	-	-	-
Public Service Commission	94	5,933,081,139	-	3,717,139	-
Public Debt	22	561,123,561,140	-	-	-
Ministry of livestock Development	99	12,103,307,000	5,487,561,000	101,512,000	75,844,000
East African Cooperation	97	8,073,301,303	-	113,524,973	-
Ethics Secretariat	33	1,239,454,000	-	799	-
Ministry of Labour and Youth Development	65	6,366,564,658	3,056,648,920	371,378	-
Ministry of Agriculture and Food Security	43	72,813,830,000	55,229,890,000	2,838,060,000	1,124,830,000
Ministry of Health and Social Welfare	52	175,984,245,538	118,182,866,054	-	-
Ministry of Foreign	34	79,263,648,037	-	1,457	-

Affairs and International Cooperation					
Human Rights	55	2,359,569,255		Nil	-
Accountant General Department	23	91,958,999,539	4,638,226,418	9,679,551	21,335,466
National Assembly	42	46,009,940,000	162,000,000	254,160,000	-
Ministry of Industry, Trade & Marketing and Affiliated bodies	44	16,388,268,000	5,550,722,000	11,399,000	125,015,000
National Audit Office	45	10,016,702,000	648,770,000	0	0
Planning, Economy and Empowerment	66	20,485,976,530	22,758,706,470	194,080	188,670
Communication Technical Science	68	243,624,685,803	39,847,950,068	10,50,979	7,26,372
Vice President's Office	26	3,057,750,060	-	-	-
Ministry of Energy	58	40,557,220,000	28,645,148,000	29,853,000	9,599,000
Ministry of Water	49	22,193,236,000	129,795,334,000	161,606,000	92,717,000
Ministry of Education and Vocational Training	46	138,974,330,000	92,726,430,000	458,900,000	19,670,000
Ministry of Natural Resources and Tourism and Affiliated bodies	69	31,977,881,376	15,453,454,545	121,215,246	120,459,847
PMO - RALG	56	84,666,283,958	15,893,997,112	1,879,734	-
Arusha	70	32,835,799,422	1,119,291,000	16,994,147	2,250
Coast	71	26,827,767,341	1,578,181,575	34,755,851	0
Dodoma	72	38,477,662,081	1,273,190,000	933,000	274,117,000
Iringa	73	41,099,251,6626	5,288,573,505	3,657,500	1,000
Kigoma	74	31,106,002,309	1,272,965,800	1,193,806	8,275
Kilimanjaro	75	48,714,652,405	1,094,949,594	403,000	563,252,000
Lindi	76	21,235,373,166	1,314,499,000	1,318,200	578,894,600
Mara	77	34,281,561,188	29,061,845,741	0	146,000
Mbeya	78	49,948,229,896	3,715,230,122	55,000	0
Morogoro	79	42,527,720,154	2,975,639,065	1,641	99,235
Mtwara	80	26,377,569,235	1,810,289,870	7,143,444	34,498
Mwanza	81	58,253,966,590	2,475,160,534	1,640,000	0
Ruvuma	82	29,797,712,875	1,455,634,913	59,000	3,000
Shinyanga	83	53,112,377,143	1,199,624,653	5,243	105
Singida	84	2,355,054,278	459,005,000	2,225,004	0
Tabora	85	34,105,754,198	1,173,296,000	484,930	0
Tanga	86	42,402,420,457	2,385,380,185	2,650,558,143	4,942,860,111

Kagera	87	41,728,665,394	1,090,228,764	49,269.00	12,987
Dar Es Salaam	88	51,115,216,846	872,100,000	908,000	1,167,000
Rukwa	89	25,708,637,091	1,034,501,000	(24,994)	0
Manyara	95	24,899,515,682	3,617,177,554	4,666,000	270,000
<b>TOTAL</b>		<b>3,261,921,432,591</b>	<b>811,032,176,244</b>	<b>7,117,073,023</b>	<b>8,034,672,235</b>

