ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL

On the Audit of the Financial Statements of the Central Government for the year ended 30th June, 2010

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

Telegram: "Ukaguzi" Telephone: 255(022)2115157/8 Fax: 255(022)2117527 E-mail: ocag@nao.go.tz Website:www.nao.go.tz In reply please quote **Ref.No CA.4/37/01/2009/10**		Office of the Controller and Auditor General Samora Avenue, P.O. Box 9080, DAR ES SALAAM. 31st March, 2011

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, 30TH 2010

Pursuant to Article 143(4) of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), and Sec.34 (1) (c) 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) of 1977 as amended from time to time

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect.45 and 48 (1) of the Local Government Finances Act No 9 of 1982 (revised 2000) together with Sect.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.

Core values

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 highest standards of ethical behavior and the rule of law;
- ✓ **People focus:** We focus on stakeholders' needs by building a culture of good customer care and having a 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 and
- ✓ **Best resource utilisation**: We are an organisation that values and uses public resources entrusted to it in an 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 through this adoption of a participatory audit it approach; and
- Providing audit staff with adequate working tools and facilities that promote their independence.

Foreword

Over the past three years, the Public has seen a gradual improvement in the accountability process in Tanzania. This has been made possible not only because of my annual audit reports, but also due to the political will existing within the Fourth Phase Government under the leadership of the President of the United Republic of Tanzania His Excellency Hon Dr. Jakaya Mrisho Kikwete and the constructive contributions from the Parliament of Tanzania through its three Oversight Committees of PAC, LAAC and POAC. I wish to register my appreciation to all those who have created an enabling environment for me to discharge my Constitutional obligations and henceforth the timely completion of this report.

This report is being submitted to the President of the URT in accordance with Article 143 of the Constitution of the United Republic of Tanzania (revised 2005) 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, 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 of the URT every report he makes pursuant to the provisions of sub Article (2) of the same Article. Upon receipt of such reports, the President shall direct the persons concerned to submit these reports before the first sitting of the National Assembly preferably before the expiration of seven days from the day the sitting of the National Assembly began.

Operational independence of my office has greatly improved following enactment of the Public Audit Act No. 11 in 2008. However in accordance with international standards there is need for further improvement in terms of control of salaries and recruitment to enable me to effectively fulfill my Constitutional mandate.

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. With the enactment of this new legislation, my office has endeavored in enforcing financial controls and assisting the Government in the enhancement of public accountability. In essence, the legislation has enabled me to provide the necessary independence assurance to Parliament and through it to the public 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 sector 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 and the Tanzanian public 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 the public sector performance. In this regard, the Central Government and my office each has a role to play 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' and the public expectations, 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 with our auditees 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 increased interactions with all Accounting Officers of MDAs/ RAS/ Embassies/Missions. With these efforts, I believe the Central Government has a crucial role to play in order to make sure that the Committee is empowered to ensure that the Accounting Officers take actions on recommendations issued to them. The committee should also make full use of the already existing powers they have in this regard.

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 for many hours in very difficult conditions marked with insufficient, working tools, low salaries and sometimes working in very remote and un-easily accessible locations.

I would also like to acknowledge the work done by PPRA, Stock Verification Unit and Treasury Registrar for preparing and submitting reports on performance of the entities under their jurisdiction for the financial year 2009/2010 that highlighted most of the issues which also largely featured in my previous report. I appreciate the work done by these entities which I found appropriate and relevant to be incorporated in my report.

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 improved public services to Tanzanians which it is serving. In this regard, I will appreciate to receive feedback from the users of this report on how to further improve it in the future.

Ludovick S.L. Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam,

March, 2011

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 from them in fulfilling these Constitutional obligations.

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 human resource, IT systems and physical assets have tremendous impact in our success. We still need more assistance in further modernizing the audit function in the public sector which would have greatly been speeded up if we could have a willing donor to fund the construction of the envisaged Audit Training Centre to be constructed at Gezaulole in Temeke Municipal Council.

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 and the Treasury Registrar of the Ministry of Finance and Economic Affairs 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 its timely submission.

Last but not least, I would like to thank all the public servants throughout the MDAs in Tanzania mainland, whether in Central or Local Government 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 commit ourselves to promote accountability on the use of public resources in the country.

List of abbreviations

A/C	Account
ACGEN	Accountant General
CAG	Controller and Auditor General
CFS	Consolidated Financial Statements
CPO	Central Payment Office
HIV	Human Immuno-deficiency Virus
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
LGA	Local Government Authority
LPO	Local Purchase Order
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
PPRA	Public Procurement Regulatory Authority
RAS	Regional Administrative Secretariats
RCCB	Revenue Collectors Cash Book
Reg.	Regulation
Sect.	Section
SUMA	Shirika la Uchumi na Maendeleo
TCAA	Tanzania Civil Aviation Authority.
TEMESA	Tanzania Electrical and Mechanical Services Agency
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
USD	United States Dollars
PAC	Public Accounts Committee
PE's	Procuring Entities
AO	Accounting Officer
TB	Tender Board
PMU	Procurement Management Unit
Cap	Chapter
SDR	Special Drawing Rights
PPP	Public Private Partnership
IPSAS	International Public Sector Accounting Standards

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Executive Summary

This year's Annual Audit Report for the Central Government dwells on the following:

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(B) Trend of Audit Opinions issued
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(D) Procurement Irregularities
(E) Tax issues
(F) Matters relating to Payment of terminal benefits
(G) Conclusion and Recommendations

A: Introduction

This part of the report gives a summary of the final results of the audit of the financial statements of the Central Government for the financial year ended 30th June 2010. The scope of audit in the Central Government comprises Ministries, Independent Departments Executive Agencies, Regional Administrative Secretariats, Missions and Donor Funded Projects.

B: Audit Opinions

The outcome of the audits for the year under review has not shown positive improvement in the opinions issued to the Central Government entities compared to the last year as tabulated below:

Category of entities	Unqualified opinions		Qualified opinions		Adverse Opinions		Disclaimer of Opinion		Total	
F/Y	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10
MDAs	46	42	5	14	1	1	-	-	52	57
RAS	18	12	2	7	1	1	-	1	21	21
Emba-ssies/Missions	27	29	4	2	1	-	-	-	32	31
Total	91	83	11	23	3	2	-		105	108
% age	87%	77%	10%	21%	3%	2%	NIL	1%	100%	100%

From the table above, the trend shows that unqualified opinions for MDAs and RAS have decreased from 91 (86%) to 54 (70.1%) while qualified opinions have increased from 11 (11%) to 21 (27.3%) in the financial years 2008/2009 and 2009/2010 respectively. This year's results have recorded one adverse opinion as compared to 3 of the previous year. Moreover, there was only one case (RAS Dodoma)[1] which was issued with a Disclaimer of Opinion whereas no such opinion was issued in the preceding year (2008/2009).

C: Major weaknesses noted during the audit

During the course of the audit, we once again noted a number of serious weaknesses which are covered in detail under respective chapters of this report. The main reasons to these weaknesses are non compliance with the existing legislations/regulations, lack of proper internal control systems and where such systems do exist they are to a large extent neglected. The main weaknesses can be summarized as follows:

- National Accounts and RAS Lindi have been issued Adverse Opinions. This is the type of opinion issued when the effects of a disagreement is so material and pervasive to the financial statements that we as auditors conclude that a qualification of the report is not enough to disclose the misleading or incomplete nature of the financial statements.
- Non compliance with the International Public Sector Accounting Standards (IPSAS) – cash basis of accounting.
- Non compliance with the procurement laws and related regulations
- Non implementation of most of my previous years' recommendations.
- Payments amounting to more than Shs.382 billion were made without proper supporting documents and information to substantiate their authenticity
- Goods procured and paid for but not delivered up to the time of writing this report
- The Ministry of Natural Resources and Tourism made a unilateral decision to charge Forest Royalty Fees at rates lower than the predetermined tariffs enshrined in the Forest Act (CAP 323) and the Forest Regulations of 2007 without the permission of requisite

[1] The accounting records of RAS Dodoma were destroyed by fire and thereby making it impossible to audit.

authorities. Consequently the Government suffered unnecessary loss of Shs.874,853,364.

- Granting of furniture allowance to ineligible officers
- Salaries amounting to Shs.1,842,607,565.29 paid to non existing employees
- Double terminal benefit payments/claims (Pension plus contract benefits), which is contrary to the existing pension laws.
- The public debt has increased by 38% from Shs.7,621,286,730,033.80 recorded in 2008/2009 to Shs.10,503,806,011,884.90 outstanding at the end of 2009/2010
- As at 30th June 2010, the Consolidated Financial Statements reported a total of Shs.711,804,989,096 as government guarantees. On average, the amount guaranteed by the Government accounted for 96.8% of the total loans. This is in violation of Sect.13 (1) (b) of the Government Loans, Grants and Guarantees Act of 1974 (revised 2004), which provides for the guaranteed amount not to exceed 70% of the amount borrowed.
- A total amount of Shs.160,756,067,190 was reported in the Consolidated Financial Statements as outstanding liabilities for the year ended 30th June, 2010. This represents 50.2% increase compared to the previous year's reported amount of liabilities of Shs.107,063,198,140. Therefore, the total expenditure for the year was understated by the same amount. It also violates the principles of cash basis of accounting.
- The reported amounts of government investments in the Consolidated Financial Statements did not include the 9 domestic organisations whose accounts were not made available for consolidation.
- There is no national fixed asset register for government assets amounting to a total of 7.981 trillion reported in the Consolidated Financial Statements. This means that the existence of the assets cannot be verified.
- A sum of Shs.48,000,270,000 was paid to the Bank of Tanzania as part of the Government initiative to launch a stimulus package to rescue business affected by the global financial and economic crisis. We were not provided with a list of individuals who benefited from the loss compensation and loan rescheduling facility including the related procedures regarding accountability of these funds. As such, I was unable to satisfy myself that, the amount paid could stand as a proper charge against public funds.

D: Procurement Irregularities

The outcome of the audits carried out by PPRA indicated an overall average level of compliance with PPA of 2004 of 55% computed from the thirteen established compliance indicators which are covered in detail on Chapter 5. The average level of compliances for MDAs, PAs and LGAs was 57%, 59% and 50% respectively.

On one hand, the average performance of all audited PEs was below average (below 50%) in five indicators namely: Establishment and composition of PMU; Preparation of Annual Procurement Plan, Publication of contract awards; Records keeping and Quality assurance and control. On the other hand, the performance was above average (50% and above) in the following eight indicators: Establishment and composition of Tender Board; Functioning of Accounting Officers, Tender Board and PMU, Complying to compulsory approvals; Advertisement of bid opportunities and Time for preparation of bids, The use of appropriate methods of procurement and Complying with the use of Standard Tender Document as stipulated in the regulations and Contract implementation.

E: Tax issues

Audit results of Tanzania Revenue Authority have been reported together with the Consolidated National Accounts under Chapter 4 of this report. Key findings on Tax revenue collected by TRA include:

- There were unresolved issues amounting to Shs.220,292,054,615 and USD 47,255,243 relating to findings from previous audit report.
- The tax revenue accounts for Tanzania Mainland closed with an actual collection of Shs.4,637,513,963,999 against an Approved Estimates of Shs. 5,028,922,100,000 resulting in an under collection of Shs.391,408,136,001
- The TRA revenue statements reported tax exemptions of Shs.680,667,900,000 equivalent to 14.7% of total collections. It was noted that if there was no exemption, total collection would have amounted to Shs.5,318,181,863,999 which would have resulted in an over collection of Shs.289,432,799,618.

On the part of the Consolidated National Accounts, key results which require government’s attention include:

Items	Amount (Shs.)
Increase in Public Debt	2,882,519,281,851
Outstanding Loans issued by the Government	424,087,766,124
Commitments Outstanding	93,860,806,990
Contingent liabilities	26,276,785,317
Government Guarantees	711,804,989,096
Outstanding Liabilities	160,756,067,190
Government Investments	8,718,182,145,310
Cumulative losses incurred by the Government	78,014,807,604
Cumulative Overdraft on Exchequer Account	1,331,073,630,470.30
Unspent balances not returned to PMG's Account	31,821,562,811

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

F: Matters relating to Payment of terminal benefits

My controllership function mandates me under Reg.56 of PFR, of 2001 to do pre – audit of terminal benefits. Chapter 3 of this report highlights key results of pre-audit of terminal benefits conducted in the year under review. The audit has observed that there was:

- Overstated terminal benefits of Shs.301,506,150.5

- Understated terminal benefits of Shs.67,430,608.06

Main problems encountered during the audit of terminal benefits were as follows:

During the year under audit, my office encountered some challenges which can be grouped into three main categories as follows:

(i) Operational problems,
(ii) Misinterpretation of the relevant pension laws, regulations and related laws.
(iii) Administrative problems.

Main findings from the pre-audit exercise include:

- Using wrong salary package as a basis of calculating terminal benefit payments
- Combining pensionable terms and contract terms

- Conflicting resolutions by some civil servants which contravenes pension laws
- Non compliance with pension laws
- Delay in submission of pension papers for audit
- Incomplete documentation
- Ineligibilities
- Issuing contradicting authorities

Recommendations

Finally, 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 6 of this report, of which if implemented I believe will contribute in improving the management of public resources in our country. The recommendations include among others the following:

- Most of the recommendations issued in the previous year's General Report of the Central Government were not responded to, which is an indicator of the Government lacking seriousness in implementing those recommendations.

- The government should refrain from creating commitments for which no funds exists. In addition, it is high time for the government to consider imposing stern measures to Accounting Officers who fail to comply with the requirements of the cash budget system.
- The outstanding liabilities totaling to Shs.21,630,000,000 should be recognized in the National Accounts.
- Prompt action on my previous years' recommendations;
- Compliance with laws and reporting frameworks;
- Improvement of internal controls and enhancement of accountability in Government expenditures;
- Strengthening procurement processes including effective procurement contract management by complying with procurement laws;
- Improvement of terminal benefit payment procedures.

G. Review of the integrated financial management system (IFMS)

- We noted poor user access management and weak database management controls enforced to ensure confidentiality and integrity of MS transactions. We noted domain administrators could directly manipulate database transactions without the use of the IFMS software. With the database security auditing option and IFMS application logs disabled, it would be difficult to detect if data was manipulated through the database. In addition, the IFMS allowed data entry operators to change and approve details of open purchase orders and customer details. This therefore allowed data entry operators to create and approve purchase orders without the chief accountant's knowledge, which is not an acceptable standard.

- There were no disaster recovery procedures in place that would ensure the availability of the system in the event of a disaster. There lacked a documented IT disaster recovery plan that would be used to recover operations. In addition, no formal or informal disaster recovery tests had been done to simulate what would require to be done during a disaster. We also noted that ACGEN had contracted for a shared disaster recovery site with the Bank of Tanzania (BOT) located in Dar es Salaam. However, this site has never been used for its disaster recovery activities.

- We noted that some customizations were incorporated in IFMS version upgrades and did not require separate contracts. However, there are two autonomous ongoing or completed customizations, EFT interface and GFS 2001, that lacked formalized contracts.

- Without contracts for the development of additional customization, it will be difficult to measure the vendors ability to deliver on them. Also, there is a risk of increase in scope as well as project costs.

- We noted that the IFMS environment is governed by weak and / or poor contractual arrangements between the ACGEN office and the software solution provider (s). For instance, we were unable to obtain the software acquisition contracts for the IFMS software. We only obtained an unapproved project charter issued by Soft-Tech Consultants to GoT (version 1.0 dated 12/02/98). The project charter contained a budget for application software license, consultancy services and training but it does not represent the application software license contract.
  Poorly managed contracts may lead to increase in the operating expenses to the government.

- Our review revealed that there are a number of significant un-reconciled bank transactions dating as far back as July 2000. These were mainly caused by the system's inability to capture a larger reference number in the cash receipts form that is used to reconcile with the BOT transactions. There were also cases where the reference numbers had been incorrectly captured by the users leading to the un-reconciled transactions.

- We also noted that during the migration from Platinum SQL to EPICOR in2000, the cash book in Platinum was not migrated to EPICOR. As a result, there are payments in bank and not in cashbook for the period of July 2000 to December 2000 that have not been reconciled to date. We have highlighted the bank reconciliation process as we believe this is a key financial statement risk for the Government and needs to be resolved immediately.

CHAPTER 1

BACKGROUND AND GENERAL INFORMATION

1.0 Introduction

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) and sect. 34(1) (c) of the Public Audit Act No. 11 of 2008 for the financial year ended on 30th June 2010.

1.1 Audit of Public Accounts

I am required by Article 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 the law, directives or instructions relating thereto have been duly observed.
- All monies from the Consolidated Fund are authorized and issued according to the Appropriation Act.
- All monies disbursed have been expended and applied under proper authority and have been spent 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.

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 the 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 authorized 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 the 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 under review. In order for my office to effectively handle this enormous task of auditing all the MDAs, Embassies/Missions 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 Zonal auditors. To ensure there is effective audit of MDAs, these institutions have been grouped into 11 Zones, each headed by a Zonal Auditor.

Audit Staff

It is worth noting Government's efforts in improving the welfare of my staff although there is a need for further improvement. A newly proposed organization structure for my office was approved by His Excellency Dr. Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania on 26th February 2010. Efforts to operationalize the new structure are underway. My office is currently embarking on a massive training to get people with the right qualifications to fill the vacancies. With reference to International Standards and best practice for Supreme Audit Institutions like NAOT, I had also submitted a proposal of salary package for my office to the President's Office – Public Service Management two years ago, but it was not accepted for the reason that salary adjustment given to civil servants in the public sector applied to the NAOT staff as well. In the meantime, the audit scope 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 of the requested salary adjustments 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 my audit staff are further trained in performance, environmental, forensic audit and Computer Assisted Audit Techniques (CAATs) 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 based on risk and materiality basis, dwelt on revenue collection, proper expenditure authorization in terms of the Appropriation Act, performance of capital projects, the Treasury performance, the TRA performance and all foreign mission's financial audits.

Audits were performed to satisfy myself as to compliance with established laws and 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 through regular inspection reports.

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. All Accounting Officers are issued with one report and management letter.

1.4.2 Applicable Auditing Standards

The National Audit Office (NAO) is a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Regional Organization of Supreme Audit Institutions (AFROSAI) and the African Regional Organization of Supreme Audit Institutions – English speaking Countries (AFROSAI - E). We therefore apply in all our audit procedures, the auditing standards issued by INTOSAI (ISSAI) and the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC) in which Tanzania is a member through the National Board of Accountants and Auditors (NBAA).

1.5 Accounting Policies

Reg.53 of the Public Finance Regulations of 2001 (revised 2004) states that the accounting policies of the Government are framed as 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.

This is the 3rd year the government accounts have been prepared based on IPSAS - cash basis of accounting. Under IPSAS cash basis of accounting, revenue earned by Government is not realized until received in cash. On the expenditure side, charges are made only when the payment has been processed through.

Sect 25(i) to (j) of the Public Finance Act No. 6 of 2004 9 (revised 2004) elaborates on the accounts and statements to be prepared by Accounting Officers and submitted to the Controller and Auditor General for audit purposes.

1.6 Statutory responsibilities of MDAs/RAS and Embassies/ Missions

In as far as MDAs/RAS and Embassies/Missions particularly the Accounting Officers/Sub Accounting Officers are the stewards of the public resources under their area of responsibilities. The functions and responsibilities of Accounting Officers as stipulated in Sect.8 of the Public Finance Act No.6 of 2001 (revised 2004), is that Accounting Officers/Sub Accounting Officers are responsible and accountable for public resources under their jurisdiction. In safeguarding the resources under them, it is of paramount importance for Accounting Officers to ensure the existence of effective and workable internal control systems.

1.7 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. Implementing an effective internal control structure is an essential responsibility of the management of any entity.

1.8 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 the individual Accounting Officers of MDAs/RAS/Embassies/Missions. In addition, Sect. 25 of the PFA of 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 prepared in accordance with generally accepted accounting principles and the disclosure of the accounting basis used in the preparation of the financial statements is a legal requirement. For the third year running, the financial statements of MDAs/RAS/Embassies/Missions have been 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 of 2001 (revised 2004).

Reg. 8 (5) of the PFR 2001 requires every Ministry, Agency, Department, Regional Secretariats and 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 outputs as well as performance against objectives. Accounting Officers are so required 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/ RAS and Embassies/Missions complied with this requirement.

CHAPTER 2

REVIEW OF IMPLEMENTATION OF THE PREVIOUS YEARS' AUDIT FINDINGS AND RECOMMENDATIONS

2.0 Introduction

The Government should be committed to timely and thorough consideration of, and response to the recommendations made by the Controller and Auditor General in his financial and performance audits or any other recommendations issued by the CAG.
This chapter aims at providing information on a review of MDAs/RAS, Embassies/Missions status in regard to outstanding matters from the previous year's audit recommendations.

2.1 Responses by the Paymaster General (PMG)

The Accounting Officers and Sub-Accounting Officers of MDAs/RAS and Embassies/Missions are required to prepare structured responses on the CAG's General audit reports for those findings which fall under their institution (vote) and submit them to the Paymaster General (PMG).

In accordance with Sect. 40 (2) of the Public Audit Act 2008 and Reg. 38 of the Public Audit Regulations of 2009, after the Paymaster General has received these responses and action plans, he/she shall consolidate and submit them to the CAG within three months.

On the foregoing, the consolidated responses were received by my office on 30th July, 2010 thus registering a month's delay after the stipulated deadline.

In addition, most of the recommendations issued in the previous year's General Report of the Central Government were not responded to, which indicates that the Government lacks seriousness in implementing those recommendations.

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The following recommendations which account for more that 50% of the recommendations issued on the Central Government are still outstanding as shown below:

S/No	Issued Recommendation
10.2 (i)	**Review of revenue retention schemes** Revenue collection in our Embassies/Missions should clearly be controlled by the Ministry of Finance including restatement of the retention rates. In this regard, I strongly urge the PMG to comply with Article 135 of the Constitution of the URT (1977) and Sect.11 of PFA of 2001 (as revised in 2004) which requires all public revenues to be credited to the Consolidated Fund.
10.2(ii)	**Liabilities and Outstanding Commitments Shs.1,637,290,544,945** • The government should refrain from creating commitments for which no funds exists. In addition, it is high time for the government to consider imposing stern measures to Accounting Officers who fail to comply with the requirements of the cash budget system. • The outstanding liabilities totaling Shs.21,630,000,000 should be recognized in the National Accounts.
10.2(iii)	**Mismanagement of Government Properties** • The government procured Visa sticker machines which are not in effective use by most of our Embassies/Missions which indicates that the Government has not realized value for money from these important sticker machines.

10.2(iv)	**Under-funding of Embassies/Missions** Exchequer issues released to the Embassies/Missions are not sufficient to finance costs for recurrent and development expenditure. • All revenues collected in the Embassies/Missions should be paid to the Consolidated Fund. • Funding of Embassies/Missions should strictly be in line with the Appropriation Act.
10.2(v)	**Updating the Foreign Services Staff Regulations 1979** There is an urgent need to update the Foreign Services Staff Regulations, 1979 Part I and II to suite the current situation.
10.2(vi)	**Ownership of land and buildings** Land and buildings owned by Tanzanian Embassies/Missions in London, Nairobi and Maputo do not have title deeds. There is need for the government through Tanzania Building Agency (TBA) to ensure that ownership of these buildings if formalized.
10.2(vii)	**Strict financial discipline should be enforced** The financial management of the Education Sector particularly for the secondary and Primary schools should be reinforced. Acts violating the regulations including the seizing and misusing of the educational expenditures should be seriously handled.
10.2 (viii)	**Measures to eradicate uncollected for contributions** Strict follow up measures should be instituted by the government to ensure that nuisance contributions and similar practices are prohibited since they are unnecessary burden to parents.

10.2(ix)	**Timely release of funds to the Ministry of Energy and minerals** Timely release of funds to the Ministry of Energy and Minerals need to be given due consideration. Untimely release of funds by the Ministry of Finance at the end of the financial year as indicated below should be discouraged:

Year	Exchequer release No	Amount	Date Released	Remarks
2007/2008	No.58/EB/AG/159/071/516	180,000,000	20/6/2008	10 days to close the Financial Year
2008/2009	No.58/EB/AG/159/08/606	7,500,000,000	25/6/2009	5 days to close the Financial Year

10.2(x)	**Preparation and compliance with annual procurement plan** • It is recommended that in the next financial year more resources should be allocated in order to focus on contracts management issues. In addition, PPA general training should also focus on this area. • It is recommended that staff in the PMUs should be trained on records management. In addition, the guidelines on how procurement records are kept (which is under preparation by PPRA) should be disseminated to Procuring Entities (PEs).
10.2(xi)	**Tax Issues** • In spite of the legal right of taxpayers to seek justice through courts, TRA management should consult the Attorney General and the Chief Justice to ensure that all matters pertaining to Taxation are channeled through the Tax Appeals Board and in case of referrals to the High Court-

	Commercial Court as these are the most competent authorities for dealing with tax issues. • The internal check system of TRA needs to be strengthened to ensure that all tax returns and payments are well scrutinized to improve revenue collections and avoid loopholes that may cause losses or misuse of public funds. • The Government should make a thorough study and identify reasons for failure to meet annual collection targets and thereafter, in collaboration with TRA devise measures that will alleviate the situation. • Since Embassies/Missions are allowed by law to retain revenues they collect to offset budget deficit, I therefore recommend to the Government that the remaining balance of revenue should be remitted to the Paymaster General's account and Consolidated in the revenue statement. • Transfers of revenue collections from Consulates should be controlled by the Ministry of Finance and Economic Affairs.
10.2(xii)	**Umoja Bridge** • There is an urgent need to establish a police post, customs, and immigration services at the bridge. For a start, there is an office building and staff quarters adjacent to the roads which were used by the contractors during the construction of the bridge which could temporarily be used as the base from which the above mentioned services could be provided from. • To maximize the use of the bridge, the two governments should endeavor to look for financing of the tarmac road from the bridge to Masasi – Tunduma road (about 70 km stretch). This will ease accessibility to the bridge and

	encourage more users of the bridge. • Since the construction cost of the bridge of over USD 27.0 million has been financed purely by the two governments, and since it is very likely that the majority of motorist users of this bridge are not going to be citizens of the two countries, there is need to introduce a user charge by all motorists crossing the bridge by establishing a road toll point at the bridge. • Of the two sides of the bridge, the Tanzania side is more lively and more promising. The leadership of Nanyumbu District should be urged to mobilize potential investors to invest in the area so a make it more accommodating and therefore take advantage of the users of the bridge.

2.2 Status of the previous years, audit findings and recommendations

Various MDAs and RAS made good progress in implementing outstanding matters arising from the previous years' audits. However, in this year's audit 46 MDAs/RAS had previous years' outstanding issues amounting to Shs. 468,627,883,842 with the Ministry of Finance having the largest share of Shs. 361,327,312,329.79 followed by Prisons Service Department with Shs. 19,261,840,595 and RAS Lindi is third with an amount of Shs, 10,146,855,167. See **Annexure I**

Embassies/Missions had outstanding matters amounting to Shs. 11,286,222,839,
USD 335,586, GBP 79,567.82, EURO 1,550,208, R$12,554,84, OMR 69,844,847, CHF 1,000 and SAR 25,572,480

A comparative summary of outstanding matters of 2008/2009 and 2009/2010

Financial Year	2008/2009	2009/2010
TShs	1,055,460,602,544	11,286,222,839
JPY	17,089,499,858	699,000,000
USD	2,100,000	2,326,580
GBP	-	79,567.82
EURO	-	1,550,208
OMR	-	69,844,847
CHF	-	1,000
SAR	-	25,572,480

The purpose of audit findings and recommendations to the auditee is to assist the auditee in rectifying matters of concern in the MDAs/RAS/Embassies/Missions 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 MDAs/RAS/Embassies/Missions as reported in the audit report of 2009/2010 is a serious malpractice on the part of the Accounting Officer and management of the concerned MDAs/RAS/Embassy/Missions.

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.

The summarized results above shows the total value of outstanding matters from the previous year's audit for the year 2008/2009 which involved 37 MDAs/RAS amounted to Shs.1,055,460,602,544. In the financial year 2009/2010 the number of MDAs/RAS with outstanding audit matters increased from 37 to 46 and the amount involved decreased to Shs.468,627,883,842, JPY 699,000,000 and USD increased to 2,326,580 compared to Shs. 1,055,460,602,544, JPY17,089,499,858 and USD2,100,000 respectively. This indicates that the MDAs/RAS managements have not made concerted efforts in dealing with the 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.

CHAPTER 3
REVENUE COLLECTION AND FUNDING ANALYSIS

3.1 Introduction

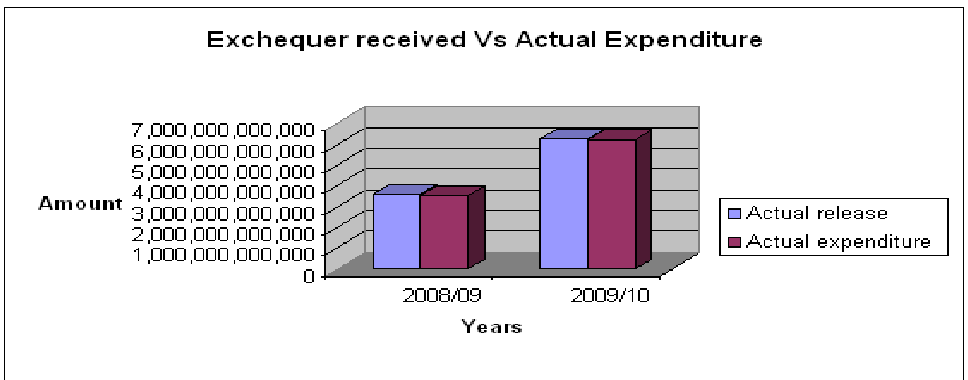
This section gives a critical analysis of the funding portfolio of MDAs/RAS and Embassies/Missions for the financial year 2008/2009 and 2009/2010. MDAs/RAS and Embassies/Missions are mainly funded by Exchequer Issues from the Treasury.

3.2 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 2008/2009 was Shs.3,590,968,044,750 whereas actual expenditure was Shs.3,590,968,044,750. On the other hand, the exchequer issues released by Treasury to MDAs in the year 2009/2010 were Shs. 6,251,629,581,428 whereas actual expenditure was 6,237,494,869,945. Refer **Annexure II**

Activity	F/year 2008/09	F/year 2009/10
Actual release Shs.	3,590,968,044,750	6,251,629,581,428
Actual expenditure Shs.	3,533,021,852,627	6,237,494,869,945
Variance Shs.	57,946,192,123	14,134,711,483

The above data is summarized in the table below:



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

3.3 Comparison of Actual exchequer released for MDAs Supply and Development Vote Account 2008/2009 and 2009/2010

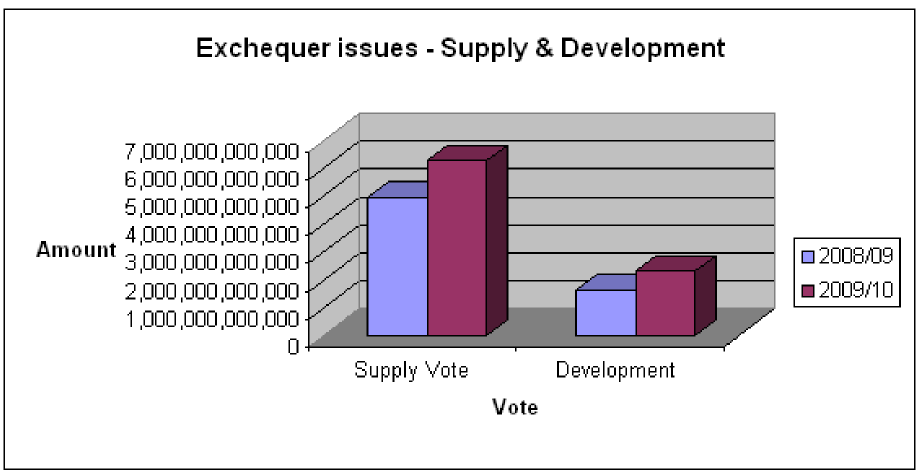
Records show that total exchequer issues released for Supply and Development Vote Account in the year 2008/2009 was Shs.4,952,445,794,870 and Shs.1,635,263,360,853 recording a difference of Shs.3,317,182,434,017 (67 %)

In addition, the exchequer issues released to Supply and Development Account in the financial year 2009/2010 was Shs.6,251,629,581,428 and Shs. 2,299,010,652,135 recording a difference of Shs.3,952,618,929,293 (63.23%)

The above findings can be summarized as follows:

F/year	Supply vote Shs.	Development Shs.
2008/09	4,952,445,794,870	1,635,263,360,853
2009/10	6,251,629,581,428	2,299,010,652,135

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



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

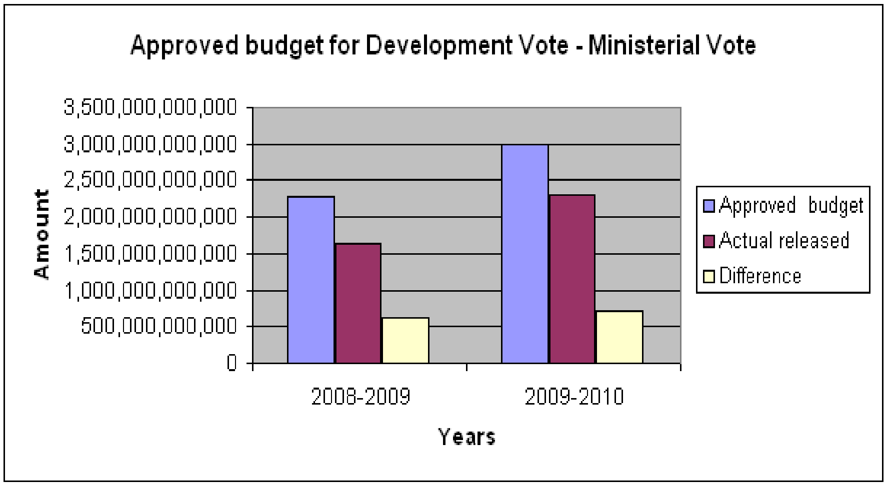
The approved budget for Development Vote A/c for MDAs in the year 2008/2009 was Shs.2,268,306,465,161 whereas the actual funds released was Shs.1,635,263,360,853 resulting into under funding of Shs.633,043,104,308 (27.9%). Likewise, the approved budget for Development Vote A/c for MDAs in the year 2009/2010 was Shs.3,004,100,724,639 while the actual funds released was Shs.2,299,010,652,135 resulting into under funding of Shs.705,090,072,504 (23.5%).

