ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL

On the Financial Statements of Public Authorities and Other Bodies for the financial year 2007/2008

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

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Ref.No.EAC.103/2007/2008

Office of the Controller and Auditor General,
Samora Avenue,
P.O. Box 9080,
DAR ES SALAAM.

26th March, 2009

Your Excellency, Dr.Jakaya Mrisho Kikwete,
The President of the United Republic of Tanzania,
State House,
P.O. Box 9120,
DAR ES SALAAM.

Re: Submission of the Annual General Report of the Controller and Auditor General on the Audit of the Public Authorities and Other Bodies for the financial year 2007/2008

Pursuant to Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), I hereby submit to you the above mentioned report.

This report includes audit reports of Public Authorities for the periods ended 30th September, 2007, 31st December 2007 and 30th June 2008.

I submit,

Ludovick S. L. Utouh
CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General,
National Audit Office

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

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania of 1977(revised 2000) and amplified by the Public Finance Act No. 6 of 2001 (revised 2004) as amended by 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:-

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

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List of Abbreviations/Acronyms

ABC	Activity Based Costing
AFDUC	Allowance for Equity Funds Used During Construction
ATCL	Air Tanzania Company Limited
ATHCO	Air Tanzania Holding Corporation
BBP	Defined Benefit Plan
BCO_s	Broadcasting Commercial Order
BET	Board of External Trade
BoD	Board of Directors
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CARMATEC	Centre for Agricultural Mechanizations and Rural Technology
CEO	Chief Executive Officer
CHC	Consolidated Holdings Corporation
CMSA	Capital Markets and Securities Authority
CPSP	Certified Procurement and Supplies Profession
CRDB	CRDB Bank
DANIDA	Danish International Development Agency
DAWASA	Dar es Salaam Water and Sanitation Authority
DAWASCO	Dar es Salaam Water and Sewerage Co. Ltd
DCS	Defined Contribution Scheme
DF	Director of Finance
DG	Director General
DIS	Director of Information System
DIT	Dar es Salaam Institute of Technology
DO	Director of Operations
DUCE	Dar es Salaam University College of Education
DUWASA	Dodoma Urban Water and Supplier Authori
EPA	External Payment Arrears
ERB	Engineers Registration Board
ERP	Enterprise Resources Planning
ERV	Exchequer Receipt Voucher
EWURA	Energy and Water Regulatory Authority
FIU	Finance Intelligence Unit
FM	Financial Manager
GEPF	Government Employee Provident Fund
GoT	Government of Tanzania
GRN	Good Received Note

GTEA	General Tyre East Africa
HRM	Human Resource Management
IAS	International Accounting Standards
IDA	International Development Association
IFRS	International Financial Reporting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
IPPs	Independent Power Producers
IPTL	Independent Power Tanzania Limited
ISA	International Standards on Auditing
IT	Information Technology
JFC	Joint Finance Commission
LAN	Local Area Network
LART	Loans and Advances Realisation Trust
LUKU	Lipa Umeme Kadri Unavyotumia
MD	Managing Director
MEM	Ministry of Energy and Minerals
MSSC	Management Support Service Contract
MTUWASA	Mtwara Urban Water Supply and Sewerage Authority
NACTE	National Council for Technical Education
NAO	National Audit Office
NARCO	National Ranching Company
NBAA	National Board of Accountant and Auditors
NBC	National Bank of Commence
NBMM	National Board for Materials Management
NCAA	Ngorongoro Conservation Area Authority
NDC	National Development Corporation
NECO	National Engineering Company
NECTA	National Examinations Council of Tanzania
NEMC	National Environment Management Council
NHC	National Housing Corporation
NIC	National Insurance Corporation
NMB	National Microfinance Bank
NORAD	Norwegian Agency for Development Cooperation
NPC	Ngorongoro Pastoralist Council
NSSF	National Social Security Fund
PA&oBs	Public Authorities and Other Bodies
PAA	Public Audit Act 2008
PAYE	Pay As You Earn