*Annexure II (b)*

**OUT TURN FOR EMBASSIES/MISSIONS FOR THE FINANCIAL YEAR E ENDED 31st JUNE,2008**

<b>Name of Mission/ Embassy</b>	<b>Approved Estimates (Shs)</b>	<b>Net Expenditure (Shs)</b>	<b>Over-Expenditure (Shs)</b>	<b>Under-expenditure( Shs)</b>
Brussels	1,139,332,800.00	2,208,044,174.00	1,068,711,374.00	
Saud Arabia	700,085,996.00	692,857,000.55	-	(7,228,995.45)
Lilongwe	573,110,300.00	743,877,055.00	170,766,755.00	-
Moscow	1,176,318,421.78	1,122,076,512.77	-	(54,241,909.01)
Beijing	841,729,000.00	1,277,465,084.00	435,736,084.00	-
Paris	1,728,685,490.76	2,432,351,551.37	703,666,060.61	-
London	1,575,508,800.00	3,311,907,348.00	1,736,398,548.00	-
Pretoria	903,185,100.00	1,255,840,548.00	352,655,448.00	-
Canada	1,270,269,700.00	1,018,613,979.00	-	(251,655,721.00)
Washington	1,470,547,601.00	2,007,753,662.00	537,206,061.00	-
Bujumbura	725,887,044.00	698,141,762.00	-	(27,745,282.00)
Abudhabi	1,050,436,000.00	1,482,289,396.00	431,853,396.00	-
Rome	1,271,750,330.00	1,751,247,020.00	479,496,690.00	-
New Delhi	1,482,023,530.00	1,079,283,107.00	-	(402,740,423.00)
Muscat	677,104,800.00	512,298,482.00	-	(164,806,318.00)
Maputo	633,844,014.00	585,371,123.00	-	(48,472,891.00)
Stockhom	1,181,476,400.00	1,539,362,496.00	357,886,096.00	-
Abuja	573,837,800.00	792,434,401.00	218,596,601.00	-
Kigali	559,182,900.00	616,812,290.33	57,629,390.33	-
Berlin	1,408,283,846.00	1,691,600,760.00	283,316,914.00	-
New York	3,121,885,388.00	2,905,562,581.00	-	(216,322,807.00)
Harare	787,684,486.20	694,104,010.30	-	(93,580,475.90)
Geneva	2,197,949,539.00	2,067,217,263.00	-	(130,732,276.00)
Tokyo	1,310,598,600.00	1,316,320,859.25	5,722,259.25	-
Nairobi	1,470,140,709.00	1,257,028,121.00	-	(213,112,588.00)
Brasilia	806,650,300.00	1,115,360,911.00	308,710,611.00	-
Kampala	635,304,500.00	740,462,657.65	105,158,157.65	-
Kuallar Lumpur	599,075,395.00	891,456,818.00	292,381,423.00	-
Lusaka	656,012,900.00	735,446,272.00	79,433,372.00	-
Cairo	550,889,900.00	560,389,163.43	9,499,263.43	-
Kinshasa	639,854,040.00	768,731,597.00	128,877,557.00	-
Addis ababa	797,715,500.00	949,009,479.00	151,293,979.00	-
<b>Total (Shs)</b>	<b>34,516,361,130.74</b>	<b>40,820,717,484.65</b>	<b>7,914,996,040.27</b>	<b>(1,610,639,686.36)</b>

**ANNEXURE III (a)**

**SUPPLY VOTE - REGIONAL ACCOUNTS**

VOTE	NAME	ACTUAL FUND RELEASED	AMOUNT OF FUNDS SPENT
		2007/2008	2007/2008
70	Arusha	40,432,695,865.00	40,416,345,341.00
71	Coast	35,285,219,315.00	35,250,463,464.00
72	Dodoma	45,471,865,000.00	45,470,932,000.00
73	Iringa	51,104,118,000.00	51,050,871,910.00
74	Kigoma	34,887,526,696.00	34,886,332,890.00
75	Kilimanjaro	58,904,958,000.00	58,904,555,000.00
76	Lindi	26,279,821,461.00	26,278,503,261.00
77	Mara	43,026,865,000.00	43,026,865,000.00
78	Mbeya	61,658,791,000.00	61,658,736,000.00
79	Morogoro	52,853,942,055.00	52,853,940,414.00
80	Mtwara	32,417,557,444.00	32,410,414,000.00
81	Mwanza	70,869,708,000.00	70,868,068,000.00
82	Ruvuma	36,801,957,000.00	36,801,898,000.00
83	Shinyanga	59,855,099,366.00	59,855,094,123.00
84	Singida	30,729,757,698.00	30,727,502,694.00
85	Tabora	39,621,295,092.00	39,620,810,164.00
86	Tanga	53,530,027,334.00	50,879,469,191.00
87	Kagera	48,845,472,384.00	48,845,423,115.00
88	Dar Es Salaam	60,164,558,000.00	60,163,650,000.00
89	Rukwa	29,650,437,058.00	29,650,462,052.00
95	Manyara	30,713,988,000.00	30,709,322,000.00
	<b>TOTAL</b>	<b>943,105,659,768.00</b>	<b>940,329,658,619.00</b>