A summary of approved budgets for Development Vote A/C – Ministerial Votes.

	Approved budget	Actual released	Difference
2008/2009	2,268,306,465,161	1,635,263,360,853	633,043,104,308
2009/2010	3,004,100,724,639	2,299,010,652,135	705,090,072,504

From the above table it can be concluded that a total amount of Shs.705,090,072,504 or 23.5% approved for development activities in the financial year 2009/10 was not released by Treasury as compared to Shs. 633,043,104,308 or 27.9% for the financial year 2008/2009. This means that development activities of the same magnitude were not implemented.

The above information can be shown on 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.

3.5 Tanzania Revenue Authority (TRA)

Tanzania Revenue Authority was established by Act No.11 of 1995 as amended by Act No.8 of 1996 with responsibilities of administering Central Government taxes as well as several non-tax revenues. Since its establishment, TRA has been preparing one set of financial statements, which reflects both revenue and expenditure performance. However, on the advice of the auditors, effective from the financial year 2008/2009, the Authority has started preparing two separate sets of financial statements one for revenue and the other for expenditure.

3.5.1 Outstanding matters from the previous year's report

As at the date of issuing my report to TRA (31st December 2010); TRA had outstanding matters amounting to

Shs.220,292,054,615 and USD 47,255,243 relating to the previous year audit reports as detailed below:

Department	Amount (Shs.)	Amount (USD)
Customs & Excise Dept	22,969,924,801	-
Domestic Revenue Dept	16,207,984,641	-
Large Tax Payers Dept	181,114,145,173	47,255,243
Total	220,292,054,615	47,255,243

Some of the outstanding matters date back to the financial year 2001/2002 and most of them are waiting court judgments.

3.5.2 Revenue Performance (Out-turn)

The Revenue Statement for Tanzania Mainland closed with an actual collection of Shs.4,637,513,963,999 against an Approved Estimates of Shs. 5,028,922,100,000 resulting in an under-collection of Shs.391,408,136,001 or 8% of the Revenue Estimates. On the part of Zanzibar, actual collection was Shs.59,998,034,392 against an approved budget of Shs.63,234,200,000; resulting in an under-collection of Shs.3,236,165,608 or 5% of the estimated revenue figure.

Details of revenue collected by TRA department-wise against the approved estimates are as tabulated below:

Tanzania Mainland

Department	Estimated Collection Shs. (a)	Net Actual Collection Shs. (b)	Over/Under Collection Shs. (c) = (b-a)	%age (c/a)
Domestic Revenue	801,335,700,000	817,503,772,367	16,168,072,367	2
Large Tax Payers	2,104,570,900,000	1,812,264,222,572	-292,306,677,428	-14
Customs & Excise	2,079,338,700,000	1,974,699,982,914	-104,638,717,086	-5
Sub -total	4,985,245,300,000	4,604,467,977,853	-380,777,322,147	-8
Add Treasury Vouchers	43,676,800,000	33,045,986,146	-10,630,813,854	-24
Total	**5,028,922,100,000**	**4,637,513,963,999**	**-391,408,136,001**	**-8**

Zanzibar

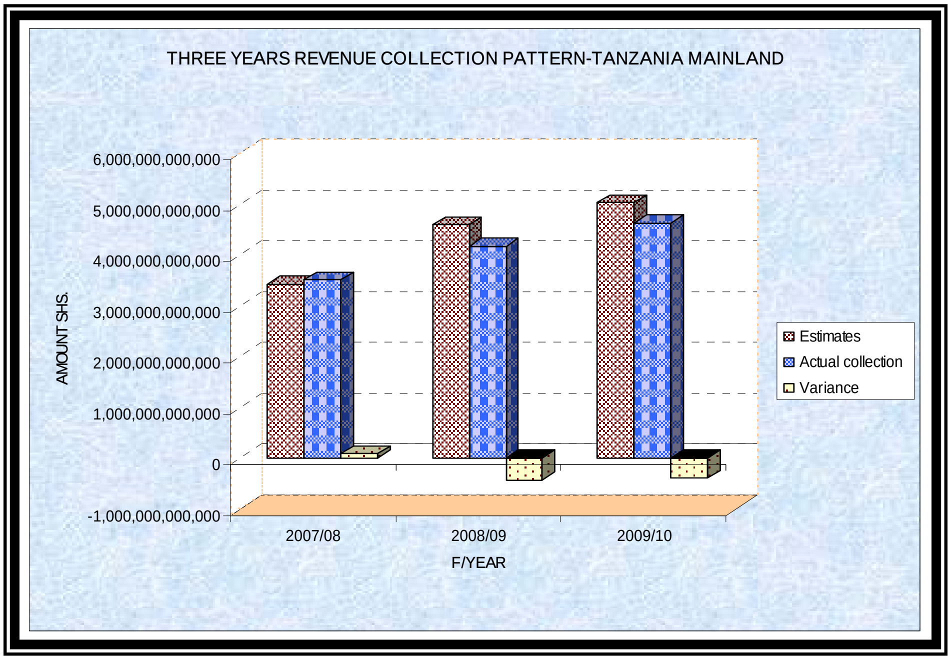
Department	Estimated Collection Shs. (a)	Net Actual Collection Shs. (b)	Over/Under Collection Shs. (c) = (b-a)	%age (c/a)
Domestic revenue	24,397,700,000	24,602,517,602	204,817,602	1
Customs & Excise	38,836,500,000	35,395,516,790	-3,440,983,210	-9
Total	**63,234,200,000**	**59,998,034,392**	**-3,236,165,608**	-5

The overall revenue collections trend for the two sides of the government ie Tanzania Mainland and Zanzibar over the past three years is as depicted below:

Tanzania Mainland

F/y	Budget Shs. (a)	Actual collection Shs. (b)	Variance Shs. (c)= (b-a)	% (c/a)
2007/08	3,426,255,700,000	3,512,810,000,613	86,554,300,613	2.5
2008/09	4,600,849,900,000	4,174,371,105,259	-426,478,794,741	-9.3
2009/10	5,028,922,100,000	4,637,686,999,618	-391,235,100,382	-8

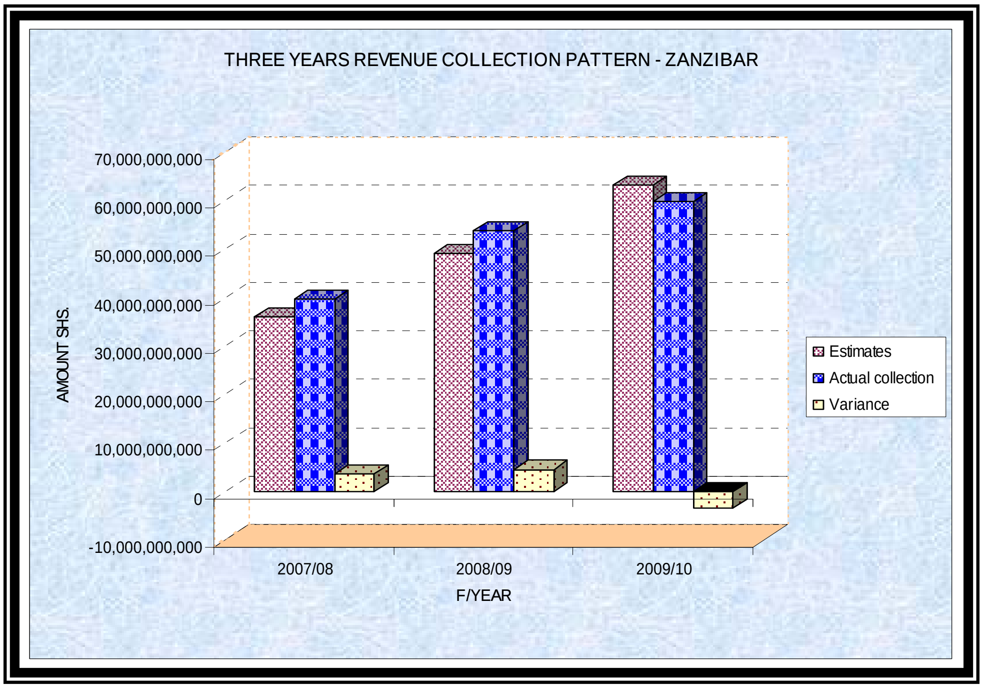
Graphical presentation of three years revenue collection pattern (Mainland Tanzania)



Zanzibar

F/y	Budget Shs. (a)	Actual collection Shs. (b)	Variance Shs. (c)= (b-a)	%age (c/a)
2007/2008	36,179,800,000	39,858,524,813	3,678,724,813	10.16
2008/2009	49,220,900,000	53,877,284,997	4,656,384,997	9.5
2009/2010	63,234,200,000	59,998,034,392	-3,236,165,608	-5

Graphical presentation of three years revenue collection pattern (Tanzania Zanzibar)



Revenue performance over the past three years in respect of Tanzania Mainland shows gradual increase in revenue budget/estimates coupled with proportionate increase in actual collections. However performance for the year under review was below the estimates by 8%. TRA management attributed the shortfall with ambitious target set by the government without identifying new tax bases and the implementation of the East Africa Common Tariff Treaty.

On the other hand, revenue estimates and actual collections in Zanzibar continued to improve consistently. However during the year under review, there was sharp increase in estimates compared to the last two years, thus resulting into under collection of 5%.

Major attributes to the improvement includes among others the measures taken by the TRA to improve the internal controls particularly tax exemptions which have been reduced gradually during the three years period. In addition, there is a rapidly growth of revenue mobilization from direct taxes due to employment tax reforms that have taken place since 2008/2009 and tax gap recovery under the corporate sector. Likewise, the implementation of Zanzibar growth strategy (MKUZA) triggers more revenue sources especially on fast growing sectors of tourism and telecommunication.

3.5.3 Tax Exemptions Shs.680,667,900,000

The TRA revenue statements reported tax exemptions of Shs.680,667,900,000 granted to various institutions as summarized below:

Institution	Customs & Excise Dept (Shs)	Domestic Revenue Dept (Shs)	Total (Shs)
Government Institutions	52,743,800,000		52,743,800,000
Parastatal Organizations	8,758,700,000		8,758,700,000
Religious Institutions	281,200,000		281,200,000
NGOs	22,147,100,000		22,147,100,000
Donor Funded Projects (DFP)	72,458,100,000		72,458,100,000
Private Companies & Individuals	36,174,600,000		36,174,600,000
Mining Sector	48,738,600,000		48,738,600,000
Tanzania Investment Centre	268,002,300,000		268,002,300,000
Exemptions under VAT	-	168,671,900,000	168,671,900,000
Exemptions under Duty Free Shops	-	2,691,600,000	2,691,600,000
Total	**509,304,400,000**	**171,363,500,000**	**680,667,900,000**

Had the exemptions of Shs.680,667,900,000 been collected, which is 14.7 % of the actual collections, the reported under collection of Shs.391,235,100,382 in respect of Tanzania Mainland would have been off set leaving a surplus collection of Shs.289,432,799,618.

CHAPTER 4

PRE-AUDIT OF TERMINAL BENEFIT PAYMENTS

4.1 Introduction

Pre-audit of terminal benefit payments is carried out by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania (URT), 1977 (revised 2005) and Sect 29 of the Public Audit Act No. 11 of 2008. On the other hand, 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. On the foregoing, it is essential to pre-audit all individual payments of the Government which can not easily be forecasted and appropriated with funds like terminal benefit payments.

4.2 Purpose of the pre-audit

The purpose of pre audit exercise of pension papers is to confirm the accuracy of terminal benefit payments to enable early detection of errors with the intention of ensuring that the retirees are paid what they deserve. This is also made necessary, taking into account that, any wrongly paid amount may not be easily recovered from retirees. In addition, pre - audit of pension papers is aimed at ensuring that the applicable pension laws, regulations, working policies in relation to public service, correspondences and schemes of service and salary structures are complied with.

4.3 Pre-audit coverage

The findings and recommendations contained in this report, do not cover civil servants whose terminal benefits payments are processed by the Public Service Pension Fund (PSPF) and Local Authority Pension Fund (LAPF). The pre-audit function of terminal benefits covers the following groups.

- Military Officers and other Military staff and Intelligence Officers.
- Contract payments for Political leaders, Non citizens and re-appointed retired officers.
- Compassionate gratuity for non pensionable Civil Servants.
- Gratuity for Rank and file Police Soldiers.
- Terminal benefits to civil servants which were due before 1st July 2004 but have not been paid.

4.4 Detailed findings and recommendations

4.4.1 Out-turn

During the year under audit the office had thirty seven (37) files on hand brought forward from the previous year - 2008/2009. For the year under audit, a total of 4,955 retirees' files were submitted for examination out of which 4,960 files were examined, 325 were returned to the respective Accounting Officers requiring amendments and eventually cleared, and 32 files were still under examination as at 30th June, 2010 as summarized below:

Details	**Files**
Balance on 1st July, 2009	37
Received during the year	4,955
Available for audit	4,992
Examined	4,960
Balance on 30th June, 2009	**32**

4.4.2 Over or under calculation of terminal benefits

Some pension papers files submitted for pre-audit were noted with over/under calculation of terminal benefit amounts. Out of the 4,960 pension files examined, 164 files were noted to have been overstated by a total amount of Shs.301,506,150.5 while 137 files were noted to have been understated by a total amount of Shs.167,430,608.06 as analyzed below:

(i) Overstated amounts

S/No.	Subject	Number of Cases	Amount (Shs)
1.	Service Period Overstated	65	125,412,559.90
2.	Wrong calculations	63	156,695,038.70
3.	Overstated salaries	36	19,398,551.90
	Total	164	301,506,150.50

(i) Understated amounts

S/No.	Subject	Number of Cases	Amount (Shs)
1.	Service Period understated	63	47,866,985.77
2.	Wrong calculations	9	24,214,863.55
3.	Understated salaries	65	95,348,758.74
	Total	**137**	167,430,608.06

On the basis of the above analysis's, payments of terminal benefits if not pre audited, would have given rise to a total loss of Shs.301, 506,150.5 to the Government whereas pensioners would have suffered a total underpayment of Shs.167,430,608.06. This would have ended with a net loss of Shs.134,075,542.44 to the Government.

4.4.3 Challenges faced during the year under audit

During the year under audit, my Office encountered some challenges which can be grouped into three main categories as follows:

(i) Operational problems,
(ii) Misinterpretation of the relevant pension laws, regulations and related laws.
(iii) Administrative problems.

Main findings from the pre-audit exercise:

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

- Combining pensionable terms and contract terms
- Conflicting resolutions by some civil servants which contravenes pension laws
- Non compliance with pension laws
- Delay in submission of pension papers for audit
- Incomplete documentation
- Ineligibilities
- Contradiction as to which appropriate authority to be followed

4.4.4 Using wrong salary as a basis for calculating terminal benefits payments

Pension laws require the base salary for calculating terminal benefit payments to be the last drawn salary before retirement, applicable to the respective office. It has been noted that, some employees during their employment, were appointed to work outside the public service e.g. in Parastatal organizations or appointed to hold political posts receiving salaries personal to themselves which are not applicable in computing terminal benefit payments.

During retirement, some pensioners demand that calculations of their terminal benefits should be based on the current employment salary which is against pension laws as these employments are governed by different pension laws.

4.4.5 Double terminal benefit claims (Pension plus contract benefits)

Some public officers, during their pension service period were appointed to different posts under contract terms and at the same time maintaining their pensionability status. At the time of retirement, these employees may end up being double paid terminal benefits i.e. contract gratuity and pension for the same period of service. This is contrary to the pension laws which restrict double terminal benefits.

- Some employees under contract terms were noted to be registered by PSPF as pensionable officers and therefore contributed to the Fund. Contrary to the pension laws and regulations, such officers do not qualify to contribute and be paid pension by PSPF.
- During the course of our audit, we encountered with cases whereby a number of military officers who were appointed to the political leaders' posts continued to serve under the military capacity contrary to the TPDF and Chief Secretary's instructions which require them to relinquish the military status by the time they are appointed political leaders. The point here is to enable the Military service period be paid pension and the political period of service be paid contract gratuity. However, experience has shown that this is not observed and in that case it has resulted in double payment to the officers, example:

  - Military officers who acquire political posts do not cease their military service until they attain the age of retirement in the military service thus leading to the computation of their service to include political post period in pension payment. Consequently they end up being paid pension.

  - We also noted cases whereby certain retired officers were reinstated in the service and thus forfeiting their earlier letter of retirement. This warrant the retiree to be covered by the current retirement laws and hence leading to various terminal benefit increase and payment of salary arrears. This contravenes the pension laws which require someone to be paid according to the respective terms of employment and the governing pension law. For example, authorizing a retiree to be paid terminal benefits based on the prevailing pension laws instead of the repealed ones.

4.4.6 Non compliance with pension laws

We noted cases whereby some employees who were seconded or attached to different institutions demand their terminal benefits to be governed by laws pertaining to terminal benefits under those institutions which is not appropriate.

4.4.7 Delay in submission of pension papers for audit

Pension laws require pension papers to start being processed six (6) months before retirement date. This arrangement is aimed at paying retirees on the due date i.e. the retirement date. To the contrary, most of terminal benefit papers are received late after months or years after the retirement date.

4.4.8 Incomplete documentation

Despite the delay as discussed above, a huge number of pension papers were submitted for audit with inadequate documentation which cannot adequately support payments computation, and therefore called for the submission of the missing documents. The submission of incomplete pension papers has the result of delaying the whole pension payment process.

4.4.9 Contradiction as to which appropriate authority to be followed

We noted cases whereby management in certain organizations sought appropriate authority to award pension/gratuity not in conformity with pension laws summarized below:

- We noted gratuity/pension prepared based on salaries which were being drawn by employees in International/Parastatal Organizations. However, when such employees are employed by the Government on contract terms to the posts (in the government) carrying low salaries compared to what they were earning at those organizations, appropriate authorities are being sought to pay salaries earned under those organizations as personal salaries to themselves. This is contrary to Q47(a), (b) and (c) of the Standing Orders and Section 14 of the Pension Ordinance as amended on 20th March 1978 as these laws only apply to employees who are serving under permanent and pensionable terms when they are transferred from Parastatal organizations to the government or vice versa.

- Cases were noted whereby certain officers who ceased to become political leaders in the manner in which the prevailing terminal benefits laws allowed payments, but the payments were not processed on the material time for the reason that officers themselves did not claim for their terminal benefit; also their employers did not process those claims since these officers continued with other appointments that were governed by other terminal benefit laws. When these officers retire from the last appointment, they seek authority to bridge these services in order to earn pension under the most favourable law.

  The impact of this is less payment on the beneficiary's part as the terminal benefit laws do not make it possible to apply later legislation which would be more favorable to the retirees.

4.4.10 Ineligibility

Civil servants who were employed under operational service terms and later admitted on pensionable terms, their terminal benefits were computed as if they were still under operational service contrary to pension law which requires such period of operational service terms to be approved by the Principal Secretary to the Treasury to count in full for pension purposes together with the pensionable service.

4.4.11 Weaknesses in processing terminal benefits

In general, the above mentioned problems were mainly attributed to processors weaknesses as some failed to comply with the governing terminal benefit laws and guidelines.

Although the same problems were reported in my previous report, the same still persists up to the date of writing this report.

CHAPTER 5

KEY ISSUES RAISED FROM AUDIT OF MDAS, RAS AND EMBASSIES/MISSIONS

5.1 Procurements made without Annual Procurement Plans Shs. 50,685,371,565.58

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, ten (10) MDAs/RAS had effected payments on procurement of goods and services amounting to Shs. 50,685,371,565.58 without complying to the procurement plans as detailed here below:

S/N	Vote	MDAs/RAS	Amount (Shs)
1	23	Accountant General's Department	49,433,343,399.58
2	99	Ministry of Livestock Development and Fisheries	320,871,938
3	81	RAS Mwanza	54,424,314
4	50	Ministry of Finance	373,184,960
5	34	Ministry of Foreign Affairs and International Cooperation	92,750,000.00
6	34	Ministry of Foreign Affairs and International Cooperation	120, 147,447.23
7	91	Drugs Control Commission	40,748,400
8	29	Prisons Service Department	358,394,154
10	82	RAS Ruvuma	11,654,400
		Total	**50,685,371,565.58**

5.2 Motor vehicles repair works not routed through TEMESA Shs.176,722,089

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) Regulation of 2005.

During the year under review, a test check has revealed that five (5) MDAs/RAS paid a total amount of Shs.176,722,089 to private unauthorised garages in respect of the cost of repairing motor vehicles without routing their request through TEMESA.

S/N	Vote	MDAs/RAS	Amount (Shs)
1	79	RAS Morogoro	7, 887, 983
2	87	RAS Kagera	3,464,678
3	98	Ministry of Infrastructure Development	40,545,082.00
4	75	RAS Kilimanjaro	13,833,969
5	29	Prisons Service Department	118,878,359.82
		Total	**176,722,089**

5.3 Salaries paid to Retirees, Absentees and ineligible officers Shs.1,842,607,565.29

Audit of payroll carried out during the year showed that 8 MDAs/RAS paid a total sum of Shs.1,842,607,565.29 as salaries to retirees, absconders and ineligible officers who were no longer in employment as per details shown below:

S/N	Vote	MDAs/RAS	Amount (Shs)
1	31	Vice President's Office	3,735,894.72
2	32	President's Office – Public Service Management	1,686,726,709.00
3	48	Ministry of Lands and Human Settlements	26,020,151.77
4	52	Ministry of Health and Social Welfare	83,768,896.00
5	69	Ministry of Natural Resources and Tourism	10,052,511.80
6	85	RAS Tabora	6,315,000.00
7	87	RAS Kagera	21,662,551.00
8	93	Immigration Service Department	4,325,851.00
		Total	**1,842,607,565.29**

The above table indicates that there are still serious problems in internal controls relating to payroll management.

5.4 Payment of furniture allowance to Ineligible Officers Shs.650,714,800.66

The President's Office, Public Service Management (UTUMISHI) issued a Circular No.C/CA/134/213/01/G/69 of 30th January, 2006 on payment of furniture allowance to entitled officers. This circular which amended the previous ones aimed at eliminating interpretation confusion which led to double standard during its implementation. Preceding circulars were said to have been wrongly construed by the implementers thus resulting to payment of furniture allowance to non entitled officers.

The cited circular above stipulates that only officers who are living in government quarters are eligible to be provided with furniture, which will remain to be government property even after the officers concerned leave those houses. For those officers whom the government cannot provide them with houses, the circular provide for an allowance at a rate of 30% per month based on their basic salaries but does not mention about provision of furniture in private owned houses.

Contrary to the provisions of the cited circular above, ten (10) MDAs/RAS paid a total amount of Shs.650,714,800.66 towards the procurement of furniture for officers who were living in their own houses thus causing nugatory expenditure.

S/N	Vote	MDAs/RAS	Amount (Shs)
1	26	Vice President's Office	90,207,007.00
2	32	President's Office, Public Service Management	111,163,427.00
3	43	Ministry of Agriculture, Food Security and Cooperative's	29,685,000.00
4	46	Ministry of Education and Vocational Training	86,563,593.00
5	53	Ministry of Community Development	55,895,840.00

		Gender and Children	
6	58	Ministry of Energy and Minerals	92,365,000.00
7	59	Law Reform Commission	13,695,000.00
8	68	Ministry of Communication, Science and Technology	18,830,539.00
9	69	Ministry of Natural Resources and Tourism	119,373,094.66
10	96	Ministry of Information, Youths, Culture and Sports	32,936,299.00
		Total	**650,714,800.66**

5. 5. Expenditure not properly supported Shs.362,026,933,382.25

There were payments amounting to Shs.362,026,933,382.25 made without being supported by proper documents contrary to Reg. 95(4) of the Public Finance Regulation of 2001 (revised 2004), as such the authenticity of the payments made could not be ascertained.

S/N	Vote	MDAs/RAS	Total Expenditure	% of actual % of total expenditure	Amount (Shs)
1	18	High Court of Tanzania	15,014,131,026	5.5	825,240,000.00
2	19	District and Primary Courts	14,518,897,754	0.2	29,527,500.00
3	21	Treasury	279,993,233,165.09	0.05	150,611,256.00
4	22	Public Debt and General Services	1,325,400,889,388	21.12	279,993,233,165.09
5	29	Prisons Department	97,127,525,644	0.08	80,559,598.00
6	32	President's Office-Public Service Management	42,219,435,856	19.07	8,052,888,683.00
7	40	Judiciary	17,754,949,678	2.05	363,966,918.60
8	42	Office of the speaker	69,044,710,084.36	0.07	48,539,438.00
9	46	Ministry of Education and Vocational Training	501,586,424,372	0.07	342,039,444.00
10	50	Ministry of Finance	219,008,886,868.11	31.96	70,000,000,000
11	52	Ministry of Health and	480,316,736,838.48	0.12	597,967,673

S/N	Vote	MDAs/RAS	Total Expenditure	% of actual % of total expenditure	Amount (Shs)
		Social Welfare			
12	69	Ministry of Natural Resources and Tourism	47,310,103,630	0.35	165,448,602.00
13	82	RAS Ruvuma	81,389,666,900	0.04	34,627,787.00
14	85	RAS Tabora	5,607,717,181	2.13	119,742,418
16	92	TACAIDS	14,466,757,157	7.22	1,044,265,701
17	94	President's Office, Public Service Commission	9,437,247,483.26	1.00	94,712,958
18	95	RAS Manyara	69,697,097,548	0.12	83,562,240.56
		Total			**362,026,933,382.25**

5.6 Goods not delivered Shs.13,865,874,762

Payments amounting to Shs.13,865,874,762 were made in advance to various suppliers during the year under review. However, audit inspection done at respective MDAs/RAS noted that goods worth Shs.13,865,874,762 were not delivered. The noted practice contradicts with the requirement of PPR, 122 (Goods, Works and Non Consultant Services) Regulation of 2005.

S/N	Vote	MDAs/RAS	Amount (Shs)
1	29	Prisons Department	295, 463,511.00
2	40	Judiciary	204,833,667.00
3	48	Ministry of Lands, Housing and Human Settlements Development	126,835,900.00
4	52	Ministry of Health and Social Welfare	1,648,407,271.00
5	56	Prime Minister's Office, Regional Administration and Local Government	4,886,045,280.00
6	56	Prime Minister's Office, Regional Administration and Local Government	611,104,553.00
7	75	RAS Kilimanjaro	329,877,640.00
8	78	RAS Mbeya	208,439,409.00
9	89	RAS Rukwa	19,728,778.00
10	98	Ministry of Infrastructure Development	5,830,602,264.00
		Total	**13,865,874,762.00**

5.7 Payments charged to wrong expenditure codes Shs.5,296,243,598

During the year under review, audit tests showed that some of the MDAs/RAS and Embassies did not adhere to MTEF budget and as such, payments totaling to Shs.5,296,243,598 as shown below were charged to wrong expenditure items without proper authority for reallocation contrary to Reg. 51(1-8) of the Public Finance Regulation's 2001 (revised 2004).

S/N	Vote	MDAs/RAS	Amount (Shs)
1	39	National Service	309,972,400.00
2	44	Ministry of Industry, Trade and Marketing	263,963,996.00
3	46	Ministry of Education and Vocational Training	362,445,738.00
4	52	Ministry of Health and Social Welfare	3,894,809,822.00
5	56	Prime Minister's Office, Regional Administration and Local Government	30,313,727.00
6	61	National Electoral Commission	262,025,808.00
7	75	RAS Kilimanjaro	12,471,000.00
8	86	RAS Tanga	80,991,107.00
9	94	President's Office, Public Service Commission	79,250,000.00
		TOTAL	**5,296,243,598.00**

5.8 Questinable costs Shs.15,711,104,612

During the financial year 2008/2009 two (2) MDAs incurred payments of Shs. **15,711,104,612**. However, the payments lacked relevant and sufficient information to establish their validity to be treated as proper charge against the public funds.

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

S/No	MINISTRY	Vote	AMOUNT
1.	Judiciary	40	267,658,188
2.	Ministry of Finance	50	15,415,146,424
3	RAS Manyara	95	28,300,000
	TOTAL		**15,711,104,612**

Summarized results of questionable payments for financial year 2008/2009 and 2009/2010 are given in the table below for comparison purposes:-

Financial Year	Amount (TShs)	MDAs/RAS involved
2008/2009	2,130,565,329	9
2009/2010	15,711,104,612	3

5.9 Stimulus and rescue package not substantiated Shs.48,000,270,000

A sum of Shs.48,000,270,000 was paid to the Bank of Tanzania as part of the Government initiative to launch a stimulus package to rescue business affected by the global financial and economic crisis. We were not provided with a list of individuals who benefited from the loss compensation and loan rescheduling facility including the related procedures regarding accountability of these funds. As such, I was unable to satisfy myself that, the amount paid could stand as a proper charge against public funds.

5.10 Review of Procurement Management

5.10.1 Introduction

The Public Procurement Regulatory Authority (PPRA) prepared and submitted an audit report on the performance of Procuring Entities (PEs) for the period under review which highlighted most of the issues which

largely featured also in my previous report. I appreciate the work done by the Authority which I found relevant and appropriate to incorporate in my report.
The audits sought to determine whether the procedures, processes and documentations for procurement and contracting were in accordance with the provisions in the PPA of 2004, Public Procurement Regulations (GN. No. 97 and 98 of 2005, and GN. No. 177 of 2007) and the standard documents prepared by the Authority, and that procurement carried out achieved the expected economy and efficiency.

5.10.2 Performance of Procuring Entities (PEs)

There is a marginal increase in the responses by Procuring Entities (PEs) to provide information on awarded contracts i.e from 59% recorded last year to 65%. However, this is not satisfactory as the target was for all PEs to comply with the requirement of providing accurate data on awarded contracts, since such statistics may help the PEs as well as the Government to realize the trends and be able to plan on the basis of available historical data.

Based on the 226 PEs that submitted budget information as well as volume of procurement conducted as representative of all PEs, it is concluded that **expenditure in procurement is now about 52% of total government expenditure**. Although this is lower than the usual quoted 70%, still it shows that a significant amount of public funds is spent on procurement.

5.10.3 Procurement audit results

The outcome of the audits conducted by PPRA indicated an overall average level of compliance of 55% computed from the thirteen established compliance indicators. The average level of compliances for MDAs, PAs and LGAs was 57%, 59% and 50% respectively.

On the one hand, the average performance of all audited PEs was below average (below 50%) in five indicators namely: Establishment and composition of PMU; Preparation of Annual Procurement Plan; Publication of contract awards; Records keeping and Quality assurance and control. On the other hand, the performance was above average (50% and above) in the following eight indicators: Establishment and composition of Tender Board; Functioning of AO, TB and PMU; Complying to compulsory approvals; Advertisement of bid opportunities; Time for preparation of bids; The use of appropriate methods of procurement; Complying with the use of Standard Tender Document as stipulated in the regulation and Contract implementation. The analysis on the general procurement compliance is provided in **Annexure III.**

PPRA has a target of ensuring that the average compliance level of PEs reaches eighty percent (80%) by the end of the financial year 2010/2011. Due to limited resources, priority will be given to areas which can bring significant impact to the capacity of procuring entities in complying with the PPA, Cap 410 and its Regulations. According to PPRA report, utmost attention will be directed on the following areas:

a) Establishment and composition of PMUs

Establishment and staffing of PMUs is a problem facing many PEs. The audits revealed that the overall level of compliance on establishment and composition of PMUs was 43%. The average level of compliance for MDAs, PAs and LGAs was 44%, 49% and 38% respectively. For the Central Government, the problem is due to the weakness in the PPA which is silent on the reporting mechanism of the Head of PMU within PEs and in some cases PMUs were established as Committees of the Tender Board.

b) Preparation of Annual Procurement Plan

The review indicated an average level of compliance in this area of 46%, 47%, and 30% in MDAs, PAs and LGAs respectively. Specific weaknesses in the assessed procurement plans and their implementation included: Appropriate templates were not used; processing times for different stages of the procurement process were not indicated; requirements from user departments were not aggregated; some of the procurable items in the budget were not included; too many tender board meetings; extensive use of quotations under minor value procurements and unrealistic plans.

c) Contracts Management

Generally, the following weaknesses were observed: Contracts were not properly signed in some cases; Some of the contracts lacked important contract documents such as conditions of contract, drawings and specifications, and some contained non-contract documents such as invitation for bids/quotations and instructions to bidders; Liquidated damages were not applied for delayed contracts; Site meetings were not conducted for most of the reviewed contracts; There were no adequate quality assurance and control plans, completed works were not tested to ascertain whether they have attained the specifications as provided in the contract documents; Progress reports for works contracts were not prepared; Site supervision reports were not prepared; Extension of time were issued without justifiable analysis and without following appropriate procedures; Payment certificates were not attached with necessary information such as measurement sheets and working/ takeoff sheets to justify the quantities paid; in some cases payments were made for works which have not been done by exaggerating the quantities; and Goods inspection and acceptance committees were not appointed to ascertain the quality and quantity of the supplied goods.