PCCB	Prevention and Combating of Corruption Bureau
PFA	Public Finance Act 2001 (revised 2004)
PFR	Public Finance Regulations
PMU	Procurement Management Unit
POAC	Parastatal Organisations Accounts Committee
PoS	Point of Sales
PPAs	Power Purchase Agreements
PPE	Property Plant and Equipment
PPF	Parastatal Pensions Fund
PPRA	Public Procurement Regulatory Authority
PSRC	Presidential Sector Reform Commission
PWC	PricewaterhouseCoopers
Reg.	Regulation
RFA	Regional Financial Accountant
RUBADA	Rufiji Basin Development Authority
SCOPO	Standing Committee of Parastatal Organisation
SDL	Skills and Development Levy
Sect.	Section
SIDA	Swedish International Development Cooperation Agency
STAMICO	State Mining Corporation
TAHI	Tanzania Hotels Investment Co. Ltd
TANAPA	Tanzania National Parks
TANESCO	Tanzania Electricity Supply Company Ltd.
TANROAD	Tanzania National Road Agency
TAWASA	Tanga Urban Water and Supply and Sewage Authority
TAZARA	Tanzania Zambia Railways Authority
TBC	Tanzania Broadcasting Corporation
TBS	Tanzania Bureau of Standards
TCRA	Tanzania Communication Regulatory Authority
TEMDO	Tanzania Engineering and Manufacturing Design Organisation
TICTS	Tanzania International Container Terminal Services
TIRDO	Tanzania Industrial Research and Development Organisation
TP&TC	Tanzania Posts and Telecommunications Corporation
TPA	Tanzania Ports Authority
TPC	Tanzania Posts Corporation
TPDC	Tanzania Petroleum Development Corporation

TR	Treasury Registrar
TRA	Tanzania Revenue Authority
TSN	Tanzania Standard Newspapers
TTB	Tanzania Tobacco Board
TTCL	Tanzania Telecommunication Corporation Limited
TZS	Tanzanian Shillings
UDA	Usafiri Dar es Salaam
URT	United Republic of Tanzania
UTT	Unit Trust of Tanzania
VAT	Value Added Tax
WAN	Wide Area Network

ACKNOWLEDGEMENT

I am obliged to extend my regards to His Excellency Dr.Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania, for always drawing attention to and laying emphasis on my general reports, particularly my general audit reports for the year ended 30th June 2006.

I wish to express my appreciation to the Honorable Speaker of the Parliament of Tanzania, Chairpersons and Honorable Members of various oversight Committees of Parliament for their commitment to deliberate on the contents of the report and the separate individual reports issued to the PA&oBs. My gratitude goes to all those who created for me an enabling environment to discharge my Constitutional obligations and timely completion of the report thereon. It is my belief that since this general audit report of Public Authorities is being issued for the second time and within the statutory due date, it will expedite the Committee's hearing so that their oversight function is brought up to date.

Further, I wish to express my gratitude to the Board of Directors and the Chief Executive Officers for the PA&oB for the much needed support and information availed to me. Furthermore, I would like to thank the Government Printer for expediting the printing of this report and therefore making it available for distribution to stakeholders on time.

I also wish to express my deepest gratitude to the donors who have been supporting my office especially the Swedish National Audit Office (SNAO), the Government of Sweden, Development Partners through the Public Financial Management Reform Program (PFMRP) under the able leadership of the World Bank and well wishers who have contributed immensely towards the modernization of my office.

I wish to thank all the forty four (44) private auditing firms that have been working hand in hand with my office in the audits of the PA&oBs. They have done a commendable job which should be sustained in the future audits of the PA&oBs.

Lastly, I would like to thank staff members of my office who have worked tirelessly towards the timely release of this report. Their commitment and dedication has been very inspirational to me. I urge all the staff of the National Audit Office to uphold the same team spirit they have demonstrated in all their future endeavors.

FOREWORD

I am pleased to present my 2007/08 annual general report on the audit of Public Authorities for the year ended 30th June, 2008. This report presents a compiled version of individual reports on the audit of Public Authorities. In this, the highlights of pertinent issues that impede the efficiency of Public Authorities in discharging the establishment objectives are presented.

The intent of this report is to inform the Executive, Legislature, Judiciary, Development Partners and the General Public at large about the main findings, conclusions and recommendations drawn by me on the performance of Public Authorities during the year 2007/2008. In the era of increased need for accountability, transparency and good governance, informed decisions are very vital. To this end therefore I prepare this report to ensure that decision makers in the country are served with relevant, and uptodate information and with technical recommendations on the financial reporting and public resources management of the Public Authorities and Other Bodies in the country. I have prepared this report in compliance with Article 143 of the Constitution of the United Republic of Tanzania.