## OUTSTANDING ITEMS IN BANK RECONCILLIATION STATEMENTS

VOTE	NAME	RECEIPT IN C/BOOK NOT IN BANK	UNPRESENTE D CHEQUES	PAYMENTS OTHER THAN UNPRESE- NTED CHEQUES	DEBIT IN BANK NOT IN C/BOOK	RECEIPT IN BANK NOT IN C/BOOK
98	Ministry of Infrastructure Development	3,895,717	49,440,995,365		0	0
23	Accountant Genera's Department	3,000,000	955,486,612	3,000,000	0	0
28	Police Force Department A/C No.11:2301 Revenue Account Local	593,712  456,607,710	969,377,417	1,061,643,261	3,541,708,372  19,813,528	10,623,200  491,916,466
69	Ministry of Natural Resources and Tourism Development account Deposit account	49,019,173  236,949,247  0		236,649,247  331,367,127  6,256,800		3,037,524,829
99	Ministry of Livestock Development and Fisheries Supply vote Deposit account Development account	  3,105,131 4,915,633 2,855,338	  0 0 101,666,000	  0 0	  0 0	  0 0
58	Ministry of Energy and Minerals	0	0	0	0	1,373,018,246
93	Immigration Account No.02011100179 Account No.011105010480	7,575,000  43,287,750				
50	Ministry of Finance and Economic Affairs A/c No.16140 A/c No. 1901 A/c No.61:41		271,647,555 1,082,904 7,444,302	749,551,649 707,377,674 62,834,200	  0	  0
29						
	Total	840,904,407	51,747,899,938	3,158,674,958	3,561,521,900	4,947,632,297



## OUTSTANDING COMMITMENTS AND LIABILITIES

MDA/RAS	Creditors/ Liabilities	COMMITME- NTS	GUARANTEES	LOANS
23 ACGEN	835,150,000	1,769,360,000	0	0
31 Vice Presidents Office	995,722,475	1,933,684,000	0	0
32 Public Ser Management	191,091,542	0	0	0
33 Ethics Sect	483,153,410	0	0	0
34 Foreign	0	0	0	0
50 MOFEA		486,317,160	367,362,994,850	480,054,149,710
51 Home Affairs	185,896,080	1,540,741,798	0	0
52 Health and Social Welfare	1,196,605,333	5,415,928,946	1,360,227,027	713,320,478
53 Com. Dev. Gender and Children	107,110,881	-	0	0
55 Commission for Human Rights and good governance	84,400,000	0	0	0
56 PMO-RALG	0	0	0	0
57 Defence and National Service	36,470,440	24,281,000	0	44,433,787
58 Energy and Minerals	348,146,000 227,890,000	0	-	0
59 Law Reform	0	0	0	0
60 Labour Court	0	0	0	0
61 National Electoral Commission	31,603,913	0	0	12,220,024
64 Constitutional Affairs	64,348,640	0	0	0
65 Labour, Employment Youth development	932,350,000	1,346,190,000	0	0
66 Planning, Economy and Empower- ment	121,403,230	0	0	0

68 Communicatio n Science and Technology	0	0	0	0
69 Natural Resources	0	38,500,000	0	0
91 Drug Com	12,772,480	0	0	0
92Tan Com for Aids	-	0	0	0
93 Home Affairs- Immigration Dept	3,877,470,00 0	542,800,000	0	0
94 Public Service Commission	0	0	0	0
96 Information Culture and Sports	129,419,790	3,093,338,131	-	0
97 East Africa	54,583,180	59,859,480		
98 Infrastructure Dev	90,000,000,000	0	0	0
99 Livestock Dev and Fisheries	2,103,997,00 0	804,345,000	0	0
85 TABORA	237,470,670			
74 KIGOMA				
73 IRINGA	13,862,460			
86 TANGA	134,775,000			
82 RUVUMA	259,604,000			
89 RUKWA				
81 MWANZA	73,005,000			
95 MANYARA	204,000,000			
78 MBEYA	164,289,000	178,000,000		
88 DAR	602,000,000			
70 ARUSHA	399,799,989			5,983,794
80 MTWARA	156,310,740			
77 MARA	163,653,000			
79 MOROGORO	337,605,299			
75 K'NJARO	245,743,590			
76 LINDI	171,544,260			
57 DEFENCE	36,470,440	90,706,377.5		
48 LANDS	445,420,050			
99 LIVESTOCK	2,103,997,0 00	804,345,000		
72 DODOMA				
71 COAST				
83 SHINYANGA				
87 KAGERA				