Lack of quality control and poor contracts management was contributed by inadequate resources (human, financial, supervision vehicles, quality control tools etc), inadequate project supervision skills, lack of guidelines for community based projects, inadequate contracts management skills and corruption. The effects of poor contracts management and lack of quality control includes poor quality of works, goods and services; projects cost and time overrun; payment delays; payment for undelivered goods, works and services; contract disputes; and not realizing value for money.

d) Records Keeping

The major weaknesses included: lack of a comprehensive list of tenders, quotations and contracts, procurement records scattered in different departments, lack of records on contracts management, inadequate space and shelves for records storage, and inappropriate filing. It was difficult for the review teams to ascertain the exact number of tenders floated and the retrieval of information was time consuming as records could not be obtained from one point.

e) Fraudulence at Karagwe District Council

The audit team observed and confirmed that the Contractor was paid a substantial amount of money for works which were not done. Quick analysis by the audit team indicated that the contractor was fraudulently paid Tshs. 40,120,000 for gravel material and TShs.6,185,571 for road formation. In addition, variation was issued (verbal) to reduce the size of the structure (from box culvert of 3.0m x 1.5m x 6m to 0.7m Diameter pipe culvert) at chainage 0 + 000 along Nyakahanga – Nyabiyonza Road but the contractor was paid full amount as if the specified box culvert was constructed.

f) Assessment of PEs efficiency in processing tenders

The assessment indicated that the average number of days used by PEs to process tenders (from tender opening to contract award) was 42 days. This is above the maximum time period recommended in the Third Schedule of GN. No.97 of 2005 of 12 days. The observed inefficiencies were mainly due to lack of procurement planning.

g) Community based projects

It was observed during the audits that Development Partners are allocating a lot of funds to various community based projects. They include MMEM (Mpango wa Maendeleo Elimu ya Msingi); MMES (Mpango wa Maendeleo ya Elimu ya Secondari); PADEP (Participatory Agriculture Development and Empowerment Programme); DASIP (District Agricultural Sector Investments Programme) and Tanzania Social Action Fund (TASAF). However, there are a number of weaknesses in the implementation of these programmes due to lack of simplified guidelines for procurement of community based projects. It was therefore recommended that as a matter of priority, the Authority should prepare and disseminate the guidelines for procurement of community based projects.

h) Procurement of teaching aids

The Ministry of Educational and Vocational Training approved three suppliers to supply teaching aids to all the councils in the country. This has resulted to delay of procurements and increase of cost of the items as there is no competition. Furthermore, this procedure does not provide an equal opportunity to all suppliers with the capacity to supply for the reason that they are not approved by the Ministry. It was therefore recommended that the Ministry of Education and Vocational Training should be advised to expand the list of approved suppliers to ensure adequate competition, efficiency and quality of goods.

5.12 Stock verification reports on stores management

Part XV of the PFR deals with the need for having an Independent Stock Verification in the stores of MDAs/RAS. In this regard therefore, I have received Stock Verification reports in accordance with Reg. 245 (3) of PFR of 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 conducted a thorough Stock Verification exercise for seventeen (17) MDAs and nine (9) RAS for the year ended 30th June, 2010.

During the year under review, there has been a considerable gap in the management of stores as explained in a condensed summary of the Stores Mismanagement report submitted to me by the Stock Verification Unit of the Treasury shown as **Annexure IV.**

CHAPTER 6

ANALYSIS OF NATIONAL CONSOLIDATED FINANCIAL STATEMENTS

6.1 Introduction

The National Consolidated Financial Statements (CFS) is a summary of the National financial performance and contributes to a transparent and accountable government. For the purpose of this report, National Consolidated Financial Statements means:

- Consolidated Statement of Cash Receipts and Payments
- Consolidated Statement of Comparison of budget and Actual Amounts
- Consolidated Cash Flow Statement
- Consolidated Statement of Payment by function
- Notes to the Financial Statements

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.

6.2 Follow up on the Implementation of the Previous Years' Audit Recommendations

During the previous years' audit, several recommendations were made on major issues which required management's attention and action for improvement. Most of the recommendations raised were implemented. Specific outstanding matters which have not been reiterated in the current year's audit report include:

- **Tax collections in transit Shs.52,422,025,182**

Management was required to confirm the transfer of a sum of Shs.52,422,025,182 to the PMG's account. To date, documents supporting the transfer of Shs.45,644,726,068 have been received leaving Shs.6,777,299,114 not confirmed to have been credited to the PMG account.

- **Expenditure above approved budget Shs.67,412,110,917**

Management was required to justify the payment made over and above approved budget. An amount of Shs.65,826,781,829 has been verified to have been corrected and adjusted to the respective vote's accounts with the exception of TShs.1,585, 329,088 relating to Votes 74, 79 and 93.

- **Understatements of Consolidated financial statements by Shs.2,194,266,087**

Management was required to reconcile the difference and effect necessary adjustments to reflect the correct ending cash balance.

Adjustments for Shs.109,859, 615.62 relating to the following votes 32, 38,56, 99,43, 46,71 and 88 were not submitted.

6.3 Current year results of audit of the National Consolidated Financial Statements

The following significant issues were noted during the audit of the National Consolidated Financial Statements:

6.3.1 Total Government expenditure Shs.8,522,395,969,190

The table below depicts the general trend for the recurrent and development expenditures in respect of MDAs and LGAs for the financial years 2008/2009 and 2009/2010. Recurrent expenditures increased from Shs.4,929,614,519,420 recorded in 2008/2009 to Shs.6,237,494,869,945 recorded in year 2009/2010 equivalent to an increase of 27%, while Development expenditures increased from Shs.1,606,484,993,991 recorded in year 2008/2009 to Shs. 2,284,901,099,246 recorded in year 2009/2010 equivalent to an average of 42%.

Expenditure Account	2008/09 (Shs)	%	2009/10 (Shs)	%
Recurrent	4,929,614,519,420	75	6,237,494,869,945	73
Development	1,606,484,993,991	25	2,284,901,099,246	27
Total	**6,536,099,513,411**	100	**8,522,395,969,190**	**100**

In terms of total expenditure, recurrent expenditure was far above (about 73% of the total expenditure) compared to development expenditure which consumed only 27% of the total expenditure.

6.3.2 Statement of Revenue

The consolidated statement of revenue as at 30th June 2010 reflected a total revenue collection of Shs.7,928,122,248,611 against an approved estimates of Shs.10,063,686,670,897 resulting in an under collection of Shs.2,135,564,422,286 which is equivalent to 21.22% of the revenue budget.

Revenue collection pattern for the past three years is as shown below:

Year	2007/2008 (Shs.)	2008/2009 (Shs.)	2009/2010 (Shs.)
Estimates	6,160,992,762,345	7,704,909,780,498	10,063,686,670,897
Actual Collection	5,305,427,340,743	6,427,630,892,809	7,928,122,248,611
Under collections	855,565,421,602	1,277,278,887,689	2,135,564,422,286

Recurrent revenues are the tax, non-tax and financing from Government investment revenues while development revenues mainly come from grants, external and domestic borrowings.

The under collected revenue of 21.2% should sound alarm bells for the government to conduct a critical assessment of the under performances with the view of coming up with concrete correctional steps in the future.

6.3.3 External assistance Shs.2,393,256,357,651

The Statement of External Assistance indicates that a sum of Shs.3,932,474,455,117 was estimated to be received from external sources during the year under review. However, actual amount received was Shs.2,393,256,357,651 equivalent to 61% of the total estimated budget. This suggests that conditions for receiving external assistance were not met or foreign assistance was not delivered as agreed.

The total fund was received as follows:

	Purpose	Amount (Shs.)
1	General Budget Support	1,212,101,028,546
2	Basket Funds	600,564,470,177
3	Projects including D-Fund	580,590,858,927
	Total	**2,393,256,357,650**

This situation calls for the government to substantially increase its internal revenue generating capacities while at the same time watching over its expenditure pattern.

6.3.4 Arrears of Revenue

The statement of arrears of revenue shows that, arrears of revenue increased from Shs.10,020,246,900 in the year 2008/2009 to Shs.116,320,437,345 in 2009/2010 equivalent to 1,060%. This suggests that sufficient efforts were not exerted in collecting all government revenues due to it in the year of audit.

6.3.5 Statement of outstanding Public Debt Shs.10,503,806,011,884.90

The Consolidated Financial Statements shows that the public debt has increased by 38% from Shs.7,621,286,730,033.80 recorded in 2008/2009 to Shs.10,503,806,011,884.90 outstanding at the end of 2009/2010 as shown below:

Description	2007/2008 Shs.	2008/09 Shs.	2009/10 Shs.
Foreign Debt	4,601,657,485,229	5,386,646,362,543	7,747,903,803,161
Domestic Debt	1,875,794,357,188	2,234,640,367,491	2,755,902,208,703
Total Debt	**6,477,451,842,417**	**7,621,286,730,034**	**10,503,806,011,885**

The domestic debt increased by Shs.43,373,690,323 and Shs.358,846,010,303 equivalent to 2% and 19% in 2007/2008 and 2008/2009 respectively and later by Shs.521,261,841,212 equivalent to 23% in 2009/2010. On the other hand, foreign debt increased by a total of Shs.2,361,257,440,618 equivalent to 44% from the previous years' reported balance. Generally, there was an overall increase of Shs.2,882,519,281,851 or 39% from the previous year's total balance. In contrast, the economic growth as per GDP real rate has been growing at an average rate of 6.5% from year 2006/2007 to 2009/10.

The percentage increase in foreign debt is relatively higher than that of the domestic debt for 2008/2009 and 2009/10 meaning that the Government has borrowed more from foreign institutions than from domestic ones. This situation implies that the Government has highly exposed itself to foreign exchange risks in the event of adverse exchange rate variability. In addition;

- The increasing debt burden can depress growth by increasing uncertainty about the actions and policies the Government will resort to in order to meet its debt service obligations.
- Unproportional increasing trend of the National Debt from 17.66% recorded in 2008/09 to 39.27% while the average economic growth rate was 6.5% may lead to potential debt sustainability problems.
- Overall increase in the National Debt implies an increased burden to the Government in terms of payments of commitment fees, interests, principals and other debt servicing costs.

6.3.6 Statement of Commitments Outstanding Shs. 93,860,806,990

The statement of government commitments outstanding reflects an amount of Shs.93,860,806,990 as at 30th June 2010 representing a decrease of Shs.275,883,320,206 equivalent to 75% compared to the commitments reported in year 2008/2009 of Shs.369,744,135,196. This situation implies that the commitment of funds may have been made to avoid surrendering of the unutilized funds by 30th June 2010 to the PMG's Account.

6.3.7 Statement of outstanding Loans Issued by Government Shs.424,087,766,124

The statement of outstanding Loans issued by the Government reflects an amount of Shs.424,087,766,124 as at 30th June 2010 representing an increase of Shs.7,624,537,979 equivalent to 2% compared to the outstanding amount reported in year 2008/2009 of Shs.416,463,228,145.

However, our audit review of the movement of some of outstanding loans reported shows cases whereby loans issued to them remained outstanding for more than three years. Furthermore, it was noted from the Treasury Registrar's statement that the Government could not recover Shs.281,864,968 and Shs.44,062,788 from M/s. Ginaac Industries Ltd and M/s. Mansoons Ltd respectively as these companies no longer exist and there are no details of collateral securities pledged against the loans extended to these companies. From the foregoing, there is a possibility of non recoverability of the amount loaned in the absence of collateral securities from the borrowers. **Annexure V.**

6.3.8 Statement of Contingent Liabilities Shs.26,276,785,317

As at 30th June, 2010, the Government had contingent liabilities in respect of twelve votes as listed below:

S/No.	Name of the Ministry	Amount Claimed (Shs.)
1	Ministry of Healthy and Social Welfare	802,000,000
2	Ministry of Livestock Development and Fisheries	970,309,970
3	Ministry of Tourism and Natural Resources	1,608,732,000
4	Ministry of Agriculture, Food and Cooperation	2,329,656,164
5	Ministry of Education and Vocational Training	282,543,545
6	Ministry of Labour & Youth Development	1,026,246,335
7	Lindi Region	169,700,000
8	Dodoma Region	97,945,379
8	Prime Ministers Office	259,554,088
10	Infrastructure Development	16,209,047,878
11	Rukwa Region	28,879,926
12	Ministry of Water & Irrigation	2,492,170,032
	Total	**26,276,785,317**

However, the nature and related liabilities were not disclosed. This means that there is a big uncertainty regarding whether all the liabilities were actually disclosed which leads to limitation of our audit scope.

6.3.9 Statement of Government Guarantees Shs. 711,804,989,096

(i) Granting of guarantees above the agreed ceiling

As at 30th June 2010, the Consolidated Financial Statements reported a total of Shs.711,804,989,096 as government guarantees. However, it could not be established how in some cases, guarantees were issued above the loan amounts. Pursuant to Sect.13 (1) (b) of the Government Loans, Grants and Guarantees Act of 1974 (revised 2004), the extent of the guarantee covered shall not be more than 70% of the amount borrowed.

There was no evidence that these guarantees were secured with valid collaterals. This implies that the Government may be exposed to higher risk of incurring large amounts of money to liquidate the defaulted loans and associated servicing costs.
On average, the amount guaranteed by the Government accounted for 96.8% of the total loans.

(ii) Understatement of Guarantees Shs.3.94 billion

A comparison of the outstanding guarantees reported in respect of parastatals by the Treasury Register of Shs.451,927,787,912 against that of the National Consolidated Accounts of Shs.447,987,521,547 resulted in unreconciled difference of Shs.3,940,266 ,366.

6.3.10 Debt Conversion scheme funds with BOT Shs.2.099 billion

The published financial statements of the Bank of Tanzania reflected Shs.2.009 billion in respect of debt conversion that are blocked in the account pending submission of progress reports by beneficiaries in respect of utilization of previous disbursements, so as to justify further disbursements. The balance has remained dormant in the account for so long. There is no effort by the Government to establish whether there are still legitimate claims against this balance from the alleged beneficiaries. There is a possibility of these idle funds being misappropriated.

6.3.11 Amounts payable and Government deposits not reflected in the financial statements

The published financial statements of the Bank of Tanzania for the year ended 30th June, 2010 reflected several amounts receivable from the Government, however, these amounts were not reflected in the Government Consolidated accounts as amounts payable to the Bank as explained herein below:-

(i) Interest payable on overdrawn Government accounts of Shs.266.8 million

A total of Shs.3,456.6 million was charged to the Government in 2009/2010 as a result of the Government net position being overdrawn in various periods. Out of that amount Shs.3,189.8 million was settled leaving an outstanding balance of Shs.266.8 million as at 30th June, 2010.

(ii) Amount payable for Economic Empowerment Shs.21.63 billion

A total of Shs.21,630 million was shown as receivable from the Government in respect of funds advanced by the Bank of Tanzania to facilitate implementation of the economic empowerment programme.

Apart from this amount not being disclosed in the financial statements, performance reports of the funded programmes were not submitted including the companies which benefited from this programme clearly indicating the corresponding amount.

(iii) Multilateral Debt Relief Initiatives Shs.85,716,634,000

The International Monetary Fund (IMF) cancelled all debts owed by Tanzania that had been incurred up to 31st Dec, 2004. The amount outstanding as at that date was SDRs.234.03 million equivalent to USD 336 million. The purpose of the debt cancellation was to provide substantial resources to alleviate poverty and economic distress. As at 30th June 2010, the unutilised balance was Shs.85,716,634,000 (USD equivalent).

Despite our persistent advice that these funds should be disclosed in the financial statements, this has not been done by Management.

(iv) Liquidity Management Expenses Shs.26.85 billion.

The Government has an account payable of Shs.26.85 billion to the Bank of Tanzania in respect of liquidity management costs.

6.3.12 Outstanding Liabilities Shs.160,756,067,191

A review of the Consolidated Financial Statements revealed a total amount of Shs.160,756,067,190 reported as outstanding liabilities for the year ended 30th June, 2010.

This represents 50.2% increase compared to the previous year's reported amount of liabilities of Shs.107,063,198,140.

It was further noted that a total amount of Shs.39,916,624,968 out of the outstanding liabilities of Shs.160,756,067,191 (as detailed below) were incurred through supplies of goods and services implying that there were some LPOs that were not paid for at the end of the year.

Taking into account that the government operates on a cash basis of accounting, it could not be established how these liabilities were incurred since the IFMS has an expenditure control module which does not accept an LPO for any budget line to which no funds exists.

This being the case, all outstanding LPOs should have been included in the Statement of Commitments in their respective votes and not in the Statement of Outstanding Liabilities if actually funds existed in their respective budget lines.

Nature of liability	**Amount (Shs.)**
Salary in Arrears	2,324,505,288
Unclaimed Salaries	40,549,345,464
Motor vehicle maintenance	2,040,379,524
Office rent	554,591,928
Fumigation	4,872,883
Supplies (Goods and Service)	39,916,624,968
Utilities	24,708,108,554
Training	18,456,400
Assets	35,399,700
Contract work	50,543,057,975
Programme	60,724,507
Total	**160,756,067,191**

6.3.13 Government Investments Shs.8,718,182,145,310

(i) Total investments

According to the Consolidated Financial Statements, government investments recorded an increase from Shs.5,296,890,205,898 in the year 2006/2007 to Shs.5,850,455,182,908 in the year 2007/2008. In the year 2008/2009, investments increased remarkably to Shs.7,074,822,870,933 followed by another remarkable increase to Shs.8,718,182,145,310 in the year 2009/2010 as shown below:

Description	2006/07 (Shs)	2007/08 (Shs)	2008/09 (Shs)	2009/10 (Shs)
Foreign Organisations	833,792,464,960	709,955,580,650	931,255,007,966	957,398,792,596
National Organisations	4,463,097,740,898	5,140,499,602,258	6,143,567,862,967	7,760,783,352,714
Total investment	5,296,890,205,858	5,850,455,182,908	7,074,822,870,933	8,718,182,145,310

Further, we noted that the reported amounts did not include all government investments as there were 9 domestic organisations whose accounts were not made available for consolidation. In addition a sum of Shs.100 billion sent to the Tanzania Investment Bank in respect of (Recapitalization of TIB 50 billion) and (Establishment of Tanzania Agricultural Development Bank 50 billion) was not reflected in the consolidated financial statements as part of Government investment in the two institutions.

(ii) Negative Investment Shs.2,740,753,908

It was noted under note 31 to the financial statements that negative investments in foreign organisations of Shs.2,740,753,908 were included in the investments held as at 30th June, 2010 of Shs.17,597,200,948. There was no reason given to support this kind of investment and the decrease thereof.

In addition to the above, the paid up share capital in foreign organisations dropped from Shs.122,873,730,766 as at 30th June 2009 to Shs.116,378,791,291 as at 30th June 2010. Causes of this decrease were not given.

The note however does not give details of investments including the assets that the Government controls, the liquidity that the Government incurs and its share of revenue and expenses incurred in line with IPSA 7 and 8.

6.3.14 Statement of Non-current Assets Shs.7,981,954,338,324

The Consolidated Financial Statements report Non-current assets amounting to Shs.7,981,954,338,324 as at 30th June 2010, total additions during the year were Shs.908,134,585,051 and disposals were Shs.1,696,150,527 thus recording a net increase of 13% from the balance reported as at 30th June 2009 of Shs.7,075,515,903,800. The table below depicts the movement of the assets during the year:

S/N	PPE item	Balance as at 30th June 2009	Additions	Disposal	Balance as at 30th June 2010
1	Land and Building	1,094,152,472,800	680,563,487,463	1,348,746	1,774,714,611,517
2	Plant and machinery	74,912,334,493	82,353,343,855	314,165,748	156,951,512,600
3	Furniture and equipment	339,642,158,587	24,303,252,384	186,073,196	363,759,337,775
4	Motor Vehicles	5,043,887,919,288	49,719,512,623	1,157,466,177	5,092,449,965,734
5	Computer Equipment	132,886,132,703	20,550,336,101	37,096,660	153,399,372,144
6	Fire Fighting Equipment	63,190,000	7,681,662,375	-	7,744,852,375
7	Intangible Assets	80,010,710,259	21,896,374,447	-	101,907,084,706
8	Biological assets	3,863,963,540	1,801,237,355	-	5,665,200,895
9	Other Civil Works	306,097,022,130	19,265,378,448	-	325,362,400,578
	Total	**7,075,515,903,800**	**908,134,585,051**	**1,696,150,527**	**7,981,954,338,324**

However, the following were noted during the review:

(i) There is no national fixed asset register for government assets where the above assets are recorded.

(ii) Total additions of assets reported in the assets schedule is Shs.908,134,585,051 while Cash Flow Statement indicates total capital expenditure of Shs.1,026, 466,877,315 including payment by third parties, thus registering an unexplained difference of Shs.118,332,292,264 understated.

6.3.15 Statement of Stores and other assets Shs.16, 806,978,964

The Consolidated Financial Statements reported stores and other assets amounting to Shs.16,806,978,964 as at 30th June 2010. This is a decrease of 89% from the previous year's balance of Shs.146,854,683,983.

6.3.16 Statement of Losses Shs.11,152,048,065

The Consolidated Financial Statements indicated that cumulative losses incurred by the Government in terms of public monies, stores written off and claims abandoned, increased from Shs.3,128,398,112 during the year 2008/2009 to Shs.11,152,048,065 in 2009/2010, this being an increase of Shs.8,023,649,953 equivalent to 2.56%.

6.3.17 Special Funds Shs.78,014,807,604

The Consolidated Financial Statements disclosed an amount of special funds managed by M&D of Shs.78,014,807,604 in line with Section 12 of the PFA 2001. This is an increase of 1.40% against what was reported in the previous financial year of Shs.32,460,970,038.

However, we noted that the amounts reported as operating funds in MDAs were in fact cash balances as at 30th June 2009 and it does not include other funds advanced or issued as loans. Further, balances of other Funds were not disclosed in the financial statements. The funds are:

- Treasury Advances Fund
- Police Rewards and Fines Funds
- Prison Rewards Fund
- Disaster Relief Fund
- Education Development Fund
- Tanzania Housing Revolving Fund
- Civil contingency Fund
- Health Services Fund
- Agricultural Import fund

6.3.18 Overdue outstanding reconciling items in the bank statements

Audit review of bank reconciliation statements for all accounts noted unreconciled item in the bank reconciliation statements as follows:

1	Receipts in Bank not in Cash Book	56,230,975,146.63
2	Payment In Cash Book (x-Unpresented Cheques)	83,500,942,913.53
3	Payment in bank not in Cash Book	524,588,992,794.08
4	Receipts in Cash Book not in Bank	182,857,092,164.47

The statement also disclosed unpresented cheques of Shs.304,876,466,064 some of which had remained unpaid for more than 6 months. No adjustments have so far been effected to cancel them and credit the same to the deposit bank account.

Further, receipts in Bank not in cash book of Shs.56,230,975,147 and payments in bank not in cash book of Shs.524,588,992,794 had no reference to any vote making it difficult to trace their origin.

6.3.19 Exchequer Account statement overdraft Shs.1,331,073,630,470.30

Review of the exchequer accounts statements revealed that, during the year under review, the Exchequer Account received a total of Shs.7,928,122,248,611 as revenues against total expenditure of Shs.8,522,395,969,190 thus, registering an overdraft of 594,273,720,579. At the year

end, cumulative overdraft obtained from the Bank of Tanzania was Shs.1,331,073,630,470.30.
This amount of overdraft was not included in the statement of outstanding public debt.

6.3.20 Unspent balances not returned to PMG Account Shs.31,821,562,811

Unspent balance to be paid to PMG Account as at 30th June 2009 was Shs.31,948,316,299, however, review of the exchequer account statement noted that only Shs.126,753,488 was reported to have been received in the account as unspent balance, thus the difference of Shs.31,821,562,811 could not be established to have been received in the Account.

6.3.21 Management of contingent liabilities arising from Public-Private Partnership (PPP) arrangements

Following the development of the public-private partnership policy through Prime Minister's Office in November 2009, an Act of parliament known as the Public-Private Partnership Act of 2010 was issued to provide for an institutional framework for the implementation of public-private agreements between public sector and private sector entities; to set rules, guidelines and procedures governing public-private procurement, to develop and implement public private partnership and to provide for other related matters.

According to the Policy, most PPPs in Tanzania are being undertaken through the privatisation programme, and have mainly involved direct service delivery. New investments in physical infrastructure development on a PPP basis are low with few exceptions in the power and communication sectors. PPPs implemented in Tanzania are concession agreements for running existing enterprises with limited provisions for rehabilitation and new investments.

The policy analyses some few sectors in which PPPs have been implemented successfully, these include; education, health and water where Faith Based Organisations (FBOs) have been working in partnership with the government for many years. In the case of other sectors, the performance has been mixed largely due to the complexity of such undertakings and lack of clear guidelines on the criteria for public private partnership.

6.3.21.1 Inadequate Control Procedures over Public-Private Partnership (PPP) Arrangements

As noted above, PPP in infrastructure, power, communication and utility sectors has not successfully been implemented. We sampled few examples where the Government has entered into agreements with private investors where in our view, there were some gaps and flaws with little success in their implementation. These include: SONGAS Ltd, IPTL, ARTUMAS, TRL, ATCL, Kiwira Coal Mines (TANPOWER Ltd), City Water and TICTS.

Our review with regard to this arrangement noted the following:

(i) Despite the problems and gaps identified in the previously signed PPP agreements, Section 29 of the PPP Act of 2010 provides that, all existing agreements or memoranda of understanding entered into by any contracting authority with the private party before the commencement of the Act shall not be affected by the coming into force of the Act.

(ii) The Prime Minister's Office, in collaboration with the Ministry of Finance, has not developed a PPP manual and a set of standard contractual terms and guidelines that would guide the development of the PPPs which could help in limiting the contingent liabilities they create.

(iii) Our enquiry from management of the Ministry of Finance and Prime Minister's Office revealed that the Government is working on the PPP Regulations and Strategy which are expected to be finalised by early July 2011.

(iv) There was no evidence that a thorough Cost-benefit and value for money analysis were carried out when assessing the investment proposals.

(v) It was not certain whether competitive procurement procedures were employed including having competent multi-disciplinary negotiating teams during the process of getting the prospective investor.

(vi) Monitoring of projects being implemented under PPP arrangements was assessed to be inadequate.

(vii) There was no evidence that adequate risk assessment and analysis was carried out to identify the vulnerabilities to which the Government is exposed in relation to PPP arrangements and determine how risk shall be shared between the private investors and the government before a decision to undertake a PPP project is taken.

(viii) We could not establish whether a comprehensive evaluation of the financial capability of some of the investors was done. We noted some instances where the Government had to take the responsibility of refinancing some operations of the private investors through direct financing or issuing loans or guarantees. Examples include:

- Securing an on-lent loan for SONGAS Ltd,
- Payments made to IPTL to facilitate the company to continue its operations,
- Payment for TRL and TAN POWER Ltd staff salaries,
- Giving a refinancing loan to ARTUMAS and
- Giving a credit guarantee to Kagera Sugar Ltd.

As a result of the above noted shortcomings:

(i) The Government may be forced to meet unpredicted costs through PPP that are not fully captured in the national budget

(ii) In the absence of a comprehensive risk analysis of some of the investors, the government may end up inviting private investors who are not financially capable. In addition, the government is likely to bear the full burden of risks.

(iii) Without detailed Cost-benefit and value for money analysis, some of the investments may not be economically viable.

6.3.21.2 Management of Contingent Liabilities and Accounting for PPP Assets and Liabilities

In most cases if PPP agreements are not well designed and managed, these contracts always end up with the Government assuming huge contingent liabilities. Our review has revealed that:

(i) Apart from the contingent liabilities which could arise from PPP undertakings, the Government in some instances has given on lent loans and guarantees to private investors including those in PPPs. These include:

- Securing an on-lent loan for SONGAS Ltd,
- Payments made to IPTL to facilitate the company to continue its operations,
- Payment for TRL and TAN POWER Ltd staff salaries,
- Giving a refinancing loan to ARTUMAS and
- Giving a credit guarantee to Kagera Sugar Ltd.

(ii) Giving on lent loans and guarantees to private investors is contrary to the requirements of Section 13 & 14 of the Government Loans, Guarantees and Grants Act (1974) (revised 2004).

(iii) There was no evidence that the loans and guarantees issued to some of these private investors were adequately secured by valid collaterals. In addition, parastatals are not required to pledge any collateral contrary to the requirement of Section 13(c) and 14(1) of the Government Loans, Guarantees and Grants Act (1974) as revised in 2004.

(iv) All assets of the Government including those under PPP arrangements and Liabilities (including contingent liabilities) are not well recorded in the books of account and properly disclosed in the National Consolidated Accounts although very few assets are recorded in a memorandum basis as a footnote to the consolidated accounts.

(v) The Government budget does not take into consideration the costs of contingent liabilities including those arising from PPP contracts.

In the absence of valid and reliable collaterals, the Government is exposed to credit risk in the event the beneficiaries of the loans fail to repay and when the guarantees trigger. Also, assets not properly recorded are subject to misappropriation while unrecorded liabilities may disrupt government budget when they are due for payment.

6.3.21.3 Inadequate Government Involvement in Design and Build Agreements

The Government entered into some few agreements with Social Security Funds on a Design-Build (DB) basis including:

- Construction of Mabibo Hostel for University of Dar es salaam students by NSSF
- Construction of the University of Dodoma by NSSF, PPF, PSPF, LAPF and NHIF and

- Construction of the Nelson Mandela-African Institute of Science and Technology by PPF.

(i) There was no evidence that the government was adequately involved in the process of designing and developing the three projects including determining the actual costs involved.

(ii) We were not given the related contracts describing the terms and conditions governing the designing, construction and the repayment arrangements.

Due to inadequate involvement in the process of constructing the three projects, the government is likely to bear huge costs through overpriced bills of quantities.

6.3.22 Non Compliance with PFA and IPSAS

According to section 25(1) (a) of the Public Finance Act of 2001(Revised 2004) the Accountant General is required to prepare and transmit to the Minister and to the Controller and Auditor General a balance sheet (statement of financial position) showing all the assets and liabilities of the Consolidated Fund. (i.e the Government of the United Republic of Tanzania).

The submitted National Consolidated Accounts did not include a balance sheet i.e statement of financial position of the Government of the URT including all the assets of the government such as buildings, bridges, roads, schools etc.

In addition, IPSAS 6; Consolidated and Separate Financial Statements requires the consolidation to include all Public Sector wholly or jointly controlled entities where the government has a controlling power including Local Government Authorities, Government Agencies, venture capital organization, mutual funds, unit trusts and similar entities. The standard, however, does not apply to Government Business enterprises.

The standard requires that in preparing consolidated financial statements, a controlling entity should combine its financial statements and its controlled entities line by line, by adding together like items of assets, liabilities, net assets/equity, revenue, and expenses.

The assets, liabilities, net assets/equity, revenues and expenses for these entities were not consolidated as such, the submitted financial statements only forms part of the accounts and does not give a full picture of the financial position and financial performance of the National Consolidated Accounts of the government of the United Republic of Tanzania.

Assets not properly recorded are subject to misappropriation while unrecorded liabilities may disrupt government budget when they are due for payment. In addition, non consolidation of other Public entities including wholly or jointly controlled parastatals, Government Agencies and Local Government Authorities (LGA) may lead to incomplete financial statements of the Government.

CHAPTER 7

PRESENTATION AND ANALYSIS OF AUDIT RESULTS

7.1 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 chapters.

The auditor's opinion is a formal opinion, or a disclaimer thereof, issued by an independent external auditor as a result of an audit on the financial statements or evaluation performed on an entity or subdivision thereof (called an "auditee"). The opinion is provided to the user of these financial statements as an assurance service in order for the user to make decisions based on the results of the audit.

An auditor's opinion is considered an essential tool when reporting financial information to users. In the public sector it is intended to advise the Parliament and other users on whether MDA's/RAS's/Embassies'/Missions' financial statements have been prepared in conformity with the International Public Sector Accounting Standards (IPSAS) - cash basis of accounting and in the manner required by Sect 25(4) of the Public Finance Act of 2001 (revised 2004) including the MDAs/RAS/Embassies/Missions compliance with laws and regulations.

In an ordinary language, the opinion is an assurance on whether the financial information presented by the auditee is materially correct and trustworthy for making various decisions such as the Government's decision on whether the allocations made to MDAs/RAS/Embassies/Missions have been spent to benefit the citizens. It is important to note that the auditor's opinion on the financial statements are neither evaluations nor opinions as to the financial health, performance, attractiveness, potential, or any other similar determination used to evaluate entities in order to make a decision. It is only an opinion on whether the information presented is correct and free of material misstatements, whereas all other determinations are left for the user to decide.

Besides having formed an opinion on the financial statements, the objective of the auditor is to draw users' attention, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report. The situation in which additional communication may be necessary is when:

(a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to users' understanding of the financial statements (Emphasis of Matter)[2]; or
(b) As appropriate, any other Matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report (Other Matter)[3].

7.2 Types of audit opinion

The following are the common types of auditor's opinions, each one presenting a different situation encountered during the auditor's work as follows:

(i) Unqualified Opinion

[2] Emphasis of Matter paragraph – A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

[3] Other Matter paragraph – A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Unqualified Opinion is sometimes regarded by many as equivalent to "Clean audit opinion". This type of opinion is issued when the financial statements presented are free from material misstatements and are in conformity with the International Public Sector Accounting Standards (IPSAS) - cash basis of accounting and in the manner required by Sect 25(4) of the Public Finance Act, of 2001 (revised 2004) including compliance with laws and regulations. It is the best type of an audit opinion an auditee may receive from an external auditor.

(ii) Qualified Opinion

The nature of the circumstances giving rise to the qualification will generally fall into one or two categories.

The auditor shall express a qualified opinion when:

(a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or

(c) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Matters which may give rise to this type of opinion are as follows:

- Expenditures incurred without payment vouchers
- Goods or services procured were not supported by delivery notes, hence there is no confirmation whether they were actually received or recorded.
- Various payments were not supported by proper documents.
- Revenue receipt books were not submitted for audit verification

- Assets owned or purchased were not supported by schedules. This may lead to doubtful existence of the Assets.
- Unavailability of confirmation from the payees on the payments made. Lack of acknowledgement receipts from the payees could lead to possible misappropriation of funds. In this regard, there is a limitation of scope of audit.
- Where the auditor is able to form an opinion on a matter but this conflicts with the view given by the financial statements (Disagreement in best practice on records keeping and non compliance with Laws and Regulations).

Disagreement with management on best practices on records keeping and compliance with Laws occurs in the following situations:

- The assets owned by the MDAs/RAS/Embassies/Missions but not recorded in Registers.
- Stores purchased and paid for are not recorded in stores ledgers, hence the issues and utilities cannot be ascertained.
- There are no disclosures of bank balances in the books of accounts
- When the accounting records are omitted, incomplete or inaccurate.
- Where there is inadequate disclosure of accounting policies
- When the MDAs/RAS/Embassies/Missions uses inappropriate accounting method eg. inappropriate depreciation rate/charge.

Qualified Opinion will therefore show that financial statements present fairly the state of affairs except for effects of a specific audit observation.

(iii) Adverse of Opinion

An adverse opinion is expressed when, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements; thus do not conform to the International Public Sector Accounting Standards (IPSAS) - cash basis of accounting and in the manner required by Sect.25(4) of the Public Finance Act of 2001 (revised 2004), essentially stating that the information contained is materially incorrect, unreliable, and inaccurate in order to assess the MDA's/RAS/Embassies/Missions results of operations.

The wording of the adverse opinion are clear in which I state that the financial statements are not in accordance with the International Public Sector Accounting Standards (IPSAS) - cash basis of accounting and in the manner required by Sect 25(4) of the Public Finance Act of 2001 (revised 2004).