To ensure that work of the CAG adds value in the economic development of the country, we have been reviewing our audit approaches to ensure that the reported findings meet the expectations of our stakeholders. Capacity building of our Auditors has been an area of first priority in ensuring understanding of relevant laws, regulations, circulars, directives and various emerging issues both locally and globally such as those of the ongoing reforms in financial reporting frameworks issued by the International Federation of Accountants (IFAC), INTOSAI and other professional bodies to which my office is a member.

It is worth noting that while there is a key role for oversight organs to play in overseeing compliance with laws, regulations and procedures in public entities, ultimately, the responsibility for the maintenance of a compliant financial reporting framework lies with each Chief Executive Officer of the PA&oB. However, I have to commend the role played by his Excellency the President of the United Republic of Tanzania, the Parastatal Oganisation Accounts Committee (POAC), the Parliament at large and the Development Partners for their continued support in ensuring the existence of enhanced accountability leading to improved governance in the Country.

Ludovick S.L. Utouh
CONTROLLER AND AUDITOR GENERAL

26th March, 2009

EXECUTIVE SUMMARY

This part of the report provides a summary of the final results of the audit of Public Authorities and other Bodies (PA&oBs**)** for the periods ended 30th September, 2007; 31st December, 2007 and 30th June, 2008 respectively.

1.0 TASKS PERFORMED

In undertaking the audit of PA&oBs we performed the following audit tasks /procedures:-

- Discussed with the PA&oB's managements on the status of implementation of operations during the period under review.
- Obtained and reviewed the various documents in order to get an understanding of the functions and mode of operations of the PA&oBs.
- Obtained, reviewed and verified the financial statements for the year under review to underlying records for each PA&oBs involved.
- Performed audit tests and other audit procedures as per the agreed audit programmes.
- Discussed the findings and obtained responses from PA&oBs.
- Incorporated audit findings from PA&oBs managements
- Reviewed the responses to my General Report from the Government through the Permanent Secretary and Paymaster General through his letter with Ref. No. ED/AG/AUDIT GEN/08/VOL./150 dated 4th October, 2008.
- Issued the final reports comprised of the financial statements (with our opinion thereon)

1.1 AUDIT OPINIONS

Detailed audit opinions are included in each PA&oBs individual reports. During the year under audit no PA&oB was issued with either an adverse or disclaimer opinion.

The types of opinion issued during the year under review for each PA&oBs are as tabulated below:

PA & oBs	Unqualified opinion	Unqualified opinions with matters of emphasis	Qualified opinions
101	**81**	**5**	**15**
100%	**80.2%**	**4.9%**	**14.9%**

1.2 SUMMARY OF MAIN FINDINGS

I append a summary of the main findings as contained in each subject chapters of the report as summarized below:-

(i) Follow up of the previous year's audit recommendations

This chapter summarises the outstanding recommendations raised in my previous year's General Audit Report which were either partly implemented or not implemented at all as at the time I concluded audits of Public Authorities and other Bodies that require further attention and action of the of Board of Directors and Chief Executive Officers.

I have received response to my General Report from the Government through the Permanent Secretary and Paymaster General through his letter with Ref. No. ED/AG/AUDIT GEN/08/VOL./150 dated 4th October, 2008.

(ii) Revenue and expenditure management

This chapter deals with matters relating to management of revenue and expenditure in Public Authorities that were reported in the management letters during the financial year ended 30th September 2007, 31st December 2007 and 30th June 2008 issued to the respective Board of Directors. Matters which are common to all or most Public Authorities are explained in the respective subject matters

(iii) Review of internal control systems

This chapter deals with internal control issues that were found to be material and worth to be included in my annual report. Internal control is a key element of the Public Authorities and other bodies, which needs improvements

(iv) Performance review

This chapter deals with both financial and physical performance of the PA&oBs. The financial performance of PA&oBs were measured in terms of the profit or loss generated during the year under review and physical performance review was based on the degree of fulfillment of the entity's core objectives and other peculiar matters that were deemed necessary for reporting, whereby the operational performance of PA&oBs was measured in terms of the profit or loss generated during the year under review.