84, SINGIDA	71,202,546.			
90 JUDICIARY	17,542,750.			
37 PMO's	160,520,000			
38 Ngome	1,801,687,000			
44 Industries	757,573,000			
40 Judiciary	1,758,420,532.			
41 Justice	279,396,692.			
42 Bunge				
49 Water	676,862,000	430,687,000.		
46 Education	5,719,180,000			
43 Agriculture	6,053,780,000	1,058,640,000	916,500,000	
25 PMO	37,140,000			
28 POLICE	3,354,130,000.	2,024,920,000.		20,000,000
27 POLITICAL Parties	22,811,640,			
30 CABINET	129,000,000.			
29 PRISONS	10,966,651,514.	1,781,128,427		
26 VP's	102,801,090.			
TOTAL	267,575,940,653	23,423,772,319	369,639,721,877	480,850,107,793

## IMPROPERLY VOUCHED EXPENDITURE SHS. 16,847,293,994

Vote	Ministry/Independent Department/Region	2006/2007	2007/2008
		Amount (Shs)	Amount (Shs)
25	Prime Minister's Office	5,867,496	21,840,907
27	Political Parties	0	32,450,179
28	Ministry of Home Affairs	0	74,110,000
29	Prisons Service Departments	0	824,563,334
30	Presidents Office Cabinet Secretariat	0	78,753,433
32	Public Service Management	46,050,659	791,942,234
34	Ministry of Foreign Affairs and International Cooperation - Tanzania Embassy Bujumbura	0	13,150,800
37	Prime Minister's Office	39,009,665	0
38	Defence - (Ngome)	381,532,247	0
39	National Service	3,045,290,483	0
40	Judiciary	458,695,135	0
42	Office of the Speaker	183,531,035	526,023,058
43	Ministry of Agriculture	0	36,001,035
44	Ministry of Industry, Marketing and Trade	0	57,994,259
46	Ministry of Education and Vocational Training	17,032,533	294,587,920
49	Ministry of Water and Irrigation	1,832,797,380	309,443,872
51	Ministry of Home Affairs	0	23,634,951
52	Ministry of Health and Human Social Welfare	565,030,363	5,649,005,475
56	PMO- RALG	0	137,271,219
57	Ministry of Defence and National Service	0	23,342,312
58	Ministry of Energy and Minerals	0	0
60	Industrial/Labour Court	6,193,258	114,120,988
61	Electoral Commission	0	39,745,028
65	Ministry of Labour Youth and Development	28,815,000	206,035,114

66	Planning Commission	0	570,000,000
68	Ministry of Communication	0	1,089,080,520
69	Ministry of Natural Resources	15,029,924	368,243,377
90	Land Court	0	80,223,000
91	Drugs Controls Commission	264,221,172	12,238,581
92	TACAIDS	0	116,323,176
93	Immigration Service Department	0	37,922,605
94	Presidents office- Public Service Commission	18,073,709	520,149,366
97	Ministry of East African Cooperation	0	57,994,259
98	Ministry of Infrastructure Development	0	2,450,820,568
99	Ministry of Livestock Development	0	642,950,050
70	RAS Arusha	0	25,963,277
71	RAS Coast	27,858,002	35,864,601
72	RAS Dodoma	0	40,489,678
73	RAS Iringa	9,884,600	9,305,000
74	RAS Kigoma	37,499,663	0
75	RAS Kilimanjaro	0	34,100,787
76	RAS Lindi	27,126,250	695,616,227
77	RAS Mara	136,504,390	43,806,319
78	RAS Mbeya	9,787,900	47,257,432
79	RAS Morogoro	160,711,915	0
80	RAS Mtwara	0	89,795,164
81	RAS Mwanza	154,008,358	196,380,623
82	RAS Ruvuma	562,406,037	179,944,283
83	RAS Shinyanga	0	6,462,075
84	RAS Singida	0	0
85	RAS Tabora	32,636,077	4,340,454
86	RAS Tanga	810,174,916	0
87	RAS Kagera	0	45,740,789

88	RAS Dar es Salaam	5,765,000	5,833,000
95	RAS Manyara	27,145,825	10,929,950
	Grand Total	9,489,465,695	16,847,293,994