(iv) Disclaimer of Opinion

A Disclaimer of Opinion, commonly referred to simply as a Disclaimer, is issued when I could not form, and consequently refuse to express an opinion on the financial statements. This type of opinion is expressed when I tried to audit an entity but could not complete the work due to various reasons and therefore I do not issue an opinion. Certain situations where a disclaimer of opinion may be appropriate includes: lack of independence, or, when there are significant scope limitations, whether intentional or not, or when one refuses to provide evidence and information to me in significant areas of the financial statements and when there are significant uncertainties within the auditee.

Table: Matrix for the Basis of expressing an audit opinion

Nature of Circumstances	Material but not Fundamental	Material and Fundamental
Disagreement	"EXCEPT" FOR OPINION (QUALIFIED OPINION)	ADVERSE OPINION
Uncertainty Scope limitation		DISCLAIMER OF OPINION

The above table guides the formation of an audit opinion and its interpretation as follows:

(a) Where audit findings constitute disagreement and the matter is material but not fundamental, the opinion is qualified (Except for matter) while if material and fundamental, the opinion is adverse

(b) Where audit findings constitute uncertainty and the uncertainty is material but not fundamental, the opinion is qualified (except for matter). While if the uncertainty is material and fundamental, disclaimer of opinion is expressed.

NAOT objective is to produce reports that present a balanced perspective, place primary emphasis on critical matters requiring attention and identify workable opportunities for improvements.

A total of 56 MDAs, 21 RAS and 31 Embassies/Missions making a total of 108 MDAs/RAS/Embassies/Missions were audited in the 2009/2010 financial year with the following outcomes:-

7.3 Unqualified opinion without Emphasis of Matters

A total of 22 (20.4%) MDAs/RAS/Embassies/Missions out of the 108 MDAs/RAS/Embassies/Missions audited this year managed to be issued with Unqualified Opinion without emphasis of matters (**Annexure VIII).**

7.4 Unqualified opinion with Emphasis of Matters

Out of the 108 MDAs/RAS/Embassies/Missions audited, 61 or (56.5%) were issued with Unqualified Opinion with Emphasis of Matters.

7.5 Qualified Opinion

22 or (20.4%) of the 108 MDAs/RAS/Embassies/Missions audited in the year in question were issued with Qualified Opinion.

7.6 Adverse Opinion

2 or (1.8%) votes out of the 108 MDAs/RAS/ Embassies/Missions audited in the year in question performed badly and accordingly were issued with Adverse Opinion. These are National Consolidated Accounts and RAS Lindi

7.7 Disclaimer of opinion

During the year under review, I encountered one calamity situation which restricted my audit scope to the extent of issuing a disclaimer of opinion. This was in respect of RAS Dodoma.

The table below is a summary of the types of audit opinions issued to MDAS, RAS and Embassies/Missions on the financial statements for the year ended 30th June, 2010.

Details	Unqualified	Unqua-lified With Emphasis of Matter	Qualified	Adverse	Disclaimer	Total
MDAs	11	31	13	1	-	**56**
RAS	3	9	7	1	1	**21**
Sub total	**14**	**40**	**20**	**2**	**1**	**77**
Embassies	8	21	2	-	-	**31**
Grand Total	**22**	**61**	**22**	**2**	**1**	**108**
	20.4%	**56.5%**	**20.4%**	**1.8%**	**0.9%**	**100%**

7.8 MDAs/RAS/Embassies/Missions issued with Unqualified Opinion with Emphasis of Matters and Other Matters

The following are the details of Unqualified Opinion with Emphasis of Matter and other matters for individual Votes:

1	**Vote 14- Fire and Rescue Force**
	• Outstanding matters of previous year audit which related to payment for procurement of motor vehicle valued at Shs.705,197,958 were not attended by management, an indication that no evidence of delivery of the said motor vehicle hence affected the cash balance of the entity. • Management did not disclose measures instituted to discharge its obligation of settlement of outstanding liabilities amounting to Shs. 396,615,262. In addition, adequate disclosure of projects to be financed by a sum of Shs.1,372,322,224 was missing.

	• The coverage of works performed by Internal Audit was inadequate. For example revenue and procurement areas were not covered during the year under review. There was no documentary evidence made available to confirm that the work done by the Internal Audit Unit are properly documented for quality review. • Best practice in the Public Sector requires each MDA to prepare risk management policy which clarifies how the risk will be handled when it occurs. During data collection we noted that the Fire and Rescue Force has no risk management policy. • A sum of Shs.298,600,000 was paid to M/S Noble Motors Ltd for supply of motor vehicles at a contract price of Shs.298,600,000. Confirmation of delivery of the motor vehicles by the supplier was not made. • A sum of Shs.41,276,400 was paid to Open Sanit Enterprise for supply of Fire and Rescue uniform at a contract price of Shs.41,276,400. Delivery of the uniforms from the Supplier was not evidenced.
2	**Vote 16: Attorney General's Chambers**
	• An amount of Shs.559,587,088.70 was issued to Attorney General's Chambers officials as impressts to meet cost of various official duties the amount which had not been retired contrary Reg.103 (1) of PFR 2001(Revised 2004). • During the year under review, a sum of Shs.15,979,058 was paid to New Habari (2006) Co. (T) Ltd and M/s White Sand Hotel for services rendered in the previous years (2006/2007 for 2008/2009) to the Attorney General's Chambers which is contrary to Reg.85 (2) & (3) of the Public Finance Regulations of 2001 (Revised 2004).

	• Payments amounting to Shs.70,708,701.3 were not fully supported by proper documents, contrary to Regulations 95 and 139 of PFR of 2001 (revised 2004). • An amount of Shs.93,000,000 was paid to the Ministry of Lands, Housing and Human Settlements in respect of purchasing of a house allocated at Plot no 8/1 KB1, Independence Avenue Tanga. However, no formal contract agreement was arranged to support the expenditure incurred. • Sect. 45 of the Public Procurement Act of 2004 and Regulation 25 of the Public Procurement Regulations require the Procurement Management Unit (PMU) to prepare an annual procurement plan. However, it was noted that the Attorney General's Chambers didn't prepare the annual procurement plan for the financial year 2009/2010 as is required by law.
3	**Vote 19- District and Primary Courts**
	• The expenditure for the year included unsupported payments of Shs.29,527,500 contrary to Reg. 95(4) of the Public Finance Regulations of 2001(revised 2004). Therefore, it was not possible to ascertain its propriety as a proper charge to public funds. • Stores records were not maintained properly to keep trail of the transactions. Consequently, final disposal of goods worth Shs.68,842,603.70 could not be ascertained. This lapse might result into misuse of resources without being detected. • The Accounting Officer did not maintain a Contracts Register to keep trail of contract events and data. As a result, accountability of retention monies adding to Shs. 65,375,900.50 was lacking. Due to this lapse, future claims cannot be ruled out and there is a potential risk of misappropriation of public funds.

	• The arrangement for the maintenance of stores ledger book involves three votes without any demarcation and there was no cut-off point or any record of stocktaking performed at the year end to support the inventory balance of Shs. 7,051,675 reported in the financial statements. • Controls of imprests are not sound enough because the Imprest Register was not kept up-to-date besides non maintenance of “personal imprests account” to control issues and retirements. As a result of these shortcomings, unspent imprests amounting to Shs.26,107,990 were not detected and reported in the financial statements. • The Internal Control System of the District and Primary Courts is weak owing to underperformance of Internal Audit Unit, Audit Committee and Procurement Management Unit.
4	**Vote 22: Public Debt and General Service**
	• There was a tremendous increase in the amount of total debt outstanding at the year end. While as at 30th June, 2009 outstanding total debt was Shs.7,621,286,730,034, this figure has sharply jumped to Shs.10,503,806,011,885 as at 30th June, 2010 an increase of Shs.2,882,519,281,851 (about 38% of the previous year outstanding debt). This trend is very alarming unless the increase is commensurate with a general growth of the level of the economy within the country. • There were Shs.1,813,094,721,953 transferred to foreign creditors without being supported by acknowledgement receipts. • There were previous years audit matters of Shs. 9,479,812,094 and USD 2,100,000 which were still outstanding

	• There were unsupported payments amounting to Shs.251,325,000 paid as installment fees for implementation, preparations and promoting economic development through foreign direct investment.
5	**Vote 23: Accountant General's Department**
	• The opening balance for non current assets as at 1st July, 2010 was reported in the financial statements at Shs.11,258,831,928.94 while the corresponding closing balance for the year ended 30th June, 2010 was stated at Shs.7,725,971,814.93 resulting into unreconciled difference of Shs.3,532,860,114. The assets of the Department are therefore not correctly stated in the statement of Assets and Liabilities • The Department conducted domestic long and short term trainings where by a total of TShs.2,428,558,080 was spent, in the absence of a training programme contrary to Paragraph 5 of Government Circular No.1 of 2009 which requires that all trainings which are sponsored by the Government to be in the training programme. • Procurements worth Shs.49,433,343,399.58 were made during the year outside the annual procurement plan. • Commitments amounting to Shs.2,457,034,306.30 were made without being supported by contracts or LPOs indicating that the funds were being transferred to Deposit Account just for the purpose of avoiding to surrender to the Exchequer Account unspent balance at the end of the financial year as required by Sect. 23 of the Public Finance Act No. 6 of 2001 (revised 2004). • Non-current assets were not recorded in IFMS register worth Shs.15,639,981,948.43.

6	**Vote 26: Vice President's Office**
	• **Disagreement of Balance of Assets acquired during the year** Financial Statements reported the value of Computer equipment and furniture as Shs.408,925,994.06 while the Assets Register reported the same assets with a value of Shs.336,030,693.52. The difference of Shs.108,416,460.54 was not reconciled. • **Using wrong expenditure codes Shs.35,036,656.06** Payments of allowances were charged to wrong expenditure codes without any reallocation application contrary to Reg. 51 (3) of the PFR.
7.	**Vote 27: Registrar of Political Parties**
	• A sum of Shs.56,180,087.44 disbursed and utilized by the Registrar of Political Parties, was not related to Political Parties' activities. • Shs.272,759,940.50 was spent to settle previous outstanding liabilities for UDP Trustees without being reflected in the relevant financial statements as deferred payments. These payments have effect on the current year's financial performance. • The financial statements in respect of Shs.17,146,819,904 paid to various qualifying Political Parties as subvention were not submitted by the respective parties to the Registrar's Office for publication contrary to Sec.14(1) to (3) of the Political Parties Act of 1992.
8	**Vote 28: Police Force Department**
	• The coverage of the work performed by the Internal Audit Unit was inadequate. For example revenue and procurement areas were not covered during the year under review. There was no documentary evidence made available to confirm that the work done by the

	Internal Audit Unit is properly documented for review. • Scrutiny of the reported balances showed that the Statement of Receipts and Payments had no ending balance while the statement of Cash Flow reflected a balance of Shs.2,443,438,541. Management pointed out that the statement was generated by default from the IFMS, hence the Department has no control on the parameters set. This is contrary to Sect. 25(2) of the PFA of 2001 (Revised 2004) which gives the Accounting Officer the responsibility of preparing the financial statements. **Other matters** • The outcome of the court ruling in respect of cash loss amounting to Tshs.56,701,500 and Treasury approval is awaited. • Retrospective approval from PPRA in respect of deferred payments amounting to Tshs.801,431,485 was not evidenced to have been obtained. • Management of the Police Force Department had accumulated unpaid commitments amounting to Shs.268,736,371 in respect of goods and services which defeats the principles of cash budget and the IPSAS cash basis of accounting. • Management of the Police Force Department had not introduced an IT security policy. • The Police Force Department as a public sector organization needs to ensure that effective systems of risk management are established as part of the framework of control. The Police Force Department has not documented its risk management policy. • The presence of huge outstanding liabilities amounting Shs.17,122,418,239 defeats the IPSAS Cash Basis of

	accounting and eliminates the credibility of the Police Force Department and raises the possibility of being subjected to litigation by the suppliers of goods and services.
9	**Vote 29: Prisons Department**
	• **Inadequately supported Payments TShs.80,559,598** During the course of the audit, we noted payments amounting to Shs.80,559,598 made to various payees without adequate supporting documents. In the absence of proper supporting documents, we could not ascertain the correctness and propriety of the expenditure incurred. • **Non submission of stock counting sheets Shs.4,590,356,463** An amount of TShs.4,590,356,463 was reported in the schedules to the financial statements as Stores and other Assets for the year ended 30th June 2010. However, the stock counting sheets for stores items and other analysis for assets were not produced for us when requested.
10	**Vote 30: President's Office Cabinet Secretariat**
	• The President's Office Cabinet Secretariat does not maintain a fixed assets register which indicates the description of the assets, identification number, location and condition of the assets. Therefore, assets may be misused or misplaced without being easily detected by management. • Shs.40,140,000 was paid as maintenance charges for electronic items (computers, printers UPS, laptops, and scanners) for the months of January to June 2010. However, no evidence was made available to show that the service was actually rendered by the service provider under the supervision of the procuring entity.

11.	Vote 32: President's Office, Public Service Management
	• Procured stores and Motor vehicles valued Shs.232,794,959 and Shs.172,597,534 respectively were not footnoted to the financial statements. • The opening balance for motor vehicles of TShs.1,768,910,616 reported in the financial statements would appear not to be realistic when compared with seventy (70) unvalued motor vehicles produced by the management. • A motor vehicle with registration No. STK 501 costing Shs.5,337,812 was disposed off in the year under review but not deleted from the assets register. • Procurement of consultancy services and civil works valued Shs.220,000,000 and Shs.7,703,541,800 respectively had no analysis. Also contract agreement, project files and completion certificates were not furnished for audit examination. • It was noted that a total amount of Shs.63,540,000 was paid to PO-PSM officers as 30% house allowances per month, but a total of Shs.111,163,427 relating to household and furniture allowance was also paid to the same officers not living in government quarters contrary to standing orders and staff circulars issued by the PO – PSM itself. The amount of Shs.111,163,427 is for 4 years (from 2006/2007 to 2009/2010). The amount has not been recovered todate. • Contrary to Regulation 54(4) and 85(3) of the Public Finance Regulations of 2001 (revised 2004), deferred payments of Shs.311,193,971 was paid during the financial year 2009/2010 despite the fact that the deferred payments were not included in the previous year's financial statements as outstanding commitments. • A total amount of Shs.45,059,142 was paid to various

	payees to provide several services to the office but supporting documents were missing from their respective batches. • **Inadequately supported payments Shs.129,346,883** Payments of Shs.129,346,883 was made to M/s Paradise Holiday Resort for providing hotel accommodation services to various civil servants from 25 MDAs. Particulars to authenticate the genuiness of the payments could not be made available as at the date of this report.
12	**Vote 34: Foreign Affairs & International Cooperation**
	• The Ministry entered into contract with Fujian Engineering (Group) Company on 20th November 2009 to construct the Julius Nyerere Convention Centre at a total contract sum of Chinese Yuan 183,500,000. The signed contract was not reviewed by the Attorney General's Chambers, contrary to Section 55(b) of PPA and was not signed by the Permanent Secretary to the Ministry of Foreign Affairs and International Cooperation. • Management has incurred costs, amounting to Shs.120,147,447, for clearing containers and installation of electricity in the Julius Nyerere International Convention Centre Projects without budgetary provision. • Imprest amounting to Shs.294,337,785 were found not retired at the time of audit contrary to the requirement of Reg. 103(1) of the Public Finance Regulations, 2001 (revised 2004) which requires imprests to be retired within fourteen days after the accomplishment of the task. • The Ministry of Foreign Affairs and International Cooperation submitted a Statement of Outstanding Liabilities as at 30th June, 2010 amounting to

	Shs.4,518,491,712. This may affect the implementation of the current year activities and defeats the concept of the cash budget system embraced by the Government.
13	**Vote 38: Tanzania Peoples' Defence Forces (Ngome)**
	• The system of record keeping is weak since payment vouchers worth Shs.9,748,422 could not be traced. As such, TPDF is facing a risk of misappropriations or errors going undetected. • Transfer of funds adding to Shs.89,724,043 to Defence attachés abroad had no evidence of receipt and expenditure details. Consequently, propriety of the expenditures there from could not be substantiated. Moreover, owing to the lack of evidence that the funds landed in the right accounts, a risk of loss of funds cannot be ruled out. • Development funds amounting to Shs.204,519,726 were used against the purposes of the respective approved budget for the financial year 2009/2010.
14	**Vote 39: National Service**
	• The National Service did not adhere to MTEF budget as such payments of Shs.309,972,400 were charged to wrong expenditure codes without proper authority for reallocation contrary to Reg. 51(1-8) of the Public Finance Regulation's of 2001 (revised 2004). • The Financial statements of the National Service as at 30th June, 2010 showed that the National Service had accumulated outstanding liabilities totaling Shs. 13,740,301,923.39 out of which Shs.621,959,913.53 were not supported with relevant evidence. Payments of these may adversely affect the implementation of the planned activities to be performed in the financial year 2010/2011.

	• We noted that some expenditure items registered over expenditure amounting to Shs.11,752,617 against the approved estimates overrides the control features in the IFMS. • Due to carrying forward incorrect balances of stock, the National Service management reported stock value of Shs.1,113,210,081 during the financial year 2008/2009 which would not present a correct value when it comes to making comparative analysis of the year end stocks between 2008/2009 and 2009/2010.
15	**Vote 41: Ministry of Justice and Constitutional Affairs**
	• Motor vehicle Toyota RAV 4 4WD valued Shs.70,005,000 and motorcycle-175cc worth Shs.5,598,000 which had not been delivered were erroneously included in the schedule of fixed assets for the year ended 30th June, 2010. • Fixed assets worth Shs.282,152,775 procured during the year under review were not recorded in the Assets register. **Other matters** • There were no documentary evidences for the procurement of goods and services worth Shs.135,770,294 showing that the tendering procedures set out in the Public Procurement Act, 2005 and its Regulations were appropriately followed. • 14,030 litres of fuel worth Shs.23,851,000 were issued to various vehicles without being supported by accountability details as required by Reg. 198 of PFR of 2001(revised 2004).
16	**Vote 42: Office of the Speaker**
	• Approval for the procurement of goods and services amounting to Shs.536,478,821.60 by Tender Board were made after the transaction date.

	• Procurement amounting to Shs.699,598,840 mainly for the CPA conference were not in the procurement plan. This unplanned procurement might have an effect on the activities targeted to be implemented in this financial year. • Shs.160,085,789.90 was paid to contractor as per Contract no. IE/006/2009-10/HQ/GWND/03 relating to the provision of catering services for parliamentary committees without being approved by the Tender Board. • Payments amounting to Shs.17,971,500 were not supported with relevant documents contrary to Regulation no. 95 (4) of the Public Finance Regulations of 2001 (revised 2004). • Invoices for motor vehicle repairs amounting to Shs.22,747,227 paid were in respect of financial year 2008/2009 but there were no records and documents showing the existence of the debts in that particular year. • Payment vouchers for allowances amounting to Shs.30,567,938 were not supported by relevant documents. • Imprests for the financial year 2009/2010 totaling Shs.32,393,900 were still outstanding as at the time of audit contrary to the above cited Reg.103 (1) of PFR 2001.

17	**Vote 43: Ministry of Agriculture and Food Security**
	• **Unpaid salaries not refunded to the Treasury Shs.86,786,511** A total amount of Shs.86,786,511 were returned by the Bank due to reasons like invalid account, double payments, closed account and no account with NMB. The amount was yet to be refunded to the Treasury. • **Understatement of Revenue Shs.3,652,666** Financial statements disclosed revenue collections as Shs.1,914,200,246.86 while review of exchequer receipt books observed that total revenue collection was Shs.1,917,852,913.68. Thus there is understatement of revenue of Shs.3,652,666. • **Non current asset register not maintained properly** The Ministry's Asset register does not show relevant information which is useful to the users of the register such as asset code number for easy of identification and location.
18	**Vote 46: Ministry of Education and Vocational Training**
	• **Payments made without supporting documents Shs.46,341,491** Review of payment transactions at Policy & Planning Department, revealed that payments were made without supporting documents. • **Non Disclosure of Outstanding Imprests Shs.518,649,690** The financial statements as at 30th June, 2010 closed with a nil balance. However, the Ministry had outstanding imprests amounting to Shs.518,649,690 • **Unpaid Teachers Claims Shs.282, 543,545.34** The statement of contingent liabilities and assets for the year ended 30th June, 2010 reflected unverified

	teacher's claims that remained unpaid to the tune of Shs. 282,543,545.34 as at the end of the financial year. • **Unconfirmed delivery of Specialized Equipment and Supplies for handicapped Shs.422,999,976.18** Supplying of handicapped equipment and supplies could not be established as to whether the intended recipients have received the distributed equipment as per the distribution list because goods received notes, (GRNs) were not made available for audit verification. • **Delay in completion of construction of Miono Secondary School at Bagamoyo Shs.4,185,825,273.00** • Construction of Miono Secondary School in Bagamoyo at a cost of Shs. 4,185,825,273.00 for a period of thirty two (32) weeks i.e. (4th March, 2010 – 14th October, 2010) was not completed as at the time of site visit in December, 2010.
19	**Vote 49: Ministry of Water**
	• Ministry of Water and Irrigation awarded a contract to M/S Nyakirang'ani construction Limited for the Construction of Earth fill Embarkment Dam and Associated Civil Works for Kawa village in Nkasi District at a contract sum of Shs.1,092,868,644 . The work expected to be completed on 5/9/2009 but as at the time of audit in November, 2010, the contractor had been paid a total amount of Shs.721,971,009 and the work has not been completed. • An agreement between the Ministry of Water and Irrigation and M/S Befra construction Company Limited was signed for the construction of Earthfill Embankment Dam and Associated Civil Works for Mti Mmoja Village in Monduli District at a contract sum of Shs.695,765,256. However, Addendum order No.1 with

	Shs.206,592,730.30 was not supported by an authority of the Tender Board.
20	**Vote 55:Commission for Human Right s and Good Governance**
	Impresses amounting to Shs.17,644,786 issued to CHRAGG officials in their official capacities to meet costs on various official duties had not been retired contrary to Reg.103 (1) of PFR of 2001(Revised 2004).
21	**Vote 56: PMO -RALG**
	• **Procured 43 ambulance motor vehicles not confirmed to have been delivered Shs.4,886,045,280 (exclude local charges)** The PMO-RALG entered into contract (contract number ME/022/2009/10/G/13 of February 2010) with Toyota Tanzania Ltd to supply 43 units of ambulance motor vehicles for councils at a contract price of Shs.4,886,045,280. At the time of writing this report in January 2011 no ambulance had been delivered. • **Payments without supporting documents Shs.6,468,499** Sum of Shs.6,468,499 was made without been supported by proper documents contrary to Reg. 95(4) of the Public Finance Regulation of 2001 (Revised 2004) which stipulates that payment voucher which is incomplete because its supporting document are missing shall be regarded as missing voucher. 2 • Wrongly charged to GFS expenditure codes Shs.30,313,727 **Other Matters** **Auditing of Donor Funded Projects under the Ministry** • **No implementation report on Construction of Offices for Members of Parliament - Shs.975,660,000** The Cabinet Secretariat instructed PMORALG to

	identify constituencies which has no office; and the LGAs was assigned the duty of constructing those houses. • **Procured 10 motor vehicles not delivered Shs.611,104,553** During the financial year 2009/2010, the programme ordered and paid total Shs. 611,104,553 to M/s Toyota (T) LTD for acquisition of ten (10) vehicles for SEDP but no vehicle had been delivered as at January 2011.
22	**Vote 57: Ministry of Defence and National Service**
	• **Lack of contract documents for the Ultimate Building Machine (UBM) project amounting to Shs.1, 353,973,404**. The Ministry entered into a contract with the National Service Construction Department (SUMA – JKT) for the construction of various buildings at a contract sum of Shs.1,353,973,404 for which the contract documents were not made available for audit verification. • **Non disclosure of contingent liability on land compensation amounting to Shs.9,000,000,000** There is an order from the Court of Appeal of Tanzania that requires the Ministry to pay Tondoroni Villagers Shs.9,000,000,000 as a compensation for the land which was formally used by the villagers which is now being used by the Military.
23	**Vote 58: Ministry of Energy and Minerals**
	• Five government motor vehicles with registration number STK 2812, STJ 9710, STK 4087, STK 745 and STK 740 had been grounded for a long time without being repaired or disposed off. • The Ministry had outstanding liabilities of Shs.100,798,276.33 arising from services rendered by various suppliers. **Other matters** • The Ministry did not properly check data entry of employees' particulars in the Pay Roll system as a

	result a total of 87 employees' particulars showed incorrect retirement dates of 01.01.1760 to all employees for the month of July, 2009. • Non clearance of the outstanding matters from previous years amounted to Shs.464,148,122.
24	**Vote 59: Law Reform Commission**
	The Commission purchased furniture worth Shs.13,695,000 and issued them to officers who are not living in Government houses contrary to Circular No.C/AC.134/213/01/G/69 of 30th January, 2006 which requires government institutions to procure home furniture for officers who are entitled and live in Government houses.
25	**Vote 61: National Electoral Commission**
	Other matters • **Delayed payment caused a loss of Shs.8,168,359.94** Payment of Shs.175,884,243.39 (USD 139,733.37 Exch. Rate 1258.71) was supposed to be paid within the financial year 2008/2009 instead it was paid in 2009/2010 at an exchange rate of 1,317.17 amounting to Shs.184,052,603.23 to M/s WAYWARK InfoTech for supplying 2x Scamax 412CD Colour Duplex Scanners, resulting in a loss of Shs.168,359.94 due to exchange rate movement. • **Ineffective Audit Committee** The Audit Committee did not hold any meeting during the financial year 2009/2010 contrary to Reg.32 of the PFR of 2001
26	**Vote 65: Ministry of Labour and Empowerment**
	• Lease Agreement dated 24th April, 2008 for the period from 1st July, 2008 to 30th June, 2010 expired with an outstanding balance of Shs.179,263,699.99 as Office rent charges contrary to the Public Finance Act, No. 6 of 2001, Revised Edition of 2004 and Regulation 53(1) – (4), which spells out the basis of accounting to be cash

	basis and hence the issue of outstanding liabilities should not have been there. • The oversight role to be performed by the IT steering committee over the IT department does not exist as a result approval of the IT strategic plan can not be made. Likewise, holding meetings to approve capital IT investments can not be made and also the existence of IT steering committee charter which defines the steering committee roles and responsibilities is also not there.
27	**Vote 66: Planning Commission**
	Wrongly charged to the accounting codes Shs.148,874,469.59 During audit scrutiny for the year under review, it was observed that payments amounting to Shs.148,874,469.59 were wrongly charged to different account codes from the ones which activity was intended for, this is contrary to Regulation No.87 (1) (e) of PFA of 2004.
28	**Vote 68: Ministry of Higher Education, Science and Technology**
	• The Accounting Officer made reallocation of Development funds amounting to Shs. 1,806,130,000 without the approval of the Paymaster General and spent the amount for a project not appropriated by Parliament. • The expenditure for the year included unsupported payments worth Shs.18,615,943 contrary to Reg. 95(4) of the Public Finance Regulations of 2001(revised 2004). Therefore, it was not possible to ascertain its propriety as a proper charge to the Ministry's funds. • The Accounting Officer paid furniture allowances of Shs.18,830,539 to ineligible officers living in private houses contrary to UTUMISHI circular No. C/AC/134/213/01/G/69 of 30th January, 2006.

29	**Vote 70: RAS Arusha**
	• Lack of policies and procedures that guide the implementation of environmental issues. • The Regional Secretariat does not prepare performance reports contrary to Sect. 36(1) (e) of the Environmental Management Act of 2004 which requires Environmental Management Officers to prepare periodic reports on the state of the local environment. • RAS opened a bank account without the authority of the PMG thus violating Reg. No.15 of the Public Finance Regulations of 2001(Revised 2004).
30	**Vote 91: Drugs Control Commission**
	• Non submission of Performance and detailed expenditure Reports on Drug Abuse Control Fund hindered our audit work to ascertain the progress and effectiveness of the Commission. • **Grant funding agreement signed without proper authority** DCC signed a cooperative grant agreement, with Centre for Disease Control of United States of America, without authority of the Minister for Finance and Economic Affairs contrary to Government Loans, Guarantees, and Grants Act 1974 (revised 2004) • Unplanned Procurement of furniture – TShs.40,748,400
31	**Vote 98: Ministry of Infrastructure Development**
	• **Non current assets not recorded in the fixed asset registers Shs.390,410,101,912.77** The statement of Cash Receipts and Payments revealed that Shs.390,410,101,912.77 being current transfers to entities under the Ministry were incorrectly capitalized and reflected in the Statement of Cash Receipts and Payments as Purchase/Construction of Non Current Assets of the Ministry. Furthermore, the non current assets reported in Statement of Cash Receipts and Payments were not recorded in the fixed assets registers.

	• **Deferred expenditure on air tickets Shs.15,656,342** The Ministry paid Shs.15,636,342 to M/S Sykes Travel Agent Ltd in respect of cost of air tickets for air travel expenditure incurred in years 2005/2006,2006/2007 and 2007/2008. This expenditure should have been correctly paid in the respective financial years of the occurrence, but was incorrectly paid in the financial year 2009/2010 contrary to Reg. 85 (3) of the Public Finance Regulations of 2001.
32	**Vote 73: RAS Iringa**
	• Despite the fact that during the year under review Iringa Regional Administrative Secretariat had approved budget of Shs.87,742,206,575 but the Secretariat received Shs.89,157,513,885.51 resulting to an over release of Shs.1,415,307,310.4 • Notes to the financial statements disclosed outstanding liabilities amounting to Shs.90,455,330. However, the schedule of outstanding liabilities was not submitted along with the financial statements to support the presented figure.
33	**Vote 74: RAS Kigoma**
	• **Expenditure not adequately supported Shs.17,433,100** A sum of Shs.17,433,100 was paid to various payees with the relevant vital documents missing, in some cases original payment vouchers could not be produced for audit. • **Environmental issues** The Secretariat management remained silent about the applicability of the Environmental Management Act No. 20 of 2004 within Kigoma Region. Nonetheless, my audit review conducted during the year under review noted that the Secretariat did not report on environmental issues in the financial statements.

	• **Lack of disaster Recovery Plan** The Secretariat lacks an on site backup system, IT policy, a written IT policies and procedures, risk management policy and disaster recovery plan. • **Insufficient released funds for development projects** Audit scrutiny of the budget noted that the approved budget for development for consecutive three years have been dropping from Shs.3,074,890,000 for 2007/2008 to Shs.807,047,000 for 2009/2010 which is equivalent to 73.7% decrease. • **Non compliance to Staff Circular no.C/CE.45/271/01/87** Sample tests of civil Servants of the Regional Secretariat – Kigoma noted that some employees were receiving salaries below the 1/3 limit due to over deductions contrary to the above cited circulars.
34	**Vote 78: RAS Mbeya**
	Other matters • Hospital Ambulance paid for but not delivered Shs.77,047,000. Toyota Ambulance ordered and paid for since June, 2010 from Toyota Tanzania Limited had not been delivered. • Construction of Chunya DC's residential house costing Shs.82,226,100 was not completed as at the date of our site visit. • Various houses were rehabilitated and other newly constructed houses costing Shs.180,586,859 had been completed but, they were not handed over and are not in use. • Supply and installation of Mortuary Cold Room worth Shs.98,521,670.05 was not yet completed.

35	Vote 79: RAS Morogoro
	• The Secretariat had outstanding liabilities of Shs. 430,887,625 in respect of suppliers of goods, services and staff claims. It implies that the Secretariat lacks adequate budgetary control, since total expenditure for the year exceeded the approved budget, taking into consideration that the balance of cash (both recurrent and development) as at the year end (30th June 2010) was Shs.3,018,112 only. Therefore, the trend defeats the concept of the cash budget system adopted by the Government. • There was outstanding revenue adding to Shs.47,230,228 as a result of weaknesses in the management of health service contracts and lack of acquaintance with completion of data forms. • Owing to weak internal check system, a sum of Shs.1,975,681.09 was paid to retirees, deceased and absconded employees resulting into nugatory expenditure of public funds. **Other Matters** • There was short release of Development funds for Shs.4,567,796,169 and recurrent fund Shs.6,482,511,495. Inevitably the shortfall resulted into failure of the Secretariat to implement the planned activities for the year. • The Region is facing various problems including communicable diseases owing to pollution of water sources through uncontrolled contaminated waters, big number of cattle than the carrying capacity of the grazing lands, bush fires etc. However, RAS management has not taken precautionary measures to alleviate the increasing problems by sensitizing the public on environmental conservation and the benefits thereon. For instance, during the year, the Secretariat

	did not undertake any environmental activity because it did not set aside any funds for implementation of environmental conservation programmes as opposed to the requirements of Section 34 of the Environment Management Act No. 20 of 2004. • The annual performance report was incomplete because it did not meet the requirements of the Accounting Circular No. 1 of 2007/2008 issued by Accountant General. The report did not include any information on development expenditure. It also lacks targets and percentage of achievement as well as remarks column that would explain the variations. Therefore, it may not be useful to an independent reader. • The previous year's (2008/2009) recurrent vote unspent balance of Shs.4,608,052,562 was carried forward to the 2009/2010 financial statements. Nevertheless it was not explained why the amount was not surrendered to the PMG's account, and how it was spent.
36	**Vote 80: RAS Mtwara**
	• An amount of Shs.28,547,865 was paid to contractors above the contract price. This was highly facilitated by non maintenance of contract register and inadequate controls over settlements of contract claims. • RAS entered into contracts with various contractors amounting to Shs.910,530,765 on 21/6/2010 to undertake various activities. As at 30th June 2010 a sum of Shs.779,973,097 had been paid to various contractors as per attached certificates both dated 22/06/2010 i.e. one day after signing the contract. In addition, up to 30/11/2010 the projects were found to be in progress despite the fact that the amount was paid in full. • Review of the sampled contracts disclosed the inclusion in the BOQ the amount for contingencies

	totaling Shs.59,575,000. Justification and accountability as per Reg. 123(6) of PPR of this amount included in the BOQ could not be availed when requested. • Weak internal controls over approval of payments have resulted in approving payments which were not adequately supported amounting to Shs.107,326,870. In the absence of supporting documents, the correctness of the expenditure incurred could not be confirmed.
37	**Vote 81: RAS Mwanza**
	• Laxity in responding to previous years audit observations and recommendations. • Delay in the completion of office construction as per the contract agreement and non charging of liquidated damages of Shs.44,772,547. • Expenditure of personnel emoluments (Civil servants) of Shs.3,025,789,655 reflected in the financial statements for the year ended 30th June, 2010 was understated by Shs.68,146,508 which could mislead the users of the financial statements. • The Secretariat did not present and disclose in the notes to the financial statements non current assets owned contrary to Paragraph 2.1.33 (a) of International Public Sector Accounting Standards (IPSAS) Cash Basis.
38	**Vote 82: RAS Ruvuma**
	Other matters • Goods and services worth Shs.4,787,900 were ordered and paid for from recurrent account without seeking competitive quotations contrary to the Public Procurement Regulations No. 68 (4) of 2004. • Procurement payments amounting to Shs.11,654,400 were made without being in the procurement plan

	contrary to requirement of Sec.45 of the Public Procurement Act, 2004. • Payments totaling to Shs.23,834,640 which were not supported by expenditure particulars such as invoices, delivery notes, cash sales, pay sheets and attendance sheets contrary to Reg.95 (4) of the Public Finance Regulations. In the absence of relevant supporting documents, validity of the expenditure made could not be ascertained. • Payments totaling to Shs.10,793,147 made by the Secretariat during the year under review to various Institutions/Agencies could not be authenticated as having been received by the intended recipient as relevant acknowledgement receipts were not available for audit verification contrary to Reg.95 (4) of the Public Finance Regulations of 2001 (revised 2004). • The Secretariat paid Shs.5,820,500 to various officers as night out allowances while outside their duty station. However, a scrutiny made on the allowance claim forms and daily attendance register at their work station disclosed that the days claimed for night out allowances, the same officers were at the office and signed the attendance register. • The Secretariat management made payments amounting to Shs.8,985,000 to various payees to meet various official activities without budgetary provision contrary to Reg. 46 of the Public Finance Regulation of 2001.
39	**Vote 88: RAS Dar es Salaam**
	• Included in the cost of property, plant and equipment as at 30th June, 2010 was an amount of Shs.814,642,900 transferred to the Deposit Account, the amount which was not disclosed in the foot notes to the financial statements as outstanding commitments.