(v) Compliance with procurement legislation

Tanzania embarked into a major restructuring of its procurement system which led into the enactment of the Public Procurement Act, 2001 and later repealed by the Public Procurement Act No.21 of 2004, the Public Procurement Regulatory Authority (PPRA) and the Public Procurement Appeals Authority (PPAA). To ensure the existence of procurement compliance in Tanzania, Section 44 (2) of the PPA requires the auditor of each public entity to state in his annual report whether the audited entity has complied with the procurement law and its Regulations.

(vi) Contract Management

This chapter deals with the legal framework and management of contracts that were found material from the respective management audit reports of Public Authorities during the period ended 30th September, 2007 31st December, 2007 and 30th June 2008. The need of contract audit was attributed by the enactment of the Public Audit Act No. 11 of 2008. Section 26(i) of same Act empowers the Controller and Auditor General to conduct any audit which he may consider necessary.

(vii) Assets Management

This chapter deals with the management of assets, which refers to a comprehensive and structured approach to the long term management of assets as tools for the efficient and effective delivery of community benefits. The emphasis of assets management is on the assets being a means to an end, not an end in themselves.[1] The assets represent the wealth owned by the entities and therefore it is expected to be efficiently managed.

Contrary to the expectations of the auditors having a regard on the importance of the efficient management of the assets, the audit for the year 2007/2008 still recorded a number of anomalies in the management of non current assets despite the fact that similar anomalies have been consistently raised in the CAG management letters to the individual audited entities.

(viii) Human Resource Management

This chapter summarizes the results of various audits which show that some of the Public Authorities have serious weaknesses in the effective management of Human Resource. In several instances, it was noted that recruitments are not done in a transparent manner and in accordance with public sector standing procedures. It was also, noted that most organizations have problems in keeping vital staff records.

Human Resource Managers have appeared to give little weight on anomalies which may create inconvenience in case of termination or retirement of an employee.

A number of Public Authorities have demonstrated significant weakness in the performance appraisal of employees.

(ix) Corporate Governance

This chapter deals with Corporate Governance issues. Good Corporate Governance makes it mandatory for public organizations to institute sound policies towards proper management of resources. In achieving this fundamental

[1] Picked from http://www.austroads.com.au/asset/whatisasset.html on 16/2/2009

goal, organizations need to institute a series of aspects that shall enable them to exercise effective controls that will lead to elimination of wastes fortified by fraud, negligence, embezzlements and sloppy performance.

(x) Results of privatization

In early 1990s the Government decided to disengage on commercial running of its PA&oBs by the process known as privatization, and the Government decided to immerse on the regulatory roles, leaving commercial activities in the hands of the private sector. Such decision was attributed by several reasons including under performance of entities owned entirely by the Government. Not all of the Government entities were privatized, some of which were earlier specified for privatization but were later de-specified and the Government has instituted the restructuring process to back them into full operations.

The privatization of PA&oBs commenced back in the year 1993 and PA&oBs Sector Reform Commission (PSRC) was vested with all power for supervision of all the divestures of all PA&oBs. However, the Commission operations seized officially on 31st December 2007 after completing the divesture of a substantial part of the specified PA&oBs. The left stock of 34 PA&oBs were at different stages of privatization, were transferred to the Consolidated Holding Corporations with effect from 1st January 2008.

(xi) Results of special audits

The Public Finance Act No. 6 of 2001 (revised 2004) as amended by the Public Audit Act, No. 11 of 2008 Section 36(1) authorizes the Controller and Auditor General to carry out special audits**.** The Act clearly stipulates that where at any time it appears to the Controller and Auditor General desirable that any matter relating to public monies or public property should be drawn to the attention of the National Assembly without undue delay, he shall prepare special report relating to such matter and submit the report to the President. It is in this respect that during the year 2007/2008 the Office of the Controller and Auditor General conducted three special audits on Energy and Water Utilities Regulatory Authority (EWURA), Higher Education Students Loans Board (HESLB) and Moshi Urban Water and Sewerage Authority (MUWSA). Due to the late completion of the special audit in respect of HESLB, the report could not feature in this year's annual general report.

(xii) Main Conclusions and Recommendations

Our audit findings presented in the previous Chapters give us reasons to draw the following conclusions and recommendations:-

- The Government, Board of Directors and the Chief Executive Officers of the respective Public Authorities should exert more efforts to ensure that the outstanding previous matters are timely implemented to bring efficiency in their operations and contribute toward the attainment of the National Millennium Development Goals.
- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that revenue is timely billed to customers, collected, and accurately recorded in the books of account to ensure completeness of revenue collection and improve security over cash collections to avoid any loophole for misappropriation of public funds.
- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that payments are properly authorized and adequately supported by relevant documents as this will significantly improve expenditure management and tracking mechanism of Public Authorities.
- TANESCO management should justify the payment of USD 4,865,000 paid to M/s Dowans in respect of

charter aircraft charges for the three shipments of electric power generation equipment, consumables and accessories to Dar es Salaam without proper authority and provision in the contract agreement.

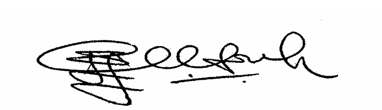
- BOT Management should investigate the circumstances in which a sum of Tshs. 7.3 billion was paid to an Insurance Broker in respect of Insurance Premiums of BOT Headquarter Buildings project without sufficient and appropriate supporting documents.

- TPA management at Mwanza and Nansio should ensure that the potential loss of the revenue accruing from private Jetties at Lake Ports are charged and collected at South and North port in Mwanza and Nansio.

TPA management at Headquarters Dar es Salaam should ensure that all sources of revenue are identified and revenue due is collected intact.

- The Board of Directors and Chief Executive Officers of the respective Public Authorities should ensure that effective Internal Control Systems are in place and being instituted.

- The Board of Directors and Chief Executive Officers of the respective Public Authorities should ensure that all cancelled cheques are handled with due care to avoid misuse by unscrupulous people and should be preserved for audit verification.



Ludovick L. S. Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office-Dar es Salaam,
26th **March**, 2009

CHAPTER ONE

BACKGROUND AND GENERAL INFORMATION

1.0 Legal Framework for Public Audit in Tanzania

The Office of the Controller and Auditor General of the United Republic of Tanzania is a constitutional office established in accordance with Article 143 of the Constitution of the United Republic of Tanzania 1977 (revised 2005). Public audit in Tanzania is emphasized under Sect.26 of the Public Finance Act No.6 of 2001 (revised 2004) as ammended by the Public Audit Act No 11 of 2008 and Sect.44 (2) of Public Procurement Act No.21 of 2004.

Sub section (5) of Article 143 of the Constitution of URT requires the Controller and Auditor General to audit all Public Authorities and other Bodies at least once in every financial year. Moreover, Section 37 sub sect (5) of Public Finance Act 2001 (revised 2004) replaced by Sect 33 of the Public Audit Act No 11 0f 2008 allows the Controller and Auditor General to authorize any person eligible to be appointed as an auditor of a company or any officer to inspect, examine or audit on his behalf the books of accounts of any body that the CAG may be required to audit.

In understanding of the legal framework governing the audit of Public Authorities, one has to take into consideration the fact that a number of Public Authorities are required to operate under the accrual accounting system which will necessitate these authorities to be IFRS compliant. In such situation, the Public Authorities legal framework governing their financial reporting and auditing will either be the Companies Act No.12 of 2002 or the enabling Acts of Parliament of the respective Public Authorities.

1.1 Function and Reporting mandate of CAG

1.1.1 CAG reporting mandate

Article 143 (4) of the Constitution of the URT of 1977 requires the Controller and Auditor General to submit the CAG's annual reports to the President of the URT by 31st March. Upon receipt of such reports the President shall direct the persons concerned to submit those reports before the first sitting of the National Assembly which shall be held after the President has received the reports and it shall have to be submitted to such a sitting before the expiration of seven days from the day the sitting of the National Assembly began. If the President does not take steps of submitting such reports to the National Assembly, then the Controller and Auditor General shall submit such reports to the Speaker of the National Assembly (or the Deputy Speaker if the office of the Speaker is vacant then, or if for any reasons the Speaker is unable to perform the functions of his office) who shall submit the report to the National Assembly.

1.1.2 Audit mandate

The Controller and Auditor General is mandated to conduct both financial and performance audits of public accounts (both Central and Local) including the audit of the financial statements of all Public Authorities and other Bodies as defined in Section 37 of the Public Finance Act No. 6 of 2001 (revised 2004) ammended by the Public Audit Act No. 11 of 2008. The Office is also empowered to conduct special audits and audit investigations when required to do so as per the Public Finance Act No. 6 of 2001 (revised 2004) as ammended by the Public Audit Act, No. 11 of 2008 Section 36(1) which empowers the Controller and Auditor General to make recommendations for the purpose of:-

- Preventing or minimizing the unproductive expenditure of public moneys.
- Maximizing the collection of public revenues;
- Averting loss by negligence, carelessness, theft, dishonesty, fraud and corruption relating to public moneys and resources.