	• Prior year (i.e. 2008/2009) balances figure for the Deposit Account and Recurrent Account reported in the financial year 2009/2010 differed from those reported in the financial year 2008/2009. • Compensation to Mbagala Bombs victims of Shs.8,050,000,000 were inadequately supported as such, the correctness of the compensations made could not be confirmed.
40	**New Delhi**
	• Credentials not presented The High Commission of Tanzania in New Delhi is also accredited to 4 countries, namely: Bangladeshi, Sri lanka, Nepal and Singapore. As at the time of this audit (February, 2011), the High Commissioner had not presented credentials to all accredited countries on explanations that the Ministry had not furnished the credentials to the High Commission. Further enquiries on the matter noted that there have been several reminders by the High Commission requesting for the Ministry's action but none of them was acted upon. • Inflexible Visa Sticker Machine Due to monopoly in technology on visa sticker machines and lack of compatibility with other similar machines available in the region, it takes too long to replace the cartridges and other worn out accessories which must be done by the manufacturer upon tendering an advance notice requiring him to travel all the way from the Netherlands to India for this sole purpose. It is therefore expensive to maintain the machine. This problem will equally be applicable with other Embassies/Missions since they are using the same type of sticker machines.
41	**Tanzania High Commission-Harare**
	a) There are unclear instructions on the reporting of funds remitted at the end of the year in the Financial Statements hence resulting into non

	reporting of Shs.7,396,827.10. The Ministry is required to give clear instructions on the matter. b) The High Commission received Shs.9,942,289.23 less as compared to the amount remitted by the Ministry which had negative impact to the High Commission's operational activities for the financial year under review. Moreover, bank commissions and charges which lead to decrease of funds remitted are not effected in monthly bank statements to ascertain the actual amount of bank commissions and charges. c) An amount of $ 540 (equivalent to Shs.744,859.80) was prepaid in respect of the next financial year expenditure which was not yet budgeted for. The current year's expenditure was overstated by the same amount.
42	**Tanzania High Commission-Lusaka**
	1. Payments amounting to Shs.2,100,000 were not supported by relevant documents contrary to Regulation 95(4) of the Public Finance Regulations, 2001 (revised in 2004). Authenticity of the payments could not be confirmed. 2. The Mission's contract agreement with Intercontinental Relocations Company for renting a residential house was terminated and resulted into total liability of ZK 11,411,071.60 (equivalent to Shs.3,080,989.34 as at 30th June, 2010). Nothing has been paid to date. In addition, the amount was not recorded in the financial statements as debtors. 3. There are unclear instructions on the reporting of funds remitted at the end of the year in the financial statements hence resulting into non reporting of Shs. 15,476,733.58. The Ministry is required to give clear instructions on the matter. 4. The High Commission received Shs.2,484,938.43 less as compared to the amount remitted by the Ministry which has a negative impact to the High Commission's operational activities for the financial year under

	review. Moreover, bank commissions and charges which lead to decrease of funds remitted are not effected in monthly bank statements to ascertain the actual amount of bank commissions and charges.
43	**Tanzania Embassy Abu Dhabi**
	• The Embassy management had no controls in place to ensure clearance of outstanding matters of previous years audit amounting to TShs.72,150,854 • The embassy management did not provide evidence from the PS-MOFAC approval of excess expenditure amounting to TShs.865,057,652 • Management has not prepared fresh statement of comparison of budget and actual amounts to comply with Para 1.9.12 of IPSAS Cash Basis • The Ministry of Foreign Affairs and International Cooperation Headquarters in Dar es Salaam has not deliberately solved the problem of fluctuations in foreign exchange rates by sending the remittance advice based on the foreign currencies of the Country to which the Tanzania Embassy is located • A sum of Dhs.165,372 was transferred from revenue collections from visa to Sub-vote account without prior approval of the Permanent Secretary-MOFAIC as directed in the MOFAIC Circular No. 2 of 2003/2004 Part A Sect. 3 **Other matters** • Since no evidence was obtained to confirm that the Tanzania Embassy United Arab Emirates- Abu Dhabi management has established a functional internal audit Unit, and taking into considerations that there was no report which auditors could place reliance, implementations of auditors recommendations will be verified during the next year audit. • The PMU had not complied to section 35 of PPA by preparing monthly progress reports and submit to the MTB for assessment of the performance of the Unit.

44	Tanzania Embassy Washington
	IFMS Accounting Package not functioning USD 19,640.02 The Tanzania Embassy in Washington DC received funds for IFMS package software USD 19,640.02 since the financial year 2005/06 and kept the money in Deposit Account. During the financial year 2006/07 several activities valued USD 11,980 were carried for installation of this package within old office building at 2139 R Street North West, but the process was not yet completed. Furthermore, in the financial year under review (August,2009) the process of installing IFMS was completed and started working. The package was of value for generating Payment vouchers, Cash book report, Bank reconciliation statement etc. However, after shifting from the old building in March 2010 to the newly purchase (at 1232 22nd Street North West 20037) and budget items exhausted the IFMS cease to function because it needs authorized personnel for configuration to enable it work again. The system does not accept payments through telephone or credit card which are mostly used in developed countries. In this case it needs authorized personnel for configuration to enable it work again and at the same time look for the ways to customize the challenge. The Embassy's Management in collaboration with the Ministry of Foreign Affair and International Co-operation and the Treasury should find best way of using again this IFMS system.
45	**Tanzania Embassy-Addis Ababa**
	• During the year under review the Tanzania Embassy Addis Ababa spent USD 53,533.58 and ETB 38,640 to incur expenditures which were not stated in the approved annual budget • Funds amounting to Shs.17, 223,845.60 (USD 12,892.10) aimed for promotion of tourism were spent for the normal operations of the Embassy.

	• We noted a difference of US$ 1,150.41 equivalent to SHS. 1,602,877.76 between amounts of exchequer issues remitted and those received by Tanzania Embassy Addis Ababa in respect of personal emoluments, FSA and other charges. The transactions purported to relate to bank transfer charges and commissions, but were neither accounted/recorded nor disclosed in the books of accounts.
46	**Tanzania Embassy Kuala Lumpur**
	Visa Sticker Machine not in use The Visa Sticker machine at the High Commission was last used on 25th August, 2010 due to lack of tonner cartridges for the EPSON printer. It was noted that cartridges for this type of printer are currently not available in the South East Asia Region. It is only the manufacturer of the Visa Sticker machine who is based in the Netherlands could supply the required cartridges and provide maintenance services whenever need arise.
47	**Tanzania Embassy-Saudi Arabia**
	• Management has given contradicting information in note 5 to the financial statements that "the embassy was whole financed by exchequer issues received from the treasury" while Payment made by third parties were disclosed in the face of the statement of cash Receipts and payment as Shs.57,820,584.93 • Management has not prepared fresh statement of comparison of budget and actual amounts so as to comply with Para 1.9.12 of Cash Basis IPSAS. and communicate results to auditors. • The statement of cash receipts and payment for the financial year ended 30th June 2010(page 27) showed other transfer payment of shs.257,453,697(Note 16).In addition, another figure for other transfer payment amounting to TShs.57, 820,585 were presented in note 18 hence misleading.

	• Management has wrongly reported Net cash flow from Operations amounting to TShs.691,168,316 instead of the correct amount of TShs(251,889,552) • Expenditure from revenue amounting to SAR 90,400 to finance recurrent activities were made without approval of Accounting Officer
48	**Tanzania Embassy -Muscat**
	• Management did not seek approval from the Ministry of Foreign Affairs to spend revenue collected by the Embassy amounting to OMR 68,852,847.80 • Management of the Embassy has not managed to obtain from the Permanent Secretary, MOFAC approval for expenditure from revenue collection and funds allocated for payment of outstanding liabilities amounting OMR 84,947.64 • Although management has given reasons for variances between budget and actual amounts in respect of mentioned components so as to comply with para 1.9.12 of Cash Basis IPSAS, there was no confirmations whether fresh statement of comparison of budget and actual amounts was prepared and evidenced. • Management has not produced fresh copy of Financial statements as evidence that omissions of other receipts amounting to Tshs.214,993,825 were corrected. • No explanatory Notes in respect of balances of items shown in the statements of Cash Flow for the financial year ended 30th June 2010 (page 23) were given by management so as to establish the validity of presented items. • Approvals for excess expenditure shown in the statement of performance amounting to OMR 75,447.64 were not approved by the Accounting Officer • Revenue collections amounting to OMR OMR 63,068.72 transferred to Sub vote account were not approved by the Accounting Officer.

49	**Tanzania high commission Lilongwe**
	• The Mission procured items worth Shs.3,557,994 prior to approval of the purchasing committee as evidenced in the supporting documents and procurement committee minutes. In addition, no quotation was made. There is no evidence to confirm if these procured domestic items were acquired at the lowest possible price. • There is Unauthorized procurement of goods worth Shs.6,071,975, which affected the planned items of expenditure • There are unclear instructions on the reporting of funds remitted at the end of the year in the Financial Statements hence resulted into non reporting of Shs.14,071,746.98. the Ministry is required to give clear instruction on the matter • The high commission received Shs.10,599,712.99 less as compared to amount remitted by the Ministry which have negative impact to the High Commission's operation activities for the financial year under review. Moreover bank commissions and charges which lead to decrease of funds remitted are not effected in monthly bank statements to ascertain the actual amount of bank commissions and charges.
50	**Tanzania High Commission-Abuja**
	The Commission transferred from revenue to current account TShs.179,500,844 without the authority of the Principal Secretary Ministry of Foreign Affairs and International Cooperation
51	**Tanzania Enbassy-Kinshansa**
	• Un-authorised transfer of funds from Revenue Account to Vote Account amount to Shs.34,667,555 without

	prior/retrospective approval of the Permanent Secretary-Ministry of Foreign Affairs and International Cooperation as directed in the Ministry of Foreign Affairs and International Cooperation Circular No. 2 of 2003/4 part. A Section 3. • The Embassy ended with an excess vote of Shs.188,370,697 and over expenditure of Shs.177,079,048 without neither a supplementary estimates nor approval from the Permanent Secretary Ministry of Finance.
52	**Tanzania High Commission-London**
	• Shs.832,815,497 was spent by the Commission over and above the approved budget without seeking authority from the Permanent Secretary Ministry of Foreign Affairs and International Affairs.
53	**Tanzania Embassy-Moscow**
	• There are delaying in settlement of outstanding matters amounting to Shs. 451,378,015.00 which caused the Government to suffer a loss of Shs.88,344,633.00. • The Embassy incurred an expenditure of Shs.533,129,381.00 over and above the approved budget.
54	**Tanzania Embassy-Stockholm**
	The Embassy incurred unapproved expenditure of TShs.117,891,747.90. This is non adherence to the Appropriation Act. A sum of SEK 655,885 equivalent to TShs.151,845,727.10 was paid by the Embassy for breach of house contract. These are nugatory payments from the government funds. As at 30th June, 2009, the Tanzania Embassy in Stockholm reported Liabilities amounting to SEK 1,772,728.96 which is equivalent to TZS 369,701,397.12. However at the time of writing this report only arrears amounting to TShs.129,137,082.72 was paid for, leaving the outstanding liabilities of TShs 240,564,314.40

	• Long outstanding bills may affect the good reputation of the Tanzania Embassy Stockholm which may result the Embassy being sued and even denied being offered services. • Late payment of liabilities could attract penalty or litigation
55	**Tanzania Embassy-Kigali**
	The recurrent vote account closed with under expenditure of Shs.66,453,366.98 which resulted from net expenditure of Shs640,243,949.58 against exchequer issue received of Shs.706,697,316.56. Audit noted that the Embassy received Shs.78,258,616.56 more than the annual approved estimate. The unspent balance of Shs.66,453,366.98 implies that the Embassy had either backlog activities in the year that was not effectively executed or suppliers' claims not yet been paid. Also, Tanzania Embassy Kigali received funds amounting to Shs.78,258,616.56 without approval of the National Assembly. **Overpayment of refunds USD 24,266.00** Examination of payment vouchers and their supporting documents revealed that the Embassy paid USD 24,266.00 as refund of per diem to HOM for the monies used from his own pocket while traveling to East African countries to attend various official meetings. Audit noted overpayment of USD 10,324.00 incurred to finance per diem and traveling expenses of the HOM. The actual number of nights spent by the HOM differed from the number of days the meeting was held with reference to invitation letter from MFAIC. **House no 772 Kacyiru Kigali not occupied** During the audit of Tanzania Embassy Kigali, we found that the house no 772 located at Kacyiru property of Tanzania Embassy-Kigali not occupied for more than 7 months although the house is in good condition. The Embassy incurred expenditure on house rent and the salary to the security guard employed to guard the house,

<table>
<tr><td></td><td>while this house is not used. The Embassy incurred fruitless expenditure on rent payment.

Other matters
Our assessment and evaluation of personnel and administration matters found out that the post of Head of chancery (HOC) and Personal secretary at the Embassy is vacant for long time. In the absence of Head of Chancery (HOC) the Embassy may fail to attend administrative issues on time</td></tr>
<tr><td>56</td><td>Tanzania High Commission-Nairobi</td></tr>
<tr><td></td><td>• The Embassy recorded over expenditure of Shs.17,702,332 between the Exchequer Issues received of Shs.1,173,643,198 and net expenditure of Shs.1,191,345,530.The Embassy spent the amount without reallocation warrant and approval from the Paymaster General

Other matters

1. House NO.81 Muthaiga not repaired
Physical verification of the house no.81 located at Muthaiga a property of the Mission is in a bad condition since it lacks adequate maintenance and furnished with outdated furniture. Management of High Commission sent a letter to MFAIC with ref no. TZN/A.10/1 “D”/12 requesting funds for its rehabilitation since then no response have been received from the Ministry. Prolonged delay in making building repair may result into exorbitant repair costs or the house may become irreparable.

2. Land Plot not yet developed
The Government of Kenya allocated a plot no LR 209/13678 at Upper Hill, Nairobi over ten (10 yrs) years ago for the construction of the Tanzania Chancery and official residence.

The audit team visited the site and revealed that this plot is situated in prime area for commercial activities and there is an old building within the plot.</td></tr>
</table>

	As per letter ref no AB 2/320/01/19 from MFAIC to Treasury, NSSF is ready to develop the plot after getting a Government Guarantee. To date the Government has not yet granted guarantee to National Social Security Fund (NSSF) .The issue has taken long time without immediate action plan. The Government of Kenya may revoke its offer and take back the land plot.
57	**Tanzania Embassy-Paris**
	The outstanding items reflect lack of seriousness on the part of the Embassy's Management in the follow up efforts and this may result in recurrence of the same problems in future. The Accounting Officer's attention is drawn to the advantages of acting promptly on audit findings with a view to securing public accountability by instituting financial and accounting controls as recommended.
58	**Tanzania Embassy-Rome**
	(i) Visa sticker machine not installed for use. The Embassy received a visa sticker machine from the Ministry of Finance and Economic Affairs for the purpose of remitting the same to Honorary Consular Milan. Up to the time of audit the Machine was lying in the Embassy. **(ii) Inadequate directives on the use of the Agriculture Fund** During audit of the Financial Statements of the Embassy, we observed that a total amount of TShs.270,000,000 was received by the Embassy as a contribution from the Ministry of Agriculture and Cooperation. On going through the statements, we have also observed that the Embassy has been receiving contributions and depositing them into the Agriculture Account which is managed by the Permanent Representative of FAO. However we were not provided with guidelines on how this fund shall be used and the roles of the Embassy on the management of this account.

	(iii) Pension Contribution not Remitted to INPS Euro 257,811,809 equivalent to TShs.434,441,257.46 Cumulatively Examination of payment vouchers and other documents revealed that the Embassy did not paid Euro 257,811,809, equivalent to TShs.434,441,257.46 being 8.89% and 30% monthly deductions for pension contributions from Local Based Staff purported to be contribution by the Embassy (Employer) was not remitted to the respective scheme (INSP). However, although the Embassy has been effecting deductions from 2003, to date it has not remitted the deductions to INPS for the Embassy staff. For such irregularity the INPS office of Flamingo Rome had already communicated to the Embassy through registered letter No. 013252140738 of 5/12/2007 and the notification on 7/12/2007 to which the Embassy did not replied. Contrary to Art. 3/20 of Law No. 335/1995 and on the modified by law No. 402 of 1996 which gives to INPS and so other sector the right of verification and taking legal actions against all irregularities on paying contributes. **(iv) Underpayment of Salaries to local based staff** For many years the Embassy has kept on paying local based staff lower salaries compared to the level stipulated by the directive of the Government of Italy in labour laws, which directs an employer to pay an increment after every two years commensurate with the category of the local based staff. An employer who contravenes the regulation is liable to a fine.
59	**Tanzania Embassy-Beijing**
	• The Embassy spent an amount of TZS 1,284,034,623 against the approved budget of TZS 1,074,423,600 resulting in an over expenditure of TZS 209,611,023 as at 30th June 2010. • Lack of adequate communication between the Embassy, Ministry of Foreign Affairs and International

	Cooperation and other sector Ministries has resulted in delay in implementation of various projects financed by the Government of China.
60	**Tanzania Embassy-Tokyo**
	• The management should seek retrospective approval from the appropriate authority in respect of over expenditure of TShs.282,738,520. • Disposal of the unserviceable/obsolete stores to be effected. • Distribution of visa sticker machines to the consulates of Melbourne, Seoul, Osaka and Perth for the proper control of visa collections.

7.9 MDAs/RAS issued with Qualified Opinion

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

1	**Vote 18: High Court of Tanzania**
	• Payments for the year included unsupported payments amounting to Shs. 825,240,000 contrary to Reg. 95(4) of the Public Finance Regulations of 2001. Therefore, it was not possible to ascertain its propriety as a proper charge to the High Court funds. • Procurement procedures were not followed as goods were bought without the approval of the Tender Board. In addition, stores records were not maintained properly to keep track of the transactions, thus final disposal of goods worth Shs. 270,248,424 could not be ascertained. This lapse might result into misuse of resources without detection. • Deferred payments of Shs.14,181,854.60 relating to financial years 2001 to 2006/2007 were settled against 2009/2010 budget without budget provision. However, management did not give reasons for the long postponement of the payments. • There was weakness in contract planning and supervision resulting into nugatory payments amounting to Shs.34,439,536.10. This amount was met from 2009/2010 funds while the same was not budgeted for. **Other matters** • The Internal Control System of the High Court is weak owing to under performance of Internal Audit Unit, Audit Committee and Procurement Management Unit.

2	**Vote 21: Treasury**
	Payment for unverified police debt Shs.600,000,000 • Payment of Shs.600,000,000 out of the total debt of Shs.1,284,359,467 was made to the Government Chemist Laboratory Agency in respect of accrued expenses for laboratory services on specimen submitted by the Tanzania Police Force for investigation. However, the Agency request was neither routed through the parent Ministry nor supported by a verification report. In that case the authenticity and accuracy of the claim could not be ascertained. • **Understatement of Property, Plant and Equipment (PPE) Shs.117,676,890** Review of the Non Current Asset register and schedule of Property, Plant and Equipment for the year under review disclosed that the opening balance as at 1st July 2009 excluded assets amounting to Shs.117,676,890 transferred from Vote 50, thus understating the reported figure of PPE by the same amount. • **Assets not adequately supported Shs.3,329,757,580** The Statement of Property, Plant and Equipment included assets valued at Shs.3,329,757,579.67 (Land & building Shs.2,216,027,580, Motor Vehicles Shs.902,730,000 and Intangible assets Shs.211,000,000) which were not supported by documents such as title deeds, Motor vehicles ownership certificates, location of the assets and the value of individual assets to warrant audit review and physical verification. In their absence the correctness of the reported amount could not be confirmed. • **Stimulus and rescue package not substantiated Shs.48,000,270,000** A sum of Shs.48,000,270,000 was paid to the Bank of Tanzania as part of the Government initiative to launch a stimulus package to rescue business affected by the

	global economic crisis. I was not provided with a list of individuals who benefited from the loss compensation and loan rescheduling facility including the related procedures regarding accountability of these funds, as such, I was unable to satisfy myself that, the amount paid could stand as a proper charge against public funds. • **Unverified payment to Kiwira Coal Mines Ltd. Shs.2,000,000,000** An amount of Shs.2,000,000,000 was paid to Kiwira Coal Mines Ltd in respect of employees salaries without first being verified. I was not certain as to whether this amount represented a proper charge to the government coffer. • **Missing documents to justify training expenditure Shs.150,611,256** Payments amounting to TShs.322,706,278 were made to various staff in respect of per diem and other related training costs while proceeding to different overseas training institutions to attend short courses. However, certificates of attendances obtained together with their respective reports were not made available for audit scrutiny despite our repeated requests, contrary to government Circular No.1 of 2009. In their absence, the correctness and propriety of the expenditure could not be ascertained. • **Missing Information in respect of transferred funds Shs.626,254,082** The Ministry made a transfer of Shs.626,254,082 to the Development Management A/C No. 01103031108 at NBC Ltd - Corporate Branch in respect of the Poverty Monitoring Master Plan Project. We were not provided with the necessary information for the operation of the bank account such as names of signatories, bank statements to justify its operation.

	Emphasis of matters • **Imprests issued but not retired Shs.179,743,537** Impresses amounting to Shs.359,490,363 issued during the year were not retired after completion of the intended activities contrary to Reg. 103 (1) of the Public Finance Regulations of 2001 (revised 2004). In addition, some of the officers holding outstanding imprests were issued with fresh imprests contrary to Reg. 103 (7) of the PFR, 2001 (revised 2004) • **Single Source Procurement Shs.61,625,000** Payments of Shs.61,625,000 were made to M/s Mkuki and Nyota Publishers in respect of printing charges for 3000 copies of Swahili Version of MKUKUTA II books and 2000 copies of their English Version through single source basis despite the fact that the items were neither of emergency nature nor unforeseen for the expenditure to warrant the use of that procurement method. • **Inadequate control over Government export credit guarantees and inclusion of expired guarantees of Shs.59,308,729,997** The statement of Export Credit Guarantee (ECG) showed that the figure of guaranteed debt had increased by Shs.16,112,318,198.75 from TShs.181,725,850,003.72 in 2008/2009 to Shs.197,838,168,202.47 in 2009/2010 equivalent to 8.9%. The guarantees are contingent liabilities to the Government which will crystallize to actual liability if the beneficiaries default or fail to service the debt. However, the Treasury has not provided evidence of recovery, follow up of cases, and enforcement of the terms for the guarantees' balance of

	Shs.59,308,729,997 which had triggered but was still being included in the Treasury Registrar's statement.
3	**Vote 33: President's Office, Ethics Secretariat**
	• During the audit, it was noted that a sum of Shs.64,283,000 collected was not banked. Hence, accountability of these collections could not be verified. • A total sum of Shs.11,870,000 was paid to sundry payees without being supported by sufficient documents. Without supporting documents, validity, accuracy and completeness of the transactions could not be verified.
4	**Vote 40: Judiciary (Court of Appeal)**
	• **Missing Relevant Documents to Support expenditure Shs.213,170,352.60** Supporting documents such as contracts, certificate of completion of work, expenditure analysis for payments to various suppliers of goods and services were missing. • **Apparent Fictitious Expenditure Shs.87,749,856.80** Hotel and photocopy expenses for training conducted were not well supported by necessary documents. Also, payment claimed and paid to a supplier was made but goods were not confirmed to have been delivered. • **Transfer of funds to Deposit Account Shs.71,926,400** An amount of Shs.71,926,400 was transferred to the Deposit Account for conducting analysis of ADR in Tanzania and conducting a training of trainers. There was no evidence showing that the activity had been accomplished due to unavailability of expenditure particulars and activity report.

	Goods paid for but apparently not delivered Shs.204,833,667 Computer accessories, production of Tanzania Law Reports from 1999 – 2006 and purchase of Tanzania Law Reports 1998 for Shs.204,833,667 were not confirmed to have been received. • **Irregular expenditure Shs.179,908,331** Expenditures amounting to Shs.179,908,331 relating to procurement of goods and services were charged to Deposit Account. However, we noted that the payments had several shortcomings as analyzed hereunder: – There was no evidence that the money was transferred to the Deposit Account to cater for such expenditures as the authority for payments were not quoted on the payment vouchers. – There was no list of unpaid liabilities or commitments to justify their existence at the year end. – No approval by the Accounting Officer authorizing such expenditure. – No approval of Tender Board for such expenditures. • **Missing payment vouchers Shs.150,796,566.00** Payment was made to supplier, but the same could not be traced from the respective batches.
5	**Vote 44: Ministry of Industry, Trade and Marketing**
	• The opening balance of cash and cash equivalent as at 1st July 2009/2010 was stated at Shs.240,252,390 while the corresponding closing balance for the year ended 30th June, 2009 had a nil balance. This difference has not been reconciled.

	• There were material mispostings of figures into wrong expenditure codes, whereby both training allowances amounting to Shs.164,463,996 and upkeep allowances amounting to Shs.99,500,000 were reported under suppliers and consumables. The mispostings were not rectified. • There was a limitation of audit scope whereby liabilities amounting to Shs.201,013,253.80 had no supporting documents to substantiate that they were incurred by the Ministry. In addition, liabilities were reported at Shs.699,289,208.00 as at 30th June, 2009 while the corresponding comparative figure in the of financial statements for the year ended 30th June, 2010 reflected the balance of Shs.788,788,822.80. In essence, these figures were supposed to be the same. This difference has not been reconciled. **Emphasis of Matter** • Three activities relating to - preparation and implementation of the Integrated Industrial Development Strategy and master plan, Fair Competition Tribunal and ensuring efficient functioning of FTC had an achievement ranging between 14% and 32%. This trend if not attended to may hinder achievement of the Ministry's goals. • We noted weak internal control over imprest management such that imprest balances amounting to Shs.25,149,420 were outstanding as at the time of our audit.
6	**Vote 48: Ministry of Lands and Human Settlement**
	• **Unreported Stores worth Shs.534,380,697** The financial statements as at 30th June 2010 reported the balances of stores amounting to Shs.907, 872,442. However, Stores worth Shs.534, 380,697 were not reported in the statement of stores and other assets.

	- **Purchased Fuel not accounted for Shs.96,508,780** A total of 72,836.8 litres of fuel worth Shs.96, 508,780 purchased from M/S Chief Executive of the Government Procurement Services Agency were not accounted for in the fuel stores ledger contrary to the Reg. 203(1) of the Public Finance Regulations, 2001 revised 2004. - **Wrong debit in Retention Scheme Revenue Account Shs.29,922,918** Revenue collected at Mwanza station between 12/10/2009 and 31/12/2009 and banked in NMB-Mwanza through Retention Scheme Revenue Bank Account Number CA 3111000007 was debited in the respective account without being supported with debit notes. - **Payment of salaries to non existing staff Shs.26,020,151.77** 9 retired employee, 5 deceased employee, 4 absconded and sacked employees from the service were not deleted from the payroll list and the sum of Shs.27,359,039 were paid to them. - **Assets not recorded in the fixed assets register Shs. 371,824,437** Procured fixed assets worth Shs.**371,824,437** were not recorded in the fixed asset register by Ministry's management. - **Compensation included in the value of the non current assets Shs.360,000,000** Fixed assets procured during the year under review worth Shs.1,146,390,436 wrongly included Shs.360,000,000 being compensation of land No.17 Rushungi – Kilwa Shs.350,000,000 and Shs.10,000,000 as transfer of funds

	Other matters • **Late completion of Contract works caused an additional consultancy fee of Shs. 47, 979,406** The consultant for renovation of buildings under Private Sector Competitive Project (PSCP) requested additional consultancy fees of Shs.47,979,406 for the extended time of works from May 2010 to July 2010 due to late completion. • **Outstanding loan from 20,000 Plots Project Shs.2,650,388,463** Funds loaned from the 20,000 plots project fund by seven Councils remained unsettled at the time of audit. Some of the Councils could not repay even part of the amount loaned to them. • **Invasion of open areas in the Dar es Salaam City where construction of buildings is restricted** Municipal Councils of Ilala and Kinondoni had 157 open spaces which have been invaded by some people and built houses thereon without approval from the Ministry, contrary to section 28 (f), 29, 30, 31, 32 and 33 of the Urban Planning Act No. 8 of 2007. It was also noted that 69 open spaces are occupied by invaders without any legal document and 20 others have been offered with certificate of title (CT). • **Slow pace in developing new urban centers** The identification and implementation of peri-urban areas in Luguruni satellite is in place. The Ministry spent the sum of Shs.7,047,363,400 for compensation in order to implement this projects. Apart from the Luguruni center project, the Ministry has completed the approval of 1,111 surveyed plots at Kwembe Kati area since October 2007. A sum of Shs.4,629,685,300

	which was owed from Kurasini Scheme and 20,000 plots project was used to pay compensation. Allocation of plots was yet to be done todate. • **House loan approved but not issued** Revolving Housing Loan Fund Board approved loans amounting to Shs.2,148,502,144 to be given to 273 civil servants who applied for them but up to the time of audit, no loans had been issued to the borrowers. • **Slow Implementation of KILIMO KWANZA resolutions** The Ministry is the main overseer of land policies and laws such as Village Land Act No.5 of 1999 which protect village land and Land Act No.4 of 1999 which protects the general land. The Ministry was responsible for implementation of pillar No. 5 but activities planned were not implemented as per plan.
7	**Vote 50: Ministry of Finance**
	• **Compensation made to undeserved claimants Shs.964,188,492** A sum of Shs.964,188,492 consisting of interest of Shs.334,188,492 and disturbance cost of Shs.500,000,000 was paid vide Pv. Nos 3769/5 and 4030/06 with cheque numbers 325403 of 25th May 2010 and 333498 of 7th June 2010 respectively to Saddiq Super Service Station (SSSS) of P.O. Box 1762, Morogoro as compensation in respect of a cancelled tender awarded to the company to purchase from PSRC a specified landed property formerly owned by the defunct Tanzania Motor Services Company. • **Questionable and Underserved Compensation Shs.3,000,000,000** Payments of Shs.3,000,000,000 being part of an agreed claim of Shs.7,500,000,000 was made to M/s Twiga Chemical Industry Ltd (TCI) vide cheque number 225060 of 25/9/2009 and 346690 as compensation for a

loss of business, and for relinquishing ownership right over the landed property on plot No 17/18 situated at Kimara Baruti. However, TIC did not deserve that compensation payment because their operation certificate had already been revoked by the Commissioner for Minerals, and according to the Ministry of Land and Human Settlement Development (MLHSD) letter reference number CBD.70/264/01 of 2nd March 2005, they were just occupying the land as tenant at sufferance after expiry of their certificate of title. In addition, the National Debt Management Committee (NDMC) had earlier rejected the claim on the above ground on its meeting held on 13th January 2006.

- Irregular compensation made to the contractor and consultants of Mkalama project Shs.656,977,279

- **Irregular Compensation made to Ms TANGO Transport service Limited Shs.554,464,133**
  - An amount of Shs.554,464,133.60 was paid to M/S Tango Transport Limited (Verani Tango) as compensation in respect of Motor Vehicles certificates alleged to have been retained at Ubungo in 1997 by TRA officials for ninety (90) days. However, the following anomalies were noted in connection with the payment.
  - The refund of Shs.53,650,151 was supported by acknowledgement receipt whose authenticity could not be ascertained. In addition, this amount was refunded twice, the first one being made by a court decree.
  - An amount of Shs.6,788,840 was in no way related to the claim
  - Interest of Shs.554,464,133.60 was computed based on compound interest rate instead of the agreed simple interest.

	• **Treasury Registrar (TR) incorrect statement of Public Investment** Review of the TR's statement on Public Investment revealed that the TR does not have proper and correct records on the government shareholding in the following parastatal organizations TIB Tanzania Breeweries Kariakoo Market Aluminium Africa • **Unjustified expenditure paid in form of golden handshake Shs.10,239,516,520** A sum of Shs.10,239,516,520 was paid to NMB Ltd in respect of a lump sum golden hand shake to its staff who worked in the former NBC which was under the Government. We noted that the payment is in excess of the retirement benefits the employees were legally entitled to receive. This payment had no legal basis and resulted from industrial action pressure exerted by employees led by their trade union. The payment has set a precedent which is likely to cost the Government much if no legislative framework is developed to deter such incidences. • **Releases of Shs.70,000,000,000 to Tanzania Investment Bank** We noted that the Ministry transferred an amount of Shs.70,000,000,000 by 30th June, 2010 to TIB on explanations that it was to be used to transform TIB from a financial institution to a Development Finance Institution under the Second Generations Financial Sector Reform and also to open up agriculture window with an ultimate aim of opening up a bank for agricultural activities. The arrangement was reported

to have been made in response to the Cabinet Decision. We requested the following information from management but as at the report date nothing was submitted.

(i) The June 2010 and the latest detailed bank statement of the account which received the fund showing receipts, issues and balances.

(ii) The extract of financial reports showing all receipts, payments and balance of the fund.

(iii) Detailed measures taken to prevent possibility of the fund to collapse given the fact that the contract does not hold TIB accountable in case the loan beneficiary defaults.

(iv) The signed Cabinet Decision which sanctioned the release.

- **Backlog of outstanding issues**
The Ministry of Finance management has not shown serious commitment in addressing audit queries raised in the previous years, on outstanding issues for the year 2004/2005, 2006/2007 and 2008/2009 these are not yet finalized as shown below:

	Year	Amount (Shs)
Financial year	2004/2005	8,000,000,000
Financial year	2006/2007	257,217,954,621
Financial year	2008/2009	114,634,665,123

- **Omitted Guarantees**
There were uncleared contingent liabilities of Shs.445,791,155,000

8	**Vote 51: Ministry of Ministry of Home Affairs**
	• Deposit balance amounting to Shs.2,704,050,959 was not supported by schedules. Therefore its correctness could not be confirmed. • Payment of Shs.423,183,545 was made by third parties, but the same was not disclosed on the face of cash receipt and payments. This is contrary to the provision of Part 1 of the Cash Basis IPSAS which requires entities preparing financial statements using Cash Basis IPSAS to comply with such provision. • Outstanding liabilities amounting to Shs.230,605,439 were not included in the schedules of liabilities submitted along with the financial statements. **Other matters** • I have noted inadequate contract management as important documents were noted missing when reviewing contracts; an indication that there is no proper records management in place. Further, no Inspection Reports on goods and services received by the Ministry were prepared for each procurement made. • Management did not prepare Performance Report in compliance with Accounting Circular No. 1 and Reg.8 (5) of PFR. Therefore, there is no transparency on the implementation of the planned activities of the Ministry.
9	**Vote 52 Ministry of Health and Social Welfare**
	• **Expenditure charged to wrong account codes Shs.3,894,809,822** Payments totaling to Shs.3,894,809,822 were charged to wrong expenditure account codes resulting in misclassification of expenses and budgeted items. • **Improperly vouched Expenditure Shs.597,967,673** There were payments amounting to Shs.597,967,673 made without being supported by proper documents contrary to Regulation 95(4) of the Public Finance Regulations of 2001 (revised 2004), as such authenticity of the payments made could not be ascertained.

	• **Transfer of funds not authorized by Treasury Shs.5,051,875,931** The Ministry transferred Shs.1,968,475,931 to the National Institute for Medical Research (NIMR) and Shs.3,083,400,000 to the Health Sector Development Project without approval from Treasury. • **Salaries paid to retired, deceased and absconded employees Shs.83,768,896** Salaries aggregating to Shs.83,768,896 were paid to employees who were no longer in public service. This has the effect of increasing the Government wage bill and amounts to misappropriation of public funds. • **Unsupported Medical treatment bills Shs.32,579,904** An amount of Shs.32,579,904 was paid to various Tanzania Embassies in respect of medical treatment. But no medical bills, acknowledgement receipts, referral letters and expenditure reports from the respective embassies were made available contrary to the PFR 95(4). • **Penalty for late submission of PSPF contribution Shs.31,900,906** The Ministry paid Shs.31,900,906.13 as penalty for late submission of PSPF contributions contrary to Reg. 9(6) of Public Service Retirement Benefit Regulations of 2003. Had the contributions been submitted in time, this expenditure could have been avoided. • **Goods not delivered Shs.1,648,407,271** Payment of Shs.1,895,253,371 was made in advance to various suppliers. However, audit inspection done at respective departments within the Ministry noted that goods worth Shs.1,648,407,271 were not delivered. The noted practice contradicts with the requirement of PPR, 122 (Goods, Works and Non Consultant Services) Regulations of 2005.

	• **Stores not taken on ledger charge Shs.148,293,950** Regulation 198 of the PFR of 2001 (Revised 2004) states that "except provided, all stores received must be brought on charge without delay in the store ledger and supported by relevant receipt in the manner described in these Regulations". To the contrary, stores worth Shs.148,293,950 were noted to have not been brought to ledgers charge. **Other Matters** • Failure of the Accounting System to clear outstanding bank reconciliation items. Total value of outstanding matters of previous years amounted to Shs.328,205,308. • There were outstanding liabilities and commitments amounting to Shs.210,240,827 and Shs.4,686,129,524 respectively. • The statement of losses together with the underlying records, disclosed a total loss of Shs.4,709,461,863.63 of which Shs.2,383,792.63 relates to loss of stores and Shs.4,707,078,078,071 relates to expired drugs with the Medical Stores Department in various regions of Tanzania. Moreover, it was noted that the losses had accumulated from the year 2003/2004.
10	**Vote 69: Ministry of Natural Resources and Tourism**
	• The year-end cash balance recorded in the Statement of Receipts and Payments and subsequently in the statement of cash flows as cash and cash equivalents is understated because the previous year cash book balance of Shs.57,858,850.48 which was recorded in the books of account of Sao Hill was excluded from the opening balance at the beginning of the year under review. • The Ministry has outstanding liabilities of Shs.663,541,372.75 in respect of suppliers of goods, services and staff claims. It implies that the Ministry

	lacks adequate budgetary control, since total expenditure for the year exceeded the approved budget, taking into consideration that the balance of cash (both recurrent and development) as at the year end (30th June 2010) was Shs. 65,601,951.09 only. Therefore, the trend defeats the concept of the cash budget system adopted by the Government. Moreover, vital supporting documents for the reported outstanding liabilities amounting to Shs.207,246,498.56 were not made available for audit examination, hence, it was not possible to ascertained their propriety. • The expenditure for the year included unsupported payments of Shs.165,448,602 contrary to Reg. 95(4) of the Public Finance Regulations of 2001 (revised 2004). Therefore, it was not possible for the audit to ascertain its propriety as a proper charge against public funds. • The system of accounting for revenue is not sound because, during the year returns from collection centres worth Shs.1,667,139,734.64 were not available for inspection. In addition, there was unexplained difference of Shs.755,874,245.67 between the amount reported in the Statement of Revenue and the amount of Shs.3,316,898,398.78 recorded in the revenue collector's cashbook. Further, the sources of collections adding to Shs.2,920,879,363.60 could not be identified because records were not recorded properly. Nevertheless, the whole amount was put under the Miscellaneous Revenue code as opposed to the accounting procedures which require any unidentified amount to be accommodated under Suspense Account code pending adjustments. • The collection of Forest Royalty as per the collectors' cashbook was higher than the amount acknowledged through Exchequer Receipt Vouchers by Shs. 242,735,027. This difference was not explained and

	proof of adjustment has not been submitted for verification. • The Ministry lacks adequate training/knowledge on the requirements of the IPSAS Cash basis, in the preparation and presentation of financial statements. For instance, foreign assistance received during the year, was not accounted for separately from other sources of revenue as required by paragraph 1.10.8 of IPSAS cash basis of a accounting. • Additionally, though the Ministry has a variety of cultural heritage sites and historical assets under its control, management did not disclose them in the financial statements as required by paragraph 8 & 9 of IPSAS 17. **Emphasis of matters** • There was short release of Development funds for Shs.13,158,440,624 and supply fund Shs.5,430,733,361. Inevitably the shortfall resulted into failure of the Ministry to implement its planned activities for the year. • The Ministry made a unilateral decision to charge Forest Royalty Fees at rates lower than the predetermined tariffs enshrined in the Forest Act (CAP 323) and the Forest Regulations of 2007 without the permission of requisite authorities. Consequently the Government suffered unnecessary loss of Shs.874,853,364. • Unsecured Loans from Sao Hill account, adding to Shs.53,815,000 were advanced to other Divisions of the Ministry and an external Institution without the permission of the Paymaster General contrary to Reg. 105 of the Public Finance Regulations of 2001, (revised 2004), which requires all loans to be covered and approved by the Accountant General.

	• The Accounting Officer paid furniture allowances of Shs.18,830,539 to ineligible officers living in private houses, contrary to UTUMISHI circular No. C/AC/134/213/01/G/69 of 30th January, 2006. • Owing to weak internal check system, a sum of Shs.10,052,511.80 was paid to retirees, deceased and absconded employees resulting into nugatory expenditure of public funds.
11	**Vote 94: President's Office, Public Service Commission**
	• There were numerous mathematical errors, material omissions and significant differences between the transactions data and financial statements data (Combined Recurrent and Development Account as well as Revenue Account) which needed Management clarifications. However, as at the time of writing this report, management had not rectified these errors. • During the month of June, 2010, the President's Office – Public Service Commission paid a total sum of Shs.108,977,904 to upcountry directors directly to their personal accounts instead of Sub Treasury contrary to the existing financial regulations and Treasury Circulars. • The PO-PSC made payments of Shs.80,000,000.00 to Tanzania Broadcasting, Corporation being 15 minutes Educational Programme. Out of this amount, a sum of Shs.750,000 was charged from a proper expenditure code while the remaining amount of Shs.79,250,000 which was supposed to be charged from advertising and publication Shs.79,250,000.00 was wrongly charged from to other expenditure codes. • During the audit of various payments and other related documents it was revealed that payments vouchers totaling Shs.94,712,958 were not supported by relevant documents to substantiate the payments made.

12	**Vote 96: Ministry of Information, Culture and Sports**
	Suppliers selected without approval of tender board Shs.20,285,000 • No evidence to show how the suppliers were selected to provide the services to the Ministry. • Revenue remittance not supported with distribution forms worth Shs.143,961,660 • The Manager of Tanzania Football Federation, Tanzania Football Association and Uhuru Stadium is regularly remitting football gate collections to the Ministry without distribution forms to evidence the actual collection. • Inadequately supported expenditure Shs.69,914,468 • Unreconciled balances of additional non current assets Shs.399,380,530 • The items recorded in the schedule or list of assets only which is termed as fixed asset register without proper identification to indicate the location of the items. • Store items not recorded in store ledgers Shs.27,250,000 • Furniture funds amounting to Shs.32,936,299 were wrongly issued to un entitled officials contrary to regulations • There were no handing over of documentary evidence to the Cashier as well as expenditure details of Shs.5, 000,000 deposited to Cash Office. • Subscription to other International organizations missing supporting documents Shs.98,468,000 • College fees worth Shs.16,650,000 not collected

	• Review of schedule of college fee collections from intake of students for the financial year 2009/2010 disclosed outstanding fees from Malya Sports College of Shs.16,650,000 **Other matters** • **Lack of documented IT policies and procedures** – IT policies and procedures were not in place. – Failure to establish Steering Committee – Failure to establish IT HR management – IT Strategic plan and tactical plans not in place – There were electrical equipment installed at the newly constructed National Stadium without been tested as required by the Contract agreement. • **Malya Sports College:** – The College does not maintain a Fixed Assets Register – The College's plots have no title deeds
13	**Vote 71: RAS Coast**
	• The Secretariat did not prepare and submit bank reconciliation statements to the auditors for Recurrent, Development, Miscellaneous Deposit and Revenue accounts for the year 2009/2010, as a result the correctness of the balances reflected in the financial statements could not be confirmed, as the financial position at the year end may mislead users of the financial statements particularly on the cash balances reflected in the Cash Book and Bank statement. **Emphasis of matter** • IVECO Ambulance (Advanced life support Ambulance) worth Euro 66,000 equivalent to Shs.123,750,000 ordered during the year under review from M/S Incar Tanzania Ltd of Box 20479 Dar es Salaam is yet to be delivered.

	Other matters • Contract entered in the year 2008/2009 between the two parties (Secretariat and the service provider) marked with big price variation per square meter compared to prices charged in 2009/2010 and no reasons for the variation were given. • Payments amounting to Shs.14,056,000 were not supported by supporting documents including attendance sheets, claim forms, supervision reports and pay lists.
14	**Vote 75: RAS Kilimanjaro**
	• **Un-vouched expenditure Shs.17,441,417** Payments amounting to Shs.17,441,417 were reflected in the cash book but were found missing from their respective batches contrary to Reg. 86 (1) of PFR, 2001 which requires all disbursements of public money to be properly vouched thereto, and full particulars of the service for which payment is made be recorded. In the absence of the payment vouchers and its supporting documents, the authenticity of the expenditure could not be ascertained. • **Payment of land compensation not supported by compensation schedules Shs.66,947,000** Audit examination of payment vouchers relating to the financial year 2009/2010, noted that the Secretariat of Kilimanjaro Region paid a total of Shs.66,947,000 to citizens being land compensation to allow for construction of a road in Rombo District without attaching compensation schedules contrary to Reg.95 of PFR,2001 (revised 2004) • **Expenditure charged to wrong expenditure codes Shs.12,471,000** The Public Finance Regulations of 2001 (revised 2004) Reg. 115 states that, 'the approved estimates form the basis of the accounts for the year to which they related

	and analysis and classification of the accounts of revenue and expenditure must accord with those estimates'. To the contrary, expenditure for per diem allowances totaling Shs.14,971,000 was wrongly coded as incurred under property, plant, equipment, thus overstating the PPE figure by the same amount. • **Unclaimed salaries not remitted to Treasury Shs.211,495,309** Unclaimed salaries amounting to Shs.211,495,309 received from the Councils and for the Secretariat employees relating to retired, deceased, terminated employees were noted to have not been returned to Treasury contrary to Reg.113 (3) of the Public Finance Regulations 2001 (revised 2004) and the Ministry of Finance's Circular number EB/AG/5/03/01VOL.VI/136 of 31 August 2007. Further to that, the Secretariat is not maintaining a register for unclaimed salaries. • **Contracts variations not approved Shs.13,349,000** In two cases the Kilimanjaro Regional Secretariat revised contract periods, contract prices and BOQs resulting in paying for additional works worth Shs.13,349,000 without being endorsed by the approving authority. This indicates that there was inadequate supervision and contract management. • **Violation of Contract agreement for purchase of Ambulance Shs.125,000,000** In September, 2009 a sum of Shs.125,000,000 was paid to Incar Tanzania Limited for purchasing of brand new Iveco ambulance for Mawenzi Hospital, and was supposed to be delivered within 8 – 12 weeks from the date of order confirmation. As at the time of audit inspection, we noted a considerable delay of delivering the vehicle for about one year and 3 months contrary to Reg. No. 87 (1) (h) and Reg. No.198 of the Public Procurement Regulations of 2005 (Goods, works, non consultant services and disposal of public assets by

	tender). In addition, purchase of the motor vehicle from Incar Tanzania Limited is questionable as it was not routed through the Ministry of Infrastructure Development. • **Procurement of hospital supplies outside of MSD Shs.55,536,000** Payments of Shs. 55,536,000 incurred from Deposit account were paid to suppliers of drugs and hospital equipment who were not approved by MSD contrary to Sec. 51 of PPA No.21, 2004 and regulation 57 of PPR, 2005(Goods, works, non consultant services and disposal of public assets by tender) • **Procurement made to non-tenderers Shs.11,672,800** The PPA 2004 Sect. 35(b) requires the PMU to support the functioning of the Tender Board and Sect. 35 (c) requires the PMU to implement the decisions of the Tender Board. A test check of payment vouchers and procurement records for the financial year 2009/2010 revealed that payments amounting to Shs.11, 672,800.00 in respect of procurement of works, goods and services were made to non-tenderers contrary to the PPA 2004 Sect 35 (b) and (c) • **Repair of motor vehicles not routed through TEMESA Shs.13,833,969** A sum of Shs.13,833,969.00 was noted to have been paid to various garages as maintenance and repair of the Secretariat's motor vehicles without being supported by the inspection reports issued by a competent mechanical technician of TEMESA who is responsible for certifying maintenance to be carried out as per Sect 59 (4) of PPA No.21 of 2004. • **Advance payment for purchase of three motor vehicles not yet delivered worth Shs.329,877,640** Examination of payment vouchers revealed that the Regional Secretariat, Kilimanjaro deposited with the Permanent Secretary Ministry of Infrastructure

	Development a sum of Shs.329, 877,640.00 for procurement of three motor vehicles as per agreed specifications but the motor vehicles have not been confirmed to have been delivered up to the time of audit.
15	**Vote 84: RAS Singida**
	• Statement of cash receipts and payments and Note18 to the financial statements reflected transfers amounting to Shs.59,826,434,600 instead of Shs.57,809,641,600 which resulted into a difference of Shs.2,016,793,000. The transfer includes construction of the Singida Referral Hospital Shs.1,977,435,999, Judicial Services Board's Shs.4,557,000 and self scheme Shs.34,800,000 which are executed by the Regional Secretariat. • Notes 19 to the financial statements reflected purchase/construction of non current assets amounting to Shs.652,323,326 instead of Shs.2,664,559,326 which made a difference of Shs.2,012,236,000.The total of purchase/construction of non current asset excludes construction of the Singida referral hospital Shs.1,977,435,999 and self scheme Shs.34,800,000 which was reflected under transfer category. • During the year under review, the Regional Secretariat benefited from Hospital equipment, Professional Services, Medicine and medical supplies purchased by third parties worth USD 4,703,714 and Shs.248,960,169.61. However, the column of receipts and payments made by third parties did not reflect the amount of goods and services made by third parties contrary to the requirement of IPSAS cash basis of accounting. **Other matters** • The Ministry of Health and Social Welfare (MoHSW) deposits funds with MSDs account for Regional Hospital

	for purchase of drugs and hospital supplies from MSD. It was noted that Singida Regional Hospital did not have any record of the money deposited by MOHSW for the Regional Hospital to purchase drugs and medical supplies even though the MSD disclosed Shs.248,990,169 in the financial statements as payment to third party. • During stocktaking exercise it was observed that several obsolete or damaged items worth Shs.19,697,000 remained not disposed off for a long time contrary to Reg. 252 of the Public Finance Regulations of 2001 (revised 2004). • There was a significant decrease in Exchequer Issues released in year 2009/2010 of Shs.7,828,256,594 as compared to year 2008/2009 when Exchequer issues amounting to Shs.9,697,356,275 were released. This brings a difference of Shs.1,869,099,681 which is 19.3% decrease. This situation is not healthy for development purposes of the region.
16	**Vote 87: RAS Kagera**
	• Fuel worth Shs.3,400,000 ordered and paid for were not confirmed to have been received and taken on ledger accounts. Hence, accountability of the same could not be confirmed. • The Secretariat incurred expenditures amounting to Shs.48,452,500 without being supported by proper supporting documents as the result validity, accuracy and completeness of the transactions made could not be verified. • The Secretariat has paid Shs.21,662,551 to the officer who overstayed abroad after studies. These payments were done through his Bank account as the result the Secretariat has not obtained value for money from the amount of money paid.

	• The Payments for construction of grade A ward Shs.44,550,900 was not supported by work sheet to support the payments as the result the work done could not be confirmed to have been done to the required standard. **Emphasis of matter** • The auditors' recommendations for the outstanding audit findings worth Shs.8,981,298,491 were not implemented by the Secretariat. • The original computer payrolls of Shs.47,858,234 were not submitted for audit verification. • Shs.18,217,279 being monthly salaries payable to various officers was found cancelled in the computer payrolls as it was not evidenced by documents to have been accounted back in the books of accounts and transferred to Treasury.
17	**Vote 85: RAS Tabora**
	• There were unreconciled differences in cash flow statement of shs10,328,145 which arose from overstatement of the receipts and payments by Shs. 25,186,826/31 and Shs.35,514,971 respectively. • The receipts and payments have been over stated by Shs.25,186,826/31 and Shs. 35,514,971 respectively. • **Fixed assets not recorded in the fixed assets register Shs.12,233,800** Fixed assets worth Shs.12,233,800 including generators, computers, refrigerators and office furniture purchased during the year were not confirmed to have been recorded in the fixed assets register. The financial statements have been understated by fixed assets worth Shs.12,233,800

	• **Goods procured but not recorded in the stores ledgers Shs.19,693,560** Stores valued Shs.19,693,560 were purchased and received but were not recorded in the stores ledger. • **Understatement in the statement of outstanding liabilities Shs.309, 129,360** There was no documentary evidence on whether the financial statements have been adjusted for the understated outstanding liabilities of Shs.309,129,360. • **Missing payment vouchers Shs 11,793,000** Payment vouchers amounting to Shs.11,793,000 were missing, hence the genuiness of the payments could not be ascertained. • **Payments made without supporting documents Shs.119,742,418** Payment vouchers of Shs.119,742,418 were not supported by relevant documents hence, the authenticity of the payments could not be ascertained. **Other matters** • **Liquidated damages not deducted Shs.196, 453,008** The examination and verification of contract documents revealed that the works were not completed on the expected agreed times and liquidated damages amounting to Shs.196,453,008 had not been imposed on the contractors. • **Drop in Funding RAS's activities** The RAS's funding dropped from Shs.15,093,345,511 in 2008/2009 to Shs.6,806,844,628 in 2009/2010 which rises concern on the sustainability of services delivered by the Regional Secretariat.

18	**Vote 89: RAS Rukwa**
	• Verification of the opening balances of the statement of cash flows as at 30th June,2010 noted that, "Other Payments" under cash from operating expenses in the cash flow statement for the financial year 2008/2009 was altered to be Shs.784,995,511.10 instead of Shs.691,322,137.20 reported in year 2008/2009 which resulted into a difference of the cash at the end of the period from Shs.109,522,374.58 to Shs.15,849,000.68 and hence resulting to understatement of cash at the end of the period by Shs. 93,673,373.90. The figure of Shs.15,849,000.68 was carried forward to the financial statement of year 2009/2010 as a result cash at the end of the year for the financial year 2009/2010 was understated by the same amount of Shs.93,673,373.90 • A statement of inventory and other assets as at 30th June, 2010 reflected a balance of stores worth Shs.17,655,450.00 which were not analysed. In the absence of an analysis schedule, the inventory balances could not be verified. • Items of stores worth Shs19,728,778 were purchased and paid for but were not delivered from the suppliers. The related debtor was not disclosed in the financial statements. • A sum of Shs.11,340,000 was wrongly paid to unrelated expenditure codes, the expenditure reported during the year was therefore wrongly classified hence the correctness of the figures reported in the financial statements could not be established • During the year under review, the office of the Regional Administrative Secretariat issued 2130 books of pembejeo vouchers to Sumbawanga District Council. The books were to be distributed to Sumbawanga District Council and Sumbawanga Municipal Council but 10 books of DAP/MRP worth 25,000,000 were not

	received by either of the two Councils, leading to uncertainty as to whether revenue was correctly reported in the financial statements. **Emphasis of matters** • Payment made without contract agreement and engineering certificates Shs.10,351,411 • Liquidated damages not deducted from the contractor for delay in completion of Construction of the division secretary's office at Inyonga in Mpanda District Shs.3,712,601.79 and Regional Vaccine Store Shs.4,319,003.
19	**Vote 92 TACAIDS**
	• Outstanding imprests amounting to Shs.48,245,000 were not disclosed in the financial statements. This is contrary to the financial reporting framework and Reg.103 (1) of the Public Finance Regulations of 2001 (Revised 2004). Therefore closing cash balance is likely to be understated. • Payments amounting to Shs.1,044,265,701 were made without proper supporting documents contrary to Reg.95(1) and (4) of Public Finance Regulations of 2001 which requires all disbursements of public monies to be properly vouched. Under this circumstance, the authenticity and regularity of the payments could not be established. **Emphasis of Matters** • There were under releases of funds on Development Vote Account by Shs.11,481,564, 727 equivalent to 50.9% of the approved budget implying that the related planned activities were not implemented. • The Exchequer Issues released during the financial year 2008/2009 for both TACAIDS recurrent and development activities was Shs.20,574,256,993 whereas during the financial year under audit only

	Shs.14,916,757,157 was released resulting in a decrease of funds released of Shs.5,657,499,836 equivalent to 27.5%. • The under funding of TACAIDS activities deters the achievement of the operational objectives of the Commission including developing strategic framework and national guidelines for the support planning, coordination and implementation of the National Multi-sectoral Strategic Framework on HIV and AIDS (NMSF). • It was further noted that the Exchequer Issues received during the year under audit decreased by Shs.5,657,499,836 equivalent to 27.5% from that of 20,574,256,993 in the financial year 2008/2009 to Shs.14,916,757,157 in the financial year 2009/2010 for both recurrent and development budget. Given the seriousness of the HIV/AIDS problems the country is still facing, we do not think it is wise to decrease the budget allocation to TACAIDS.
20	**Vote 95: RAS Manyara**
	• Some of the Regional Secretariat's assets were disclosed in the Schedule of Property, Plant and Equipment submitted along with the financial statements without disclosing their values, which resulted in the reported assets figure in the financial statements being understated. • Cash Flow Statement for the financial year ended 30th June, 2010 reported an amount of Shs.2,540,631,398.39 as Purchases/Construction of Non Current Assets under investing activities. However, the reported amount is different from the actual amount of purchases made during the year which was reported under the Statement of Property, Plant and Equipment as Shs.488,034,417.95 which results into an explained difference of Shs.2,052,596,980.40. • Compliant to Section 25(2) (b) of the Public Finance Act No 6 of 2001 (revised 2004) Manyara Regional Administrative Secretariat had not submitted

	information of Outstanding Commitments of Shs.1,779,066,159.34 along with the financial statements of 2009/2010. **Other matters** • Unpaid salaries totaling Shs.89,116,462.95 were not surrendered to the Treasury contrary to Reg.113 (3) of the Public Finance Regulations of 2001 (revised 2004) and Treasury directives given through Circular No. EB/AG/5/03/01/VOL.VI/136 dated 31st August 2007. • A sum of Shs.16,571,775 was paid to creditors relating to previous financial years even though this amount was not recorded in the previous schedule of creditors attached in the financial statements and also the creditors register was not maintained. • Payments amounting to Shs.83,562,240.56 were made to different employees and other organizations without having supporting documents which is contrary to Reg. 95 (4) of the Public Finance Regulation of 2001 (Revised 2004). Under the circumstances, the authenticity and regularity of the expenditure incurred could not be established.
21	**Tanzania Embassy-Brussels**
	• The Embassy did not prepare monthly bank reconciliation statements for revenue, recurrent and deposit accounts for the whole financial year ended 30th June 2010. In the absence of the bank reconciliations statements, the correctness of the reported cash balances could not be established. • Records obtained from the Ministry of Foreign Affairs and International Cooperation show remittances of Shs.1,317,504,285.81 disbursed to the Tanzania Embassy Brussels against Shs.1,017,456,538.00 reflected in the Embassy's financial statements resulting into a difference of Shs.300,047,747.81 which was not explained.

	The cash book for recurrent account was poorly recorded since most of the transactions were either omitted or wrongly recorded and it was not totalled and balanced properly contrary to Reg.126 (3) of the Public Finance Regulations 2001 (revised 2004). In addition, the Cash Book for revenue collection was not maintained at all. Under the circumstance, the correctness of income, expenditure and cash balance figures reported in the financial statements could not be established.
22	**Tanzania High Commission-Kampala**
	• Salaries amounting to SHS. 7,760,443.50 was paid to one of local based staff whose employment service could not be determined due to lack of employment contract and authorization • The Mission paid SHS. 8,609,929.24 to local based staff as refund of NSSF contributions instead of National Social Security Fund • Audit noted difference of SHS. 3,448,189.38 between exchequer issued and received that is not recorded in anyway • During the year under review the THC-Kampala spent SHS. 77,429,617.78 to incur expenditures which were not stated in the approved annual budget • Tanzania High Commission-Kampala had Deposit Accounts balance of Shs 36,058,001 for which details of transaction and the balance outstanding for individual account for each depositor could not be established

7.10 MDAs/RAS and Embassies/Missions issued with Adverse Opinion together with the reasons for such opinion are shown in the table below.

1	Vote 76: RAS Lindi
	• **Stores not taken on ledger charge Shs.15,258,153** An examination of stores records revealed that goods worth Shs.15,258,153 ordered and paid for during the year under review were not taken on ledger charge and utilization particulars were not made available to audit when called for. This is contrary to Reg. No. 191 (1) and 192 of the Public Finance Regulations 2001. • **Exchequer issues not recorded in the cash book report Shs.51,981,215** Scrutiny of exchequer issues and cashbook report noted a sum of Sh.51,981,215 was not recorded in the cashbook report. This has resulted into understatement of the closing balance in the Supply Vote. • **Missing payment vouchers Shs.1,687,462,267** Our scope of expenditure verification was limited as we were unable to verify some expenses incurred, since there were no payment vouchers and respective supporting documents of expenditure worth Shs.1,687,462,267 • **Improperly Vouched Expenditure Shs.173,256,288** During audit, it was found out that expenditure of Shs.173,256,288 were not supported by relevant supporting documents such as signed pay lists, acknowledgement receipts, statement of expenditure and invoices to substantiate the payment made. • **Unconfirmed balance of cash in hand with PMG Sh.186,595,182** During the year under review, we observed that, the Regional Secretariat at the end of the year had cash in

	hand of Shs.186,595,182 as per vote accounts. However, audit could not confirm this balance with the PMG's account because of missing bank statements. • **Unsupported balances in the statement of cash flow - Deposit Account** The statement of Cash flow as at 30th June, 2010, shows other receipts of Shs.1,887,697,417 and other payments of Shs.876,829,334 relating to Deposit Account without being supported by relevant schedules hence, the correctness of these amounts reported could not be confirmed. • **Statement of Outstanding Liabilities missing detailed analysis Shs.613,884,610** During the year of audit, we noted outstanding liabilities of Shs.613,884,610 for the year ended 30th June, 2010 which were not supported with any details, hence the same could not be verified. • **Unconfirmed Inventory worth Shs.78,923,570** We could not confirm the validity of stock of Shs.78,923,570 because the stock taking sheets which were signed by stock count teams and authorized by Accounting Officer, Regional Internal Auditor and Head of the Procurement Management Unit were not produced for audit verification.

2	NATIONAL ACCOUNTS
	• **Non compliance with IPSAS 6** IPSAS 6; Consolidated and Separate Financial Statements requires the consolidation to include all Public Sector wholly or jointly controlled entities where the government has a controlling power including Local Government Authorities, Government Agencies, venture capital organizations, mutual funds, unit trusts and similar entities. The standard however does not apply to Government Business enterprises. The financial statements of these entities were not wholly consolidated except for the percentage of share holdings in those entities. The assets, liabilities, net assets/equity, revenues and expenses for these entities were not consolidated as such, the submitted financial statements only forms part of the accounts and does not give a full picture of the financial position and financial performance of the National Consolidated Accounts of the government of the United Republic of Tanzania. • **Non compliance with PFA** The submitted National Consolidated Accounts did not include a balance sheet i.e statement of financial position of the Government of the URT including all the assets of the government such as buildings, bridges, roads, schools etc and liabilities contrary to Section 25 of PFA 2001 (revised 2004). • **Missing Banking evidence of funds in transit Shs.13.475 billion** We did not get a detailed analysis of funds in transit amounting to Shs.13,475,072,714 indicating how these funds were credited to the PMG Account. In their absence, the correctness of the reported amount in transit could not be confirmed.

	• **Non disclosure of investments Shs.100 billion** The government paid a sum of Shs.100 billion to the Tanzania Investment Bank in respect of recapitalisation of TIB (Shs.50 billion) and the establishment of Tanzania Agriculture Bank (Shs.50 billion). These investments were not reflected in the statement of the Treasury Registrar as 30th June 2010. In addition, investments in nine (9) parastatals were not disclosed for a reason that they had not submitted their financial statements. The non disclosure of the 9 parastatals has understated the reported Government Investments figure. • **Liabilities not disclosed Shs.48.75 billion** The consolidated financial statements did not disclose liabilities amounting to Shs.48.75 billion. All these balances relate to transactions with the Central Bank including outstanding interest on overdrawn government accounts, economic empowerment and liquidity management expenses. This had an effect of overstating the reported net assets and understating the liabilities. • **Value of assets not disclosed Shs.261.44 billion** Non-current assets procured during the year under review costing Shs.118,332,292,264 were not disclosed in the assets schedule while government deposits amounting to Shs.143.09 billion were not disclosed in the Consolidated National Accounts. • **Overdue outstanding reconciling items in the bank statements** The consolidated bank reconciliation statement reflected several overdue reconciling items some of which have remained uncleared since year 2000. Also, included in the list of unpresented cheques were cheques which have remained unpresented for more than 6 months, rendering them stale. No adjustments have been effected to clear these cheques which need to be cancelled and credited

	to deposit bank account. The cash balance is therefore misstated. • **Total overdraft not disclosed in the statement of outstanding public debt Shs.1,331,073,630,470** The Exchequer Account closed with an overdraft of Shs.1,331,073,630,470.30 with the Bank of Tanzania this negative net position of the government was a result of total revenue of Shs.7,928,122,248,611 against total expenditure of Shs.8,522,395,969,190 thus registering a total deficit(financing gap) of Shs.594,273,720,579. At the year end, cumulative overdraft amounted to Shs.1,331,073,630,470.30. This amount of overdraft was not included in the statement of outstanding public debt. Total liability of the government was therefore understated by the same amount. • **Outstanding Liabilities Shs.160,756,067,190** The consolidated National Accounts disclosed outstanding liabilities amounting to Shs.160,756,067,190 as at 30th June, 2010. Taking into account the fact that the government operates on a cash basis of accounting, it could not be established how these liabilities were incurred since the IFMS has an expenditure control module which do not accept an LPO the budget line of which no funds exists. The practice violates the principles of cash basis of accounting and had the effect of understating the total expenditure by the same amount. **Emphasis of Matters** • **Contingent liabilities Shs.26,276,785,317** The Government had pending court cases in respect of twelve votes amounting to Shs.26,276,785,317 as at 30thJune,2010 whose preliminary hearings and

	discovery proceedings are in progress. The ultimate outcome of the matters cannot presently be determined, because the financial statements are presented on a cash basis of accounting, no provision for any liability that may result has been made in the financial statements. • **Increase in Arrears of Revenue Shs.106,300,190,445** There was an increase in arrears of revenue from Shs.10,020,246,900 in the year 2008/09 to Shs.116,320,437,345 in the year under review suggesting insufficient efforts in collecting government revenues. • **High increasing rate in the Public debt stock** The public debt stock outstanding at the year end recorded a tremendous increase from Shs.7,621,286,730,034 at the end of 2008/09 to Shs.10,503,806,011,885 an increase of over 38%. This trend if not properly monitored may lead the Government into unbearable burden of servicing it. The increase is very alarming such that the debt stock is likely to be unsustainable despite the fact that Tanzania was among the countries receiving huge amounts of debt remissions and forgiveness through the Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Donor Relief Initiative (MDRI). • **Loans issued by the Government not recovered Shs.424,087,766,124** The Government has failed to recover a total of Shs.424,087,766,124 loans issued by the Government to M/s. Ginaac Industries Ltd and M/s. Mansons Ltd and other institutions. Out of this amount a sum of Shs.325,927,756 was declared uncollectible as most of these companies do not

	exist. There was no evidence that these companies had any collateral securities pledged when securing the loans. • **Inadequate management of Public-Private Partnerships (PPPs)** Investments in Public–Private Partnerships(PPPs) are not adequately managed such that the government has ended up shouldering huge and avoidable costs related to these arrangements including paying salaries for private investor's staff and repaying loans secured by these private investors, examples include SONGAs, TRL Ltd, IPTL Ltd, Kiwira Coal Mines Ltd, etc • **Outstanding Government Guarantee Shs.711,804,989,096** The consolidated financial statements reported total guarantees of Shs.711.804,989,096. There was no evidence that these guarantees were secured with valid collaterals. Contrary to section 13 and 14 of the Government Loans, Guarantees and Grants Act (1974). The Government is exposed to high credit risk in the event the guarantees fail to mature.

CHAPTER 8

REVIEW OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

8.1. Introduction

The National Audit Office of the Government of Tanzania (GoT) engaged KPMG to assess the efficiency and effectiveness of the Integrated Financial Management System (IFMS) within the MDAs and LGAs. KPMG assessed at a high level the operations and functionality, project implementation and IT general and application controls surrounding the IFMS. In addition, KPMG reviewed whether the Government of Tanzania was receiving value for money after investing in the IFMS system.

IFMS is critical for the Government of Tanzania to maintain public trust by providing effective and efficient monitoring and control of government revenue and expenditure. The two primary government bodies charged with the responsibility of managing the IFMS within the government are ACGEN and PMO-RALG for MDAs and LGAs respectively.

The Government of Tanzania, like other governments, is under pressure to provide better service at lower cost to its constituents. In many instances, large IT improvements such as those related to the implementation of integrated term efficiencies and cost savings. The IFMS has cost tax payers/citizens millions of dollars and they expect value for money.

The assessment was based on comparison of IFMS activities to industry best practices obtained from published standards and internal KPMG sources, our understanding of GoT system objectives and our experience with similar organizations. Our work consisted of inquiry and discussion with MDAs, LGAs and Soft-Tech personnel and reviewing documentation provided by the same.

8.2. Objectives of the Assignment

The main objectives of the assignment were aimed at establishing that:

i. The IFMS is supported by an appropriate set of general and application controls for ensuring integrity, confidentiality and availability of the desired information resources;
ii. The IFMS is operated with the expected efficiency and effectiveness as measured against accepted standards and benchmarks;
iii. The financial resources utilized in the implementation of the system were spent with due regard to efficiency and effectiveness and conformed to the applicable statutes and regulations; and
iv. The IFMS is adequately meeting the information needs of the various users of the system including MDAs and LGAs.

8.3. Summary of key audit findings

8.3.1. Weak Information General Controls and Security

We noted poor user access management and weak database management controls enforced to ensure confidentiality and integrity of MS transactions. We noted domain administrators could directly manipulate database transactions without the use of the IFMS software. With the database security auditing option and IFMS application logs disabled, it would be difficult to detect if data was manipulated through the database. In addition, the IFMS allowed data entry operators to change and approve details of open purchase orders and customer details. This therefore allowed data entry operators to create and approve purchase orders without the chief accountant's knowledge, which is not an acceptable standard.
There were no disaster recovery procedures in place that would ensure the availability of the system in the event of a disaster. There lacked a documented IT disaster recovery

plan that would be used to recover operations. In addition, no formal or informal disaster recovery tests had been done to simulate what would require to be done during a disaster. We also noted that ACGEN had contracted for a shared disaster recovery site with the Bank of Tanzania (BOT) located in Dar es Salaam. However, this site has never been used for its disaster recovery activities.

8.3.2. Inadequate IT Governance Structures

Our review revealed that there was no overall IT strategy that is aligned to the government's strategic objectives. Such a strategy must determine up front what the differing requirements of the Government are at different levels of MDA, LGAs etc., and what level of systems need to be deployed for each.

We also observed inconsistent or incomplete IT security policies and procedures within both the Central Government and LGAs and we believe these should be part and parcel of the National Country IT strategy to ensure consistency and compliance across all Government-based IT users in the country.

8.3.3. Under Utilized Fully-Paid IFMS Resources

The ACGEN in 2007 paid a sum of USD428,829 for implementation of a disaster recovery (DR) site and USD.224,532 in 2009 for data warehousing facilities although, these facilities have been fully paid for, they are not in use. An assessment will now need to be made in whether the components of the facilities will be useful today and whether or not these are obsolete.

The IT SM helpdesk system is also under utilized and no effective reporting is generated which would drive investments in resources and people. Our review revealed that 55 licenses of IT SM helpdesk software were acquired in

FY 2004/05 to keep track of user problems. However, only 27 users actively use the system.

There are a total of 225 IFMS licenses installed at ACGEN. However, for the current year ACGEN paid AMC for 554 licenses. In addition, there are only 191 users on the ActivePlanner system, against the 233 licenses that were paid for. We also noted that the AMC cost for 12 modules of IFMS is the same as a single license cost for ActivePlanner and a single license cost for IT SM helpdesk. This cost basis per license across these three different systems can not be the same and needs to be investigated.

8.3.4. Ownership of Systems, Data and Contracts

We noted that some customizations were incorporated in IFMS version upgrades and did not require separate contracts. However, there are two autonomous ongoing or completed customizations, EFT interface and GFS 2001, that lacked formalized contracts.

Without contracts for the development of additional customization, it will be difficult to measure the vendors ability to deliver on them. Also, there is a risk of increase in scope as well as project costs.

Also, the fact that we can not obtain an inventory of users at all Government bodies that use whatever version of IFMS is disconcerting and allows for the many inconsistencies between what is planned for and what is actually on the ground whether relating to use of modules or user license numbers amongst others. It is also of great concern to us that this information has to be sought from Soft-tech and then used to make decisions for payments.

8.3.5. IFMS application software license contracts

We noted that the IFMS environment is governed by weak and / or poor contractual arrangements between the ACGEN office and the software solution provider (s). For instance, we were unable to obtain the software acquisition contracts for the IFMS software. We only obtained an unapproved project charter issued by Soft-Tech Consultants to GoT (version 1.0 dated 12/02/98). The project charter contained a budget for application software license, consultancy services and training but it does not represent the application software license contract.

Poorly managed contracts may lead to increase in the operating expenses to the government.

The government will not have a means through which vendor service levels are measured and paid for which may lead to further losses and strained client-vendor relations.

8.3.6. IFMS Functionality Gaps

Since EPICOR software was originally intended to be a Manufacturing ERP solution, significant customizations have to be made for it to be used for Government accounting purposes. Some of these customizations included commitment control accounting and IPSAS compliance reporting among others.

From our evaluation of the IFMS functionality, we observed that the existing IFMS still requires to be upgraded for it to bridge the existing functionality gaps. These functionality gaps include key budgetary planning processes where the government uses separate systems to prepare the national budgets i.e.SBAS, PlanRep and ActivePlanner.

The latter system is basically being used as a data entry routine rather than a planning functionality and to that extent a separate AMC cost is charged without its full functionality in use. Budgetary expenditure has its challenges and is lacking processes ranging from functionality like VAT computation and purchase requisitions. Day-to-day operations like imprest management which required customization, and mandatory interfaces to achieve bank reconciliation, are still not fully operational.

Soft-tech have been developing fixes and customizations in a number of these areas but given the lack of documentation of user requirements and weak project management our analysis suggests incomplete delivery both in terms of time and quality yet costs have been incurred and paid out for some of these items.

8.3.7. Bank Reconciliation

Our review revealed that there are a number of significant un-reconciled bank transactions dating as far back as July 2000. These were mainly caused by the system's inability to capture a larger reference number in the cash receipts form that is used to reconcile with the BOT transactions. There were also cases where the reference numbers had been incorrectly captured by the users leading to the un-reconciled transactions.

We also noted that during the migration from Platinum SQL to EPICOR in 2000, the cash book in Platinum was not migrated to EPICOR. As a result, there are payments in bank and not in cashbook for the period of July 2000 to December, 2000 that have not been reconciled to date. We have highlighted the bank reconciliation process as we believe this is a key financial statement risk for the Government and needs to be resolved immediately.

8.3.8. IFMS User Support and Training

In terms of user support and satisfaction, our review and visits at the LGAs suggest that Soft-tech are unable to provide the support level needed across the country and user training and support is lacking which reduces the use of IFMS as the data capture and accounting system and LGAs revert to manual processes in frustration. An area of concern from the users is the lack of support given from Dar es Salaam, especially in outlying MDAs and Sub-treasuries.

There is limited internal EPICOR technical skills within the ACGEN office. Despite the set-up of the 18-man SDU, Soft-tech support sometimes extends to minor IFMS improvements/customizations and hardware and infrastructure support

CHAPTER 9

CONCLUSION AND RECOMMENDATIONS

9.1 Conclusions

The detailed audit findings in this general report were communicated to the respective Accounting Officers for actions. The Accounting Officers and Sub-Accounting Officers of MDAs/RAS and Embassies/Missions are required to prepare structured responses on the CAG's audit findings and recommendations and submit them to the Paymaster General.

In this report I have pointed out several weaknesses in internal control systems which resulted to lapse in financial management. These matters call for immediate intervention from the Accounting Officers by establishing sound internal control systems that will prevent future recurrence of the same deficiencies.

In order to effectively address the weaknesses pointed out in this report, I have made several recommendations which, if implemented will enhance sound financial management within the government.

9.2 Recommendations

9.2.1 Non implementation of some of the previous year's recommendations

Most of the recommendations issued in the previous year's General Report of Central Government were not responded to, which is an indicator of the Government lacking seriousness in implementing those recommendations.

In this year's audit, 46 MDAs/RAS had previous years' outstanding issues amounting to Shs.468,627,883,842 with the Ministry of Finance having the largest share of Shs.361,327,312,329.79 followed by Prisons Service Department with Shs.19,261,840,595 and RAS Lindi is third with an amount of Shs.10,146,855,167.
The government should put more efforts to ensure that the recommendations are attended accordingly. The Treasury should instruct Accounting Officers to take necessary measures to improve documentation, which is one of the main causes that contributes to missing documentation and therefore failure to reply some of the audit issues.

9.2.2 Pre-Audit of Terminal Benefits Payments

- Accounting Officers before submitting terminal benefit papers to me, for pre-audit purposes, should ensure completeness, accuracy, supported by relevant documents and conformity with the relevant employment terms, pension laws and regulations.

- The Government should ensure that, when a public officer including military officers change their terms of employment to a political carrier, such officers should first be paid their terminal benefits for the period they have served in the permanent and pensionable terms conditionality. This has an advantage of receiving their terminal benefits early, avoiding possible double payments and also taking into account time value for money. Political posts are subject to contract terms of employment and are eligible for contract gratuity payments.

9.2.3 Procurements made without Annual Procurement Plans Shs. 50,685,371,565.58

Procuring Entities should 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 in line with Sect.45 of the PPA of 2004.

9.2.4 Motor vehicles repair works not routed through TEMESA Shs. 176,722,089

During the year under review, a test check has revealed that five (5) MDAs/RAS paid a total amount of Shs.176,722,089 to private unauthorized garages in respect of the cost of repairing motor vehicles without routing their request through TEMESA.
I urge the management of the entities concerned to comply with Regulation 59 (1) & (2) of the Public Procurement Regulations, 2005 by ensuring that all vehicle maintenance and repair works is approved by M/s TEMESA

9.2.5 Salaries paid to Retirees, Absentees and ineligible officers Shs.1,842,607,565.29

A total sum of Shs.1,842,607,565.29 was paid as salaries to retirees, absconders and ineligible officers who were no longer in employment.

To avoid such losses in future, Accounting Officers of the respective MDAs/RAS should check their payrolls periodically to confirm validity of all entries. Communication should also be enhanced to ensure that names of retirees, absconders or terminated employees are deleted from payrolls once they cease to be in employment.

9.2.6 Payment of furniture allowance to ineligible officers Shs. 770,087,895

The President's Office, Public Service Management (UTUMISHI) Circular No.C/CA/134/213/01/G/69 of 30th January, 2006 on payment of furniture allowance to entitled officers should be complied with by all implementers. In this regard, ten MDAs which made a total payment of Shs.650,714,800.34 to officers living in their own houses should recover the same from them.

9.2.7 Improperly vouched Expenditure Shs.4,303,339,515

There were payments amounting to Shs.4,303,339,515 which were made without proper supporting documents. Accounting Officers of MDAs/RAS/Embassies/Missions should ensure all payments are authenticated by proper supporting documents in line with the requirement of Regulation 95(4) of the Public Finance Regulations of 2001 (revised 2004).

9.2.8 Goods paid for but not delivered Shs. 13,865,874,762

Payments amounting to Shs.13,865,874,762 were made in advance to various suppliers during the year under audit. However, the paid for goods were not delivered. The responsible Accounting Officers should follow up and ensure the respective goods are delivered and brought to account.

9.2.9 Payments charged to wrong expenditure codes Shs.4,953,226,683

Responsible Accounting Officers should adhere to MTEF budget and obtain retrospective approval from the Ministry of Finance in line with Reg. 51(1-8) of the Public Finance Regulation's of 2001 (revised 2004). They (Accounting Officers) should in future refrain from reallocating funds for which they have no authority under the cited law above.

9.2.10 Questionable Payments Shs.15,595,054,755

During the financial year 2009/2010 two (2) MDAs (Ministry of Finance – Vote 50 and Judiciary – Vote 40) together incurred payments of Shs.15,595,054,755. The payments lacked relevant and sufficient information to warrant the expenditure to stand as proper charge against public funds.

Accounting Officers should discharge their stewardship role by ensuring they fully embrace the best financial discipline in managing the limited resources placed under their jurisdiction. Accordingly, appropriate action should be taken by them to justify the expenditure and value realized from its incurrence.

9.2.11 Procurement Management

Significant amount of public funds (52%) is still being spent on procurement. Although expenditure has dropped from the usually quoted 70%, there is need for the Procuring Entities to exert concerted efforts to improve controls on how procurement is done; particularly given that the compliance of PEs with the Public Procurement Act is still not very much satisfactory.

Among the controls which are worth pursuing include equipping PEs with qualified procurement personnel, Strengthening PMUs, strengthening learning institutions involved in building procurement capacity of Central Government and LGAs, strengthening Tender Boards and Internal Audit Units.

9.2.12 Liabilities and Outstanding Commitments Shs.254,616,874,180

During the year under review, the Government had outstanding liabilities and commitments aggregating to Shs. 254,616,874,180 which included commitments of Shs. 93,860,806,990 and liabilities amounting to Shs. 160,756,067,190. As pointed out in my last year's report, the fact that these liabilities and commitments existed during the year under review defeats the government's IPSAS - cash basis reporting framework and the government's cash budgeting system. Spending beyond the approved limit is illegal and therefore calls for disciplinary actions against Accounting Officers who fail to comply with the government's cash budget system.

- The government should refrain from creating commitments for which no funds exists. In addition, it is high time for the government to consider imposing stern measures to Accounting Officers who fail to comply with the requirements of the cash budget system.

- The outstanding liabilities totaling Shs. 254,616,874,180 should be recognized in the National Accounts.

9.2.13 Tax exemption

The Government should review its tax exemption policy with a view of narrowing down the scale of exemptions. Although the quantum of tax exemption decreased from Shs.752,398,800,000 in 2008/2009 to Shs.680,667,900,000 in 2009/2010, there is need to re-look into this matter with a view to ensure that exempted amounts are restricted to a minimum tolerable level that is essential for the public interest. In addition, TRA should rigorously review the revenue collection budget with a view of making it more realistic.

- TRA should look for the possibility of broadening the tax base by incorporating the informal sector.
- The Government should make a thorough study and identify reasons for failure to meet annual collection targets and thereafter, in collaboration with TRA devise measures that will alleviate the situation.

9.2.14 External assistance Shs.2,393,256,357,651

The Statement of External Assistance indicates that a sum of Shs.3,932,474,455,117 was estimated to be received from external sources during the year under review. However, actual amount received was Shs.2,393,256,357,651 equivalent to 61% of the total estimated budget. This suggests that foreign assistance was unreliable.

On the foregoing, the government should budget for what it can reliably expect to receive to avoid embarrassment during budget implementation. On the other hand, IAS 20 requires that foreign assistance should only be recognised in the financial statements upon gaining sufficient assurance that such assistance will be realised.

Greater efforts should be exerted to reduce the government's dependency on foreign aid.

9.2.15 Arrears of Revenue

The statement shows that, arrears of revenue rose from Shs.10,020,246,900 in the year 2008/2009 to Shs.116,320,437,345 in 2009/10 equivalent to 16.30%. This suggests that sufficient efforts were not exerted in collecting all government revenue due under the year of audit. The Government should exert more efforts including application of collection enforcement measures to ensure that all revenues due to it are collected and brought to account.

9.2.16 Statement of outstanding Public Debt Shs.10,613,868,673,604

The Consolidated Financial Statements shows that the public debt has increased by 38% from Shs.7,621,286,730,033.80 recorded in 2008/2009 to Shs.10,503,806,011,884.90 outstanding at the end of 2009/2010.

According to the statements, the domestic debt increased by Shs.43,373,690,323 and Shs.358,846,010,303 equivalent to 2% and 19% in 2007/2008 and 2008/2009 respectively and later by Shs.521,261,841,212 equivalent to 23% in 2009/10. In contrast, the economic growth in terms of GDP real rate has been growing at an average rate of 6.5% from year 2006/2007 to 2009/2010.

The percentage increase in foreign debt is relatively higher than that of the domestic debt for 2008/2009 and 2009/2010 meaning that the government has borrowed more from foreign institutions than from domestic. This situation implies that the Government has exposed itself more to foreign exchange risks in the event of adverse exchange rate variability.

In view of the increasing trend of public debt, I recommend to the government to ensure there is balanced economic growth which can service those debts as they reach maturity. The government should in addition look for alternative revenue sources and minimize wasteful expenditure without hampering lives of the Tanzanians the majority of whom are living below poverty line.

9.2.17 Statement of Commitments Outstanding Shs.93,860,806,990

The statement of government commitments outstanding reflects an amount of Shs.93,860,806,990 as at 30th June 2010 representing a decrease of Shs.275,883,320,206 equivalent to 75% compared to the commitments reported in year 2008/2009 of Shs.369,744,135,196. In connection with the foregoing, I reiterate my previous year's recommendation that the government should refrain from creating commitments for which no funds exist. In addition, all un-utilized funds which have not been committed should be surrendered to PMG's Account.

9.2.18 Statement of outstanding Loans Issued by Government Shs.424,087,766,124

The statement of outstanding Loans issued by the Government reflects an amount of Shs.424,087,766,124 as at 30th June 2010 representing an increase of Shs.7,624,537,979 equivalent to 2% compared to the outstanding amount reported in year 2008/2009 of Shs.416,463,228,145. According to the Treasury Registrar statement, loans totaling to Shs.325,927,756 could not be recovered as the companies concerned were no longer in existence.

In this regard therefore, the Government should improve procedures with regard to issuing loans including requesting the borrowers to pledge valid securities. In addition, since loans have their terms, as such all the loans should be refunded and not to wait for a decision which was not included in the loan terms.

9.2.19 Statement of Contingent Liabilities Shs.26,276,785,317

As at 30th June, 2010, the Government had contingent liabilities in respect of twelve votes, amounting to Shs.26,276,785,317 for which no disclosure was made regarding their nature. At this juncture, I recommend to the government to avoid decisions that may lead to the cropping up of contingent liabilities that could otherwise have been avoided and ensure that control over contingent liabilities is strengthened. In addition, the government should work actively and defensively to win and finalise the cases. We are waiting for finalisation of the pending cases.

9.2.20 Statement of Government Guarantees Shs. 711,804,989,096 Granting of guarantees above limit stipulated by law

Three entities had been granted more than the loan amount by Shs.60,864,285,978 contrary to Sect.13 (1)(b) of the Government Loans, Grants and Guarantees Act of 1974 (revised 2004) while guarantees to four parastatals and export credit fund exceeded 70% limit stipulated in part two of Regulation 7 and 8 of Government Loans, Grants and Guarantees Act of 1974 as revised in 2004. In addition, outstanding guarantees as per Treasury Register and National Consolidated Accounts differed by Shs.3,940,266,366

On the two scenarios above, I wish to recommend that:-

- The Nature of security pledged by each borrower and its adequacy to cover the loans advanced to them should be specified.
- Those who approved the guarantees in excess of the approved limits should be accountable for the excess amounts.

- The Government should ensure compliance with the law and that all issued guarantees should be within the authorized limit of 70% of the total amount of the loan.
- The difference between the amount reported in TR statement and that reported in the National Consolidated Accounts should be reconciled.
- There is need for the Minister for Finance to provide authority which will warrant the limit of 70% to be exceeded.

9.2.21 Debt Conversion scheme funds with BOT Shs.2.099 billion

The government should make follow up with the alleged beneficiaries to establish whether there are still legitimate claims. Otherwise, the funds which have remained in the account for a long time should be credited to the Consolidated Fund.

9.2.22 Amounts payable and Government deposits not reflected in the financial statements

The published financial statements of the Bank of Tanzania for the year ended 30th June, 2010 reflected several amounts aggregating to Shs.134.46 Billion receivable from the Government. However, these amounts were not reflected in the Government Consolidated accounts as amounts payable to the Bank. I urge the government to ensure that all government deposits and liabilities are recognised and disclosed in the financial statements. In addition, liability settled after the closure of the year should appropriately be disclosed by way of notes to the accounts.

9.2.23 Outstanding Liabilities Shs.160,756,067,190

The outstanding liabilities represent 50.2% increase compared to the previous year's reported amount of liabilities of Shs.107,063,198,140 which includes Shs. 39,916,624,968 incurred through supplies of goods and services.

I reiterate my previous recommendation that the Accountant General should disclose all government's outstanding liabilities and all debtors.

In addition, under cash budget system it is not expected to have outstanding liabilities arising from items that could be bought through annual budget and issuance of LPO. These items would be acquired only if there were budget provision for them.

9.2.24 Government Investments Shs.8,718,182,145,310

The Government investments recorded a consistent increase each year from Shs.5,296,890,205,898 in 2006/2007 to Shs.8,718,182,145,310 in the year 2009/2010. As pointed out in Chapter VI, the reported amounts did not include all government investments as there are 9 domestic organizations whose accounts were either not made available or invested amounts were not reflected in the consolidated financial statements as part of Government investments. In order to enhance transparency as regards to accountability of the government investments, the government should:

- Maintain updated information of all government investments in order to facilitate preparation of correct National Consolidated Accounts.
- Give details of all the investments and disclose them in the financial statements.
- The Government should review its foreign investment policy to see the possibility of disposing off all non-performing investments.

9.2.25 Statement of Non-current Assets Shs. 7,981,954,338,324

As pointed out in Chapter VI, the overall movement of Non-current Assets between 30th June 2009 and 30th June 2010 resulted in a net increase by 13%. However, there was no national register for government assets where the above assets are recorded. Moreover, the outlay on assets as per Cash Flow Statement differs from the value of assets reported in the assets schedule by Shs.118,332,292,264. For better management and control over assets, the government should:-

- Expedite the preparation of the government assets register and record all the assets correctly.
- Reconcile the assets schedule with the national accounts.

9.2.26 Statement of Stores and other assets shs.16, 806,978,964

The Consolidated Financial Statements reported stores and other assets amounting to Shs. 16,806,978,964 as at 30th June 2010. This is a decrease of 89% from the previous year's balance of Shs. 146,854,683,983.

The government should ensure timely procurement and consumption of stores to avoid large amounts of stores at the end of the financial year which can be misused.

9.2.27 Statement of Losses Shs.11,152,048,065

The Consolidated Financial Statements indicated that cumulative losses incurred by the Government in terms of public monies, stores written off and claims abandoned, increased from Shs.3,128,398,112 during the year 2008/2009 to Shs.11,152,048,065 in 2009/2010, this being an increase of Shs. 8,023,649,953 equivalent to 256%.

It is therefore important that measures are taken to ensure loses incurred by the Government are minimized to tolerable levels. Furthermore, all losses that have not been procedurally written off by parliament should continue to be reported along with the current year losses. Analysis for the previous and current year losses should also be provided. The reporting of the loss should cease only when it has been procedurally written off by the parliament.

9.2.28 Special Funds Shs. 78,014,807,604

The Consolidated Financial Statements disclosed an amount of special funds managed by MDAs of Shs.78,014,807,604 in line with Section 12 of the PFA of 2001. This is an increase of 140% against the amount reported in the previous financial year of Shs.32,460,970,038.

However, I noted that the amounts reported as operating funds in MDAs were in actual fact cash balances as at 30th June 2009 and as such it does not include other funds advanced or issued as loans. Balances of eight Funds were not disclosed in the financial statements.

In order to enhance transparency, the government should disclose the actual position of the Funds, instead of reporting only the year end cash balances. For all Revolving Funds total wealth should be reported at the end of the year and for the non Revolving Funds, only the cash balance as at the end of the year should be reported in the consolidated financial statements. Further, the government should recognize and disclose its debtors the same way it recognizes its creditors.

9.2.29 Overdue outstanding reconciling items in the bank statements

Audit review of bank reconciliation statements for all accounts noted unreconciled item in the bank reconciliation statements as follows:

1	Receipts in Bank not in Cash Book	56,230,975,146.63
2	Payment In Cash Book (x-Unpresented Cheques)	83,500,942,913.53
3	Payment in bank not in Cash Book	524,588,992,794.08
4	Receipts in Cash Book not in Bank	182,857,092,164.47

The Government through Treasury should reconcile these balances and ensure that they are cleared from the books of accounts.

9.2.30 Exchequer Account statement overdraft Shs. 1,331,073,630,470.30

Receipts in the Exchequer account during the year under review of Shs.8,088,374,116,556.26 were outgrown by payments of Shs. 8,550,640,390,566.58 in form of exchequer issues, thus resulting in a cumulative overdraft of Shs.1,331,073,630,470.30.

The government should increase efforts in revenue collections to meet the revenue budget and institute a strong mechanism of ensuring that its operations are all funded within the available resources.

9.2.31 Unspent balances not returned to PMG Account Shs. 31,821,562,811

The Treasury should make follow up to ensure that all accounting officers return the unspent balances to PMG Account and that the moneys are credited to the Consolidated Account and properly accounted for.

9.2.32 Inadequate Control Procedures over Public-Private Partnership (PPP) Arrangements

As noted, PPP in infrastructure, power, communication and utility sectors has not successfully been implemented. We sampled few examples where the Government has entered into agreements with private investors where in our view, there were some gaps and flaws with little success in their implementation. These include; SONGAS Ltd, IPTL, ARTUMAS, TRL, ATCL, Kiwira Coal Mines (TANPOWER Ltd), City Water and TICTS.

We could not establish whether a comprehensive evaluation of the financial capability of some of the investors was done. We noted some instances where the

Government had to take the responsibility of refinancing some operations of the private investors through direct financing or issuing loans or guarantees. Examples include:

- Securing an on-lent loan for SONGAS Ltd,
- Payments made to IPTL to facilitate the company to continue its operations,
- Payment for TRL and TAN POWER Ltd staff salaries,
- Giving a refinancing loan to ARTUMAS and
- Giving a credit guarantee to Kagera Sugar Ltd.

In order for the Government to improve implementation of PPPs, we therefore recommend as follows:

(i) The Ministry of Finance should prepare a comprehensive list of the government's fiscal exposures including both explicit and implicit contingent liabilities arising from PPP arrangements

(ii) The costs of contingent liabilities should be quantified and the expected cost of exposures valued in order to influence the decision whether to undertake the project or not and to provide policymakers with a better indication of the level of losses or liabilities the government needs to anticipate.

(iii) The Government should carry out a thorough Cost-benefit and value for money analysis of the proposed PPP projects during the process of assessing investment proposals.

(iv) All PPP proposals should be subjected to a multistage review by people with expertise in PPPs and fiscal management at the prime Minister's office and Ministry of Finance before a contract is signed.

(v) To enhance transparency, the Government should publish all PPP contracts along with other information on the costs and risks of the financial obligations they impose on the government and a summary description of their financial implications.

(vi) The Government should ensure that there is adequate monitoring and supervision of all the PPP projects (both existing and those to be implemented later) so that precaution measures can be taken to reduce the magnitude of the risk of contingent liabilities and the likelihood of such events.

(vii) The Government should also consider reviewing the existing contracts to see if there are gaps which can be rectified to ensure that the government benefits from these undertakings and avoid shouldering all the risks arising from these agreements.

(viii) The Government (through appropriate Parent Ministry) should commission a Consultant to carry out management audits of the operational performance of all the companies under observation in (VI) above

(ix) In addition, the Government should look for legal advice in the process of considering terminating all the contracts with all the private companies that have failed to observe the terms and conditions of their contracts.

9.2.33 Management of Contingent Liabilities and Accounting for PPP Assets and Liabilities

In most cases if PPP agreements are not well designed and managed, these contracts always end up with the Government assuming huge contingent liabilities. Our review has revealed that:

Apart from the contingent liabilities which could arise from PPP undertakings, the Government in some instances has given on lent loans and guarantees to private investors including those in PPPs. These include:

- Securing an on-lent loan for SONGAS Ltd,
- Payments made to IPTL to facilitate the company to continue its operations,
- Payment for TRL and TAN POWER Ltd staff salaries,
- Giving a refinancing loan to ARTUMAS and
- Giving a credit guarantee to Kagera Sugar Ltd.

The Government through the Ministry of Finance should avoid giving on lent loans and guarantees to private investors. Investors with inadequate financial capability should not be accepted to be partners with the Government. Reasons for not complying to Section 13 & 14 of the Government Loans, Guarantees and Grants Act (1974) should be given.

In case it is established that it is not prudent for parastatals to pledge collaterals when issued with loans or guarantees, the Government Loans, Guarantees and Grants Act (1974) should be amended to suit that situation.

The Government budgetary system should be modified so that it can be able to capture the costs of contingent liabilities including those arising from PPPs.

All PPPs that are likely to cause contingent liabilities which may result into future spending by the government should be approved by both the Ministry of Finance and Parliament before their contracts are signed.

9.2.34 Inadequate Government Involvement in Design and Build Agreements

The Government entered into some few agreements with Social Security Funds on a Design-Build (DB) basis including:

- Construction of Mabibo Hostel for University of Dar es salaam students by NSSF
- Construction of the University of Dodoma by NSSF, PPF, PSPF, LAPF and NHIF and

- Construction of the Nelson Mandela-African Institute of Science and Technology by PPF.

(i) The Ministry of Finance should commission a consultant to carry out a value for money audits for the three undertakings so as to determine the actual costs involved and the eligibility and legitimacy of the claims being raised by the Social Security Funds.

(ii) In addition, management should submit contract agreements describing the terms and conditions governing the design, construction and repayment arrangements for the three projects for our review.

9.2.35 Non Compliance with PFA and IPSAS

According to section 25(1) (a) of the Public Finance Act of 2001 (Revised 2004) the Accountant General is required to prepare and transmit to the Minister and to the Controller and Auditor General a balance sheet (statement of financial position) showing all the assets and liabilities of the Consolidated Fund. (i.e of the Government of the United Republic of Tanzania).

In addition, IPSAS 6; Consolidated and Separate Financial Statements requires the consolidation to include all Public Sector wholly or jointly controlled entities where the government has a controlling power including Local Government Authorities, Government Agencies, venture capital organization, mutual funds, unit trusts and similar entities. The standard however does not apply to Government Business enterprises.

The standard requires that in preparing consolidated financial statements, a controlling entity should combine its financial statements and its controlled entities line by line, by adding together like items of assets, liabilities, net assets/equity, revenue and expenses.

(i) The Government (in particular the Accountant General) should consider adopting modern accrual-accounting standards for financial reporting (i.e. IPSAS-Accrual) to enhance accountability and management of government assets and liabilities. In this regard, Public Debt and General Services, Treasury Registrars Statement and the Consolidated National Accounts should be given an immediate attention.

(ii) Management of the Treasury should among other statements prepare a balance sheet (statement of financial position) of all the assets and liabilities of the United Republic of Tanzania in accordance with Section 25 of PFA of 2001 (revised 2004).

(iii) Public Sector (wholly or jointly controlled) entities including Local Government Authorities, Government Agencies, Parastatals, etc should be consolidated in the National Consolidated Accounts.

9.2.36 Review of Integrated financial management system

9.2.36.1 Assessment of IFMS Licenses and Renegotiation of AMC Costs

There needs to renegotiate of the AMC costs from a user needs perspective and every individual Government body requirement needs to be defined up front and not merely set up as a standard. Ideally a strategy could be undertaken to implement key modules as a start and other non core modules implemented at pre-negotiated rates at a future date if need be. Similarly AMC costs need to be renegotiated as we are concerned with the schedules provided to ourselves indicate the same per user cost for twelve IFMS modules as it does for one module (Active Planner) and also for the ITMS helpdesk single user separately. These anomalies need to be investigated and resolved immediately.

9.2.36.2 Ownership of Systems, Data and Contracts

It is important to implement strong frameworks for management of contracts and licenses which will in itself drive a culture of close scrutiny of government expenditure relating to IT and arrest some of the advantages being taken when it comes to negotiation of pricing and interpretation of contractual obligations.

9.2.36.3 IFMS application software license contracts

The government should ensure that all undertakings by a third party are governed by contracts that clearly define the scope, timing, costs, responsibilities, penalties, remedies as well as deliverables for the engagement undertaken by the vendor. These contracts should be reviewed on an annual basis by a legal team.

"To remediate the current lack of contracts, the government should consider drawing up new software license contracts. This exercise should be carried out for any existing vendor that lacks an adequate contract with the government.

9.2.36.4 Assessment of the Planned EPICOR Version 9

Soft-tech would like to introduce EPICOR version 9, a web-based version of the current client-server IFMS application. Our understanding is that this is a vendor-driven initiative which they are offering free to the government, however, there are always hidden costs associated with its deployment. These costs include but are not limited to: hardware costs for servers, workstations, printers, recruitment and training costs, consultancy costs for implementation, consultancy costs fort raining, bandwidth requirements. There are also costs and risks associated with customization of EPICOR version9, depending on whether Soft-tech has the skills to customize the web-based version without unwarranted errors. In addition an assessment of whether or not a technical infrastructure exists to support this upgrade needs to be determined.

All customizations would ideally have to be redone and reengineered in such upgrades and given the current track record of existing customisations there needs to be close attention to this issue before such upgrades be approved.

A proper assessment needs to be made to also ensure Soft-tech have the appropriate skills in-house to implement this version and perhaps any contractual obligation must include specific EPICOR specialists on a global basis.

Any development around the IFMS should be governed by formalized contracts before commencement and substantial payment. These contracts should define, at a minimum, the following elements.

9.2.36.5 Quality Assurance Review during Project Customizations/Upgrades

A quality assurance centre of excellence be established by ACGEN for each major system customization/upgrade project. The primary responsibility of the quality assurance team will be to ensure that the project is managed according to best practices.

It is imperative that the quality assurance team is independent from the project management office to ensure it is effective. In the short term, this assurance can also be outsourced given the need to develop other IT governance structures within the Government.

9.2.36.6 Detailed Network Performance Review

From our review, it was clear that the performance of the system was inadequate which resulted in user inefficiencies. Although, this was attributed to the centralization project, a thorough assessment of the network architecture, bandwidth and system design needs to be done. It is evident that this assessment would pinpoint the root cause of the poor performance while recommending appropriate solutions. The need to continuously manage and optimize infrastructure resources is also an integral part of cost management. As such, proper tools and assessments must be deployed on a non going basis to measure improve network and infrastructure performance.

9.2.36.7 Bank Reconciliation Review

Our review revealed that bank reconciliation for the central government bank accounts have voluminous un-reconciled transactions dating from July 2000. With system limitations and human errors as the key contributors, a thorough bank reconciliation review using automated data analysis tools should be done. Additionally, end users should be trained and system limitations fixed to ensure that these problems do not recur.

9.2.36.8 Follow up Review and Continuous System Audits

A technology- based internal audit function should be established to ensure that there is a continuous oversight role being played especially in rapidly changing operational areas including access rights, segregation of duties, and quality of the information databases which would provide assurance to the Government and its partners. We also recommend an external audit by the NAO and other bodies must include an element of IT audits to complement the financial and internal audit role. Nevertheless, these two reviews cannot take away the ultimate responsibility of the ACGEN and PMO-RALG offices to maintain and implement the existing policies and procedures and making sure their users conform to these policies and take appropriate action when this is not the case.

ANNEXURE I

Outstanding matters of previous years' Audit

	Vote	F/Y 2009/2010		
Vote	MDAs	JPY	TShs	USD
14	Fire and Rescue Force	0	705,197,958	N/A
16	Attorney General's Chamber	0	468,274,892	N/A
21	Treasury	390,000,000	10,687,912,018.10	N/A
22	Public Debt and General Services	0	9,479,812,094	2,100,000
28	Police Force	N/A	1,093,746,278	N/A
29	Prison Service Department	N/A	19,261,840,595	N/A
32	Public Service Management	N/A	2,789,182,969	N/A
34	Ministry of Foreign Affairs and International Cooperation	N/A	200,000,000	151,000
37	Prime Minister's Office	N/A	N/A	N/A
38	Ministry of Defence and National Service (Ngome)	N/A	N/A	N/A
39	National Service	N/A	N/A	N/A
40	Judiciary	0	4,441,030,198.90	0
41	Ministry of Constitutional Affairs and Justice	N/A	N/A	N/A
42	Office of the National Assembly	N/A	37,989,400	N/A
43	Ministry of Agriculture and Food Security	N/A	370,174,310.60	N/A
44	Ministry of Industry Trade and Marketing	N/A	669,380,063.87	N/A
46	Ministry of Education and Vocational Training	N/A	5,273,641,831	N/A
48	Ministry of Land	N/A	3,897,267,830	N/A
49	Ministry of Water	0	32,142,466	0
50	Ministry of Finance and Affiliated Bodies	309,000,00 0	361,327,312,329.79	N/A
51	Ministry of Home Affairs	N/A	N/A	N/A

	Vote	F/Y 2009/2010		
Vote	MDAs	JPY	TShs	USD
52	Ministry of Health and Social Welfare	N/A	328,205,308	N/A
53	Ministry of Community Development Gender and Children	N/A	73,065,253.87	N/A
56	Ministry of Regional Administration and Local Government	N/A	290,296,059	N/A
57	ministry of Defence and National Service	N/A	6,768,619,817	N/A
58	Ministry of Energy and Minerals	N/A	464,148,122	N/A
68	Ministry of Science & Technology	N/A	115,982,516	N/A
69	Ministry of Natural Resources and Tourism	N/A	N/A	N/A
90	Land Court	N/A	24,860,250	N/A
93	Immigration Service	N/A	88,144,000	75,580
94	Public Service Commission	N/A	459,294,659	N/A
96	Ministry of Culture Information and Sports	N/A	65,181,000	N/A
98	Ministry of Infrastructure Development	N/A	37,190,988	N/A
99	Ministry of Livestock Development and Fisheries	N/A	454,034,805	N/A
92	Tanzania Commission for Aids	N/A	130,558,176	N/A
70	Arusha	N/A	51,842,500	N/A
71	Coast	N/A	7,395,000	N/A
72	Dodoma	N/A	906,955,092	N/A
73	Iringa	N/A	N/A	N/A
74	Kigoma	N/A	4,240,769,379	N/A
75	Kilimanjaro	N/A	8,118,581.15	N/A
76	Lindi	N/A	10,146,855,167	N/A
78	Mbeya	N/A	0	N/A
79	Morogoro	N/A	6,846,627,317	N/A
80	Mtwara	N/A	624,391,642.60	N/A

	Vote	F/Y 2009/2010		
Vote	**MDAs**	**JPY**	**TShs**	**USD**
81	Mwanza	N/A	1,044,507,205	N/A
82	Ruvuma	N/A	14,848,000	N/A
83	Shinyanga	N/A	59,007,710	N/A
84	RAS Singida	N/A	1,904,302,911	N/A
85	Tabora	N/A	2,642,980,348	N/A
86	Tanga	N/A	909,351,058	N/A
87	Kagera	N/A	8,981,298,491	N/A
88	RAS Dar es Salaam	N/A	185,477,752	N/A
89	Rukwa	N/A	18,669,500.35	N/A
95	Manyara	N/A	N/A	N/A
	Sub Total			
	Grand Total	**699,000,000**	**468,627,883,842**	**2,326,580**

ANNEXURE II

STATEMENT OF EXCHEQUER ISSUES RECEIVED

Vote	Ministry/Commisions	Recurrent	Development	Total
12	Judiciary Service Commission	993,380,730	146,789,000	1,140,169,730
14	Fire and Rescue Force	3,360,690,316	2,700,000,000	6,060,690,316
15	Commission for Mediation and Arbitration	1,540,285,696	379,500,000	1,919,785,696
16	Attorney General's Office	11,340,399,714	3,669,101,700	15,009,501,414
18	High Court	12,341,947,026	2,927,794,000	15,269,741,026
19	District and Primary Courts	12,739,611,074	2,320,926,000	15,060,537,074
20	State House	7,229,344,999	-	7,229,344,999
21	The Treasury	252,418,376,808	28,081,856,768	280,500,233,576
22	Public Debt and General Services	1,325,495,154,376	-	1,325,495,154,376
23	Accountant General's Department	105,199,541,535	5,781,080,455	110,980,621,990
25	Prime Minister Aitwe	5,438,508,950	-	5,438,508,950
26	Vice President	4,478,722,649	-	4,478,722,649
27	Registrar of Political Parties	20,130,792,928	246,790,000	20,377,582,928
28	Ministry of Home Affairs - Police Force	193,832,661,048	13,772,000,000	207,604,661,048
29	Ministry of Home Affairs - Prisons Services	88,061,713,084	9,398,000,000	97,459,713,084
30	President's Office and Cabinet Secretariat Aitwe	178,769,853,752	43,881,476,495	222,651,330,247
31	Vice President's Office	68,511,855,622	5,530,550,700	74,042,406,322
32	President's Office - Public Service Management	21,865,215,978	20,361,816,852	42,227,032,830
33	Ethics Secretariat	2,479,383,673	829,954,900	3,309,338,573
34	Ministry of Foreign Affairs and International Co-operation	89,587,559,631	20,582,762,340	110,170,321,971
37	Prime Minister's Office	39,421,547,224	37,087,967,542	76,509,514,766
38	Defence			

Vote	Ministry/Commisions	Recurrent	Development	Total
		318,605,175,505	19,000,000,000	337,605,175,505
39	National Service	81,462,939,869	13,275,000,000	94,737,939,869
40	Judiciary	14,046,922,459	3,728,519,000	17,775,441,459
41	Ministry of Constitutional Affairs and Justice	6,285,191,895	6,978,297,580	13,263,489,475
42	The National Assembly Fund	66,695,545,916	2,430,000,000	69,125,545,916
43	Ministry of Agriculture, Food Security and Cooperatives	184,077,884,290	75,081,220,250	259,159,104,540
44	Ministry of Industry, Trade and Marketing	26,980,031,011	41,306,413,070	68,286,444,081
45	National Audit Office	18,436,716,655	6,571,225,000	25,007,941,655
46	Ministry of Education and Vocational Training	421,207,163,524	80,454,317,224	501,661,480,748
48	Ministry of Lands, Housing and Human Settlements Development	18,598,409,473	8,358,235,631	26,956,645,104
49	Ministry of Water and Irrigation	18,314,432,082	160,891,677,501	179,206,109,583
50	Ministry of Finance and Economic Affairs	124,884,836,158	94,734,387,853	219,619,224,011
51	Ministry of Home Affairs	5,326,682,179	4,165,947,900	9,492,630,079
52	Ministry of Health and Social Welfare	221,836,598,542	262,707,631,657	484,544,230,199
53	Ministry of Community Development, Gender and Children	10,883,910,112	6,198,277,673	17,082,187,785
55	Commission for Human Rights and Good Governance	4,263,038,893	475,323,823	4,738,362,716
56	Prime Minister's Office - Regional Administration and Local Government	122,465,766,719	27,103,944,936	149,569,711,655
57	Ministry of Defence and National Service	13,532,606,878	20,974,327,073	34,506,933,951
58	Ministry of Energy and Minerals	82,085,835,598	74,617,925,505	156,703,761,103
59	Law Reform Commission AITWE Financial stat.	1,372,865,237	1,058,023,000	2,430,888,237
60	Labour Court	1,118,883,400	181,472,862	1,300,356,262
61	Electoral Commission	28,935,286,601	11,854,518,272	40,789,804,873
64	Commercial Court			

Vote	Ministry/Commisions	Recurrent	Development	Total
		1,169,725,121	303,576,000	1,473,301,121
65	Ministry of Labour, Employment and Youth Development	8,078,776,125	3,107,850,200	11,186,626,325
66	President's Office Planning Commission	6,615,211,251	234,898,202	6,850,109,453
68	Ministry of Communication, Science and Technology	23,692,648,473	10,705,032,074	34,397,680,547
69	Ministry of Natural Resources and Tourism	39,930,760,540	12,918,752,162	52,849,512,702
90	Land Court	1,205,193,460	391,528,333	1,596,721,793
91	Anti Drug Commission	1,113,505,010	146,789,000	1,260,294,010
92	TACAIDS (Tanzania Commission for AIDS)	3,409,877,885	11,056,879,272	14,466,757,157
93	Immigration Department	24,670,628,673	12,394,873,000	37,065,501,673
94	Public Service Commission	8,873,370,868	696,553,000	9,569,923,868
96	Ministry of Information, Culture and Sports	14,785,449,608	5,997,264,000	20,782,713,608
97	Ministry for East African Cooperation	14,770,755,801	146,788,991	14,917,544,792
98	Ministry of Infrastructure Development	279,225,665,260	635,440,191,654	914,665,856,914
99	Min of Livestock Development and Fisheries	32,005,657,722.00	23,154,944,278	55,160,602,000
	Total Ministries/Commissions	**4,696,200,495,606**	**1,836,540,972,728**	**6,532,741,468,334**
Vote	**Regions**			
70	RAS - Arusha	73,947,814,842	21,999,663,451	95,947,478,293
71	RAS - Pwani	56,673,028,806	18,568,898,811	75,241,927,617
72	RAS - Dodoma	74,328,375,750	21,696,136,979	96,024,512,729
73	RAS - Iringa	89,157,513,885	27,552,929,180	116,710,443,065
74	RAS - Kigoma	53,769,885,789	20,758,056,864	74,527,942,653
75	RAS - Kilimanjaro	97,885,882,820	21,267,427,927	119,153,310,747
76	RAS - Lindi	38,575,319,617	17,079,412,485	55,654,732,102
77	RAS - Mara	68,023,698,893	18,007,341,569	86,031,040,462
78	RAS - Mbeya			

Vote	Ministry/Commisions	Recurrent	Development	Total
		101,220,152,223	28,520,118,121	129,740,270,344
79	RAS - Morogoro	87,888,103,608	25,020,147,938	112,908,251,546
80	RAS - Mtwara	51,650,116,278	18,677,442,038	70,327,558,316
81	RAS - Mwanza	117,680,217,757	31,101,669,308	148,781,887,065
82	RAS - Ruvuma	61,548,586,667	19,844,496,247	81,393,082,914
83	RAS - Shinyanga	93,394,544,721	29,127,355,223	122,521,899,944
84	RAS - Singida	48,133,647,331	17,529,811,343	65,663,458,674
85	RAS - Tabora	60,861,763,711	20,510,396,021	81,372,159,732
86	RAS - Tanga	88,373,330,836	24,135,404,377	112,508,735,213
87	RAS - Kagera	80,377,487,166	22,983,065,422	103,360,552,588
88	RAS - Dar es salaam	113,293,266,223	18,326,244,641	131,619,510,864
89	RAS - Rukwa	47,719,270,211	20,991,642,581	68,710,912,792
95	RAS - Manyara	50,925,078,687	18,772,018,861	69,697,097,548
	Sub total	**1,555,427,085,821**	**462,469,679,387**	**2,017,896,765,208**
		6,251,627,581,428	**2,299,010,652,115**	**8,550,638,233,543**

ANNEXURE III

PROCUREMENT COMPLIANCE

Performance Data	Performance	Performance Data	Outcome of the review
1	Establishment and composition of tender boards	Existence of a tender board in accordance with the requirements of the Act and Regulations	The level of non-compliance in establishing TBs was 4% compared to 12% in the previous audits.
2	Establishment and composition of PMUs	Existence of a PMU in accordance with the	The level of non-compliance in establishing PMUs was 26% compared to 52% in

		requirements of the Act and Regulations	the previous audits.
3	Independence of functions	Percentage of tenders in which there was no interference between individual functions	28% of the audited procurements had interference between the individual functions of the Accounting Officer, Tender Boards, PMU and user Departments compared to 45% in the previous audits.
4	Annual Procurement Plan (APP)	Prepared and properly implemented annual procurement plan	The level of non-compliance in preparing and implementing APPs was 39% compared to 57% in the previous audits.
5	Compulsory Approvals	Percentage of tenders/contracts which received all compulsory approvals in various processes	27% of the audited procurements did not receive all compulsory approvals in the procurement processes contrary to the requirements in the PPA and its Regulations compared to 49% in the previous audits.
6	Advertisement of bid opportunities	Percentage of open bidding procedures publicly advertised	Bidding process were not advertised to the public contrary to the requirements of the PPA and its Regulations compared to 32% in the previous audits.
7	Publication of awards	Percentage of contract awards disclosed to the public	39% of the audited procurements indicated that contract awards were not published to the public contrary to the requirements of the

			PPA and its Regulations compared to 65% in the previous audits.
8	Time for preparation of bids	Percentage of tenders complying with the stipulated time in the Act and regulations	10% of the audited procurements indicated that the time provided for the preparation of bids did not comply with the minimum time provided in the PPA and its Regulations compared to 21% in the previous audits.
9	Methods of procurements	Percentage of tenders using authorized methods of procurement in accordance with their limits of application	22% of the audited procurements did not use methods of procurement in accordance with their limits of application as provided in the PPA and its Regulations compared to 23% in the previous audits.
10	The use of standard tender documents	Percentage of tenders using standard/ approved tender documents	In the 28% of the audited procurements, standard tender documents were not used contrary to the requirements of the PPA and its regulations compared to 48% in the previous audits.
11	Procurement records	Percentage of tenders with complete records	45% of the audited procurements had either no procurement records or incomplete records compared to 70% in the previous audits.
12	Quality assurance and control	Percentage of tenders with adequate quality assurance and control	42% of the audited procurements indicated that there were no quality assurance and control systems compared to 71% in the

		systems	previous audits.
13	Contract management	Percentage of contracts which have been implemented as per the terms of contract	Contracts in 36% of the audited procurements were not implemented as per the terms of the contract compared to 48% in the previous audits.

ANNEXURE IV

Stock Verification Reports on Stores Management

SUMMARY

STOCK VERIFICATION MAJOR OBSERVATIONS TO CONTROLLER AND AUDITOR GENERAL - 2009/2010

(I)

UNSUPPORTED ISSUES OF STORES-TSH 196,594,912.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Finance	1,410,000.00
Ministry of Water and Irrigation	4,640,000.00
Ministry of Community Development, Gender & Children	4,030,050.00
Ministry of Labour and Youth Development	538,600.00
Ministry of Energy and Minerals	2,065,600.00
Ministry of Regional Administration and Local Government	5,974,800.00
Ministry of Natural Resources and Tourism	17,943,500.00
Ministry of Livestock Development and Fisheries	1,361,640.00
Ministry of Health and Social Welfare	13,532,796.00
Ministry of Education and Vocational Training	5,647,400.00
Police	25,607,225.00
Tanzania Prison Services	16,901,480.00
Judiciary	52,411,951.00
Tanzania Immigration Service	23,942,010.00
Kilimanjaro	13,589,500.00
Manyara	2,117,000.00
Mara	1,811,360.00
Mtwara	3,070,000.00
TOTAL	**196,594,912.00**

(II)

UNSUPPORTED RECEIPT OF STORES-TSH 766,396,497.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Infrastructure Development	17,602,500.00
Ministry of Community Development, Gender & Children	16,245,400.00
Ministry of Energy and Minerals	1,658,000.00
Ministry of Natural Resources and Tourism	30,956,800.00
Ministry of Livestock Development and Fisheries	52,916,800.00
Ministry of Health and Social Welfare	84,847,750.00
Ministry of Education and Vocational Training	7,000,000.00
Police	32,915,250.00
Tanzania Prison Services	243,767,705.00
President's Office Public Szervice Management	10,503,200.00
Judiciary	9,028,882.00
Tanzania Immigration Service	9,597,010.00
Ruvuma	981,000.00
Kilimanjaro	58,171,200.00
Morogoro	5,300,000.00
Mara	179,000,000.00
Manyara	5,905,000.00
TOTAL	**766,396,497.00**

(III)

UNACCOUNTED RECEIPTS OF STORES-TSH 187,899,905.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Education and Vocational Training	56,000,000.00
Ministry of Health and Social Welfare	19,975,000.00
Ministry of Natural Resources and Tourism	42,135,260.00
Ministry of Regional Administration and Local Government	13,425,000.00

Ministry of Labour and Youth Development	22,326,000.00
Ministry of Community Development, Gender & Children	4,974,500.00
Ministry of Water and Irrigation	2,376,200.00
Singida	3,085,000.00
Judiciary	18,724,945.00
Police	4,878,000.00
TOTAL	**187,899,905.00**

(IV)

UNACCOUNTED ISSUES OF STORES-TSH 73,893,200.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Regional Administration and Local Government	4,996,400.00
Ministry of Finance	30,711,200.00
Ministry of Community Development, Gender & Children	3,267,000.00
Tanzania Immigration Service	34,918,600.00
TOTAL	**73,893,200.00**

(V)

DEFICIENT STORES-TSH 41,025,676.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministrt of Education and Vocational Training	1,883,800.00
Ministry of Health and Social Welfare	1,143,500.00
Ministry of Natural Resources and Tourism	5,118,440.00
Ministry of Community Development, Gender & Children	2,739,500.00
Tanzania Immigration Service	7,789,000.00
Judiciary	2,325,150.00
President's Office Public Service Management	1,120,000.00
Tanzania Prison Services	18,906,286.00
TOTAL	**41,025,676.00**

(VI)

UNACCOUNTED PURCHASES OF STORES-TSH 1,273,995,213.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Health and Social Welfare	20,591,604.00
Ministry of Livestock Development and Fisheries	53,191,240.00
Ministry of Natural Resources and Tourism	671,172,178.00
Ministry of Regional Administration and Local Government	5,980,000.00
Ministry of Industries and Marketing	15,721,000.00
Ministry of Energy and Minerals	4,175,500.00
Ministry of Community Development, Gender & Children	24,230,887.00
Ministry of Finance	50,566,040.00
Ministry of Water and Irrigation	7,999,000.00
Ministry of Education and Vocational Training	17,950,300.00
President's Office Public Service Management	32,182,967.00
Tanzania Immigration Service	97,426,300.00
Tanzania Prison Services	28,704,007.00
Judiciary	97,971,663.00
Police	50,217,070.00
Arusha	2,036,500.00
Mara	21,459,384.00
Kilimanjaro	43,167,340.00
Singida	2,536,900.00
Ruvuma	26,715,333.00
TOTAL	**1,273,995,213.00**

(VII)

UNRECEIPTED ISSUES OF STORES-TSH 442,169,746.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of education and Vocational Training	209,463,600.00

Ministry of Health and Social Welfare	19,021,550.00
Ministry of Livestock Development and Fisheries	4,304,400.00
Ministry of Natural Resources and Tourism	86,637,780.00
Ministry of Regional Administration and Local Government	8,295,000.00
Ministry of Industries and Marketing	11,995,955.00
Ministry of Energy and Minerals	4,432,500.00
Ministry of Community Development, Gender & Children	7,520,201.00
Ministry of Finance	3,800,000.00
Tanzania Immigration Service	44,743,950.00
Judiciary	7,107,600.00
Tanzania Prison Service	6,045,400.00
Police	27,969,810.00
Kilimanjaro	832,000.00
TOTAL	**442,169,746.00**

(VIII)

UNTRANSFERRED BALANCE OF STORES-TSH 9,318,450.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Health and Social Welfare	2,702,550.00
Ministry of Community Development, Gender & Children	1,732,600.00
Tanzania Immigration Service	4,883,300.00
TOTAL	**9,318,450.00**

(I X)

STORES NEITHER IN MASTER REGISTER NOR INVENTORY SHEET-TSH 577,941,129.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Education and Vocational Training	13,980,000.00
Ministry of Health and Social Welfare	129,788,239.00

Ministry of Livestock Development and Fisheries	22,720,000.00
Ministry of Natural Resources and Tourism	169,256,000.00
Ministry of Community Development, Gender & Children	8,080,000.00
Ministry of Water and Irrigation	33,730,000.00
Judiciary	106,153,000.00
Tanzania Prison Service	37,218,100.00
Police	27,342,590.00
Mara	12,253,200.00
Kilimanjaro	17,420,000.00
TOTAL	**577,941,129.00**

(X)

FUEL NOT RECORDED IN THE LOG BOOK-TSH 8,492,150.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
President's Office Public Service Management	3,795,000.00
Manyara	4,697,150.00
TOTAL	**8,492,150.00**

(XI)

MAINTANANCE AND REPAIR OF GOVERNMENT VEHICLES TO PRIVATE GARAGE WITHOUT PRIOR APPROVAL FROM E & M DIVISION-TSH 15,072,390.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Arusha	12,333,000.00
Ministry of Livestock Development and Fisheries	2,739,390.00
TOTAL	**15,072,390.00**

(XII)

UNDELIVERED STORES-TSH 24,100,000.00

MINISTRY/DEPARTMENT/REGION	AMOUNT
Ministry of Industries and Marketing	24,100,000.00
TOTAL	**24,100,000.00**
GRAND TOTAL	**3,616,899,268.00**

Annexure V

STATEMENT OF OUTSTANDING LOANS

	Borrower	Loan No.	2009/2010	2008/2009	2008/2007
S/No.	Loan advance to	Loan No.	TZS	TZS	TZS
1.	De Leuw Cather International Inc.	177	997,382,932	997,382,932	1,611,693,501
2.	Ginaac Industrires Ltd	334	281,864,968	265,517,939	295,047,865
3.	Mansons Ltd	283	44,062,788	41,508,540	44,874,200
4.	Ms African Marble Co. Ltd	63	574,683	574,683	574,683
5.	National Insurance Corporation	400	4,428,674,047	4,428,674,047	4,428,674,047
6.	Serengeti Safari Lodges Ltd	312	11,506,000	11,506,000	11,506,000
7.	SONGAS	394	238,267,694,761	234,261,237,345	230,254,779,929
8.	Steel Rolling Mills Ltd	209	28,125,153	28,125,153	28,125,153
9.	TANESCO	402	65,668,947,897	65,668,947,897	25,236,540,739
10.	Tanzania Railways Corporation	323	28,247,481,102	28,247,948,283	4,702,400,000
11.	Tanzania Railways Corporation	337,	4,702,400,000	4,702,400,000	21,252,970,800
12.	Tanzania Railways	404	21,252,970,800	20,408,724,982	18,603,019,325
13.	Zanzibar Government	315	30,252,640,235	28,904,535,040	16,322,623,950
14.	Zanzibar Government	341	17,919,682,369	17,121,153,160	2,361,800,000
15.	Zanzibar Government	364	2,758,143,191	2,598,182,036	2,393,385,160
16.	Zanzibar Government	367	2,767,084,000	2,632,109,594	5,585,657,000
17.	Zanzibar Government	362	6,458,531,200	6,144,700,515	0
			424,087,766,124	**416,463,228,145**	**333,133,672,352**

ANNEXURE VI

Analysis of MDAs/RAS Opinions in financial years 2008/2009 and 2009/2010

	ANALYSIS OF OPINION		
12	Judiciary	N/A	Unqualified
20	President Office – State House	Unqualified	Unqualified
25	Prime Minister's Office	Unqualified	Unqualified
31	Vice President's Office	Unqualified	Unqualified
37	Prime Minister's Office	Unqualified	Unqualified
53	Community Dev, Gender and Children	Unqualified	Unqualified
60	Labour Court	Unqualified	Unqualified
64	High Court Commercial Court	Unqualified	Unqualified
90	High Court Land Court Division	Unqualified	Unqualified
97	East African Cooperation	Unqualified	Unqualified
99	Ministry of Livestock Development	Unqualified	Unqualified
77	Mara	Unqualified	Unqualified
83	Shinyanga	Unqualified	Unqualified
86	Tanga	Unqualified	Unqualified
99	Ottawa		Unqualified
100	Geneva		Unqualified
103	Berlin		Unqualied
105	New York		Unqualified
118	Bujumbura		Unqualified

125	Brasilia		Unqualified
126	Maputo		Unqualified
127	Pretoria		Unqualified
	With emphasis		
14	Fire and Rescue Force Department	Qualified	Unqualified with Emphasis
16	Attorney General's Chamber	Unqualified	Unqualified with Emphasis
19	District and Primary Court	N/A	Unqualified with Emphasis
22	Public Debt	Qualified	Unqualified with Emphasis
23	Accountant General's Department	Unqualified	Unqualified with Emphasis
26	Vice President's Office	Unqualified	Unqualified with Emphasis
27	Registrar of Political Parties	Unqualified	Unqualified with Emphasis
28	Police Force Department	Unqualified	Unqualified with Emphasis
29	Prison Service Department	Unqualified	Unqualified with Emphasis
30	President Office and Cabinet Secretariat	Unqualified	Unqualified with Emphasis
32	Public Service Management	Unqualified	Unqualified with Emphasis
34	Foreign Affairs & Int. Cooperation	Unqualified	Unqualified with Emphasis
38	Ngome	Unqualified	Unqualified with Emphasis
39	National Service	Unqualified	Unqualified with Emphasis
41	Justice and Constitutional Affairs	Unqualified	Unqualified with Emphasis
42	Office of the Speaker	Unqualified	Unqualified with Emphasis

43	Agriculture and Food Security	Un qualified	Unqualified with Emphasis
46	Education and Vocational Training	Unqualified	Unqualified with Emphasis
49	Ministry of Water	Unqualified	Unqualified with Emphasis
55	Commissioner for Human Right s	Unqualified	Unqualified with Emphasis
56	PMO –RALG	Unqualified	Unqualified with Emphasis
57	Defence and National Service	Unqualified	Unqualified with Emphasis
58	Ministry of Energy and Mineral	Unqualified	Unqualified with Emphasis
59	Law Reform Commission	Unqualified	Unqualified with Emphasis
61	National Electoral Commission	Unqualified	Unqualified with other matters
65	Labour and Youth Development	Unqualified	Unqualified with Emphasis
66	Planning, Economy and Empowerment	Unqualified	Unqualified with Emphasis
68	Higher Education, Science and Technology	Qualified	Unqualified with Emphasis
91	Commission for Prevention of Drugs	Unqualified	Unqualified with Emphasis
93	Immigration Services Department	Qualified	Unqualified with Emphasis
98	Infrastructure Development	Unqualified	Unqualified with Emphasis
70	Arusha	Unqualified	Unqualified with Emphasis
73	Iringa	Unqualified	Unqualified with Emphasis
74	Kigoma	Unqualified	Unqualified with Emphasis
78	Mbeya	Unqualified	Unqualified with

			Emphasis
79	Morogoro	Unqualified	Unqualified with Emphasis
80	Mtwara	Unqualified	Unqualified with Emphasis
81	Mwanza	Unqualified	Unqualified with Emphasis
82	Ruvuma	Unqualified	Unqualified with Emphasis
88	Dar Es Salaam	Unqualified	Unqualified With Emphasis
97	Harare		Unqualified With Emphasis
101	New Delhi		Unqualified With Emphasis
102	Lusaka		Unqualified With Emphasis
104	Abudhabi		Unqualified With Emphasis Other Matters
106	Washington		Unqualified With Emphasis
107	Addis Ababa		Unqualified With Emphasis
109	Kuala Lumphar		Unqualified With Emphasis
110	Saudi Arabia		Unqualified With Emphasis
111	Muscat		Unqualified With Emphasis
112	Lilongwe		Unqualified With Emphasis
113	Abuja		Unqualified With Emphasis
114	Kinshasa		Unqualified With Emphasis
115	London		Unqualified With Emphasis
116	Moscow		Unqualified With Emphasis

117	Stockholm		Unqualified With Emphasis
119	Kigali		Unqualified With Emphasis
120	Nairobi		Unqualified With Emphasis
121	Paris		Unqualified With Emphasis
122	Rome		Unqualified With Emphasis
123	Beijing		Unqualified With Emphasis
124	Tokyo		Unqualified With Emphasis
	Qualified		
18	High Court Of Tanzania	N/A	Qualified
21	Treasury	Unqualified	Qualified
33	Ethics Secretariat	Unqualified	Qualified
40	Court Of Appeal	Unqualified	Qualified
44	Ministry Of Industry Trade And Marketing	Unqualified	Qualified
48	Ministry Of Lands And Human Settlement	Unqualified	Qualified
50	Ministry Of Finance	Unqualified	Qualified
51	Ministry Of Home Affairs	Qualified	Qualified
52	Ministry Of Health	Unqualified	Qualified
69	Ministry Of Natural Resources And Tourism	Adverse	Qualified
92	Tanzania Commission For AIDS	Unqualified	Qualified
94	Public Service Commission	Unqualified	Qualified
96	Ministry Of Information,	Unqualified	Qualified

	Culture And Sports		
71	Coast	Unqualified	Qualified
75	Kilimanjaro	Unqualified	Qualified
84	Singida	Unqualified	Qualified
85	Tabora	Unqualified	Qualified
87	Kagera	Unqualified	Qualified
89	Rukwa	Unqualified	Qualified
95	Manyara	Qualified	Qualified
98	Brussels		Qualified
108	Kampala		Qualified
	Adverse		
76	Lindi	Adverse	
96	Consolidated Financial Statements (National Accounts)	Qualified	Adverse
	Disclaimer		
72	Dodoma	Unqualified	Disclaimer

Annexure VII

Unreconciled Items in the Bank Reconciliation Statements

		ccount No. 18:12 ecurrent Account	Account No. 18:13 Consolidated Fund Services	Account No. 19:01 Development Account	Account No. 16:140 Miscellaneous Deposit	
1	Receipts in Bank not in Cash Book	8,549,953,817.95	13,565,271,512.52	6,067,361,375.19	27,157,106,798.65	
2	Unpresented Cheques	45,154,693,091.35	41,538,554,121.66	207,792,076,622.85	9,253,919,708.98	1
3	Payment In Cash Book (x-Unpresented Cheques)	10,007,408,994.46	52,829,242,758.22	19,518,276,878.33	1,146,014,282.52	
4	Payment in bank not in Cash Book	49,815,846,357.45	58,543,001,957.68	235,247,029,734.01	175,443,663,730.34	5
5	Receipts in Cash Book not in Bank	52,494,928,407.36	65,037,459,212.73	7,753,067,349.90	55,569,759,952.98	2

Annexure VIII

MDAs with unqualified Opinion without emphasis of matters

S/N	Vote	Name of MDA/RAS
1	12	Judiciary
2	20	President's Office – State House
3	25	Prime Minister's Office
4	31	Vice President's Office
5	37	Prime Minister's Office
6	53	Community Dev, Gender and Children
7	60	Labour Court
8	64	High Court Commercial Court
9	77	RAS Mara
10	83	RAS Shinyanga
11	86	RAS Tanga
12	90	High Court Land Court Division
13	97	East African Cooperation
14	99	Ministry of Livestock Development
15		Tanzania Embassy Ottawa
16		Tanzania Embassy Geneva
17		Tanzania Embassy Berlin
18		Tanzania Embassy Newyork
19		Tanzania Embassy Bujumbura
20		Tanzania Embassy Brasilia
21		Tanzania Embassy Pretoria
22		Tanzania Embassy Maputo