1.2 Scope and Applicable Audit Standards

1.2.1 Scope of audit

Audit scope refers to the activities covered by an audit. Audit scope includes, where appropriate audit objectives, nature and extent of auditing procedures performed, time period audited and related activities not audited in order to delineate the boundaries of the audit.

The main objective of conducting the audit is to facilitate my responsibility of expressing a professional opinion on the financial statements of the Public Authorities for the financial year ended 30th June 2008. Specifically, it covers audited accounts of the periods ended, 30th September 2007, 31st December 2007 and 30th June 2008. It also, covers outstanding and unimplemented audit recommendations made in previous years audit reports.

The audit covered the evaluation of the effectiveness of the financial accounting systems and the internal controls over their activities, examination and verification of the accompanying financial statements, the performance report and other auditing procedures as were considered necessary under each circumstance for the purpose of forming an opinion on the financial statements. The audit was carried out on a test basis, therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to us.

The Controller and Auditor General is responsible for the audit of the accounts of all Public Authorities and other Bodies as defined in Sect. 37 of PFA 2001 ammended by the Public Audit Act No.11 of 2008. The Controller and Auditor General has identified 164 Public Authorities and other Bodies during the financial year ended 30th June 2008 compared to 158 Public Authorities captured in the financial year ended 30th June 2007. Efforts are being made to ensure that the exact number of Public Authorities is obtained from the relevant authorities. Information from the Treasury Registrar and from the Ministries regarding Public Authorities and other Bodies somehow differs and therefore needs reconciliation. NAO is working hard in establishing a Public Authorities and other Bodies data base. Therefore, the reported list of the Public Authorities and other Bodies is not exhaustive and should you be among the excluded ones please feel free and come forward with the information about your entity for inclusion in our data base and in any subsequent reports.

1.2.2 Applicable Auditing Standards

The National Audit Office (NAO) is a member of the International Organisation of Supreme Audit Institutions (INTOSAI), African Organisation of Supreme Audit Intitutions (AFROSAI) and African Organisation of Supreme Audit Intitutions of English speaking Countries (AFROSAI-E). We therefore apply in our audit procedures, the auditing standards issued by INTOSAI and the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). The National Audit Office has a unique responsibility to ensure that there is proper accountability, financial discipline and transparency within the United Republic of Tanzania. Furthermore, NAO has a unique responsibility to issue timely and good quality audit reports on how best public resources have been put into use.

1.3 Responsibilities of the Board of Directors and Chief Executive Officers

The responsibility for the preparation and presentation of the financial statements for audit purposes lies with individual Board of Directors and the Management of the Public Authorities. International Financial Reporting Standard (IFRS 1) and International Accounting Standards (IAS 1) specifies the types of financial statements to be prepared. Public Authorities in Tanzania are required to prepare their financial statements in compliance with the International Financial Reporting Standards (IFRS) or the International Public Sector Accounting Standards (IPSAS) depending on the nature and objectives of the Public Authorities in question. This is in line with the decision taken by the National Board of Accountants and Auditors and endorsed by the Government that effective from July 2004 reporting entities in Tanzania shall embrace the International Accounting Reporting Standards while auditing will be conducted in accordance with International Standards on Auditing (ISA), INTOSAI standards and guidelines and standards and guidelines issued by the National Board of Accountants and Auditors (NBAA).

The preparation and submission of Public Authorities accounts is a legal requirement as per the requirements of the individual Public Authorities enabling Acts and the Companies Act of 2002.

Public Authorities annual reports provide information to assist citizens to assess the performance of these entities and hold them to account for their performance in the use of public resources. Timely information is necessary for this to occur. This is the whole essence of accountability in the use of public resources.

1.4 Internal Control System

Internal controls refer to all means by which public resources are directed, monitored, and measured. Internal controls play an important role in preventing and detecting frauds/misappropriations and protecting the public resources, both physical and intangible. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level on the other hand, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the payments to suppliers and service providers are for valid goods and services rendered). Checking of compliance with internal controls is the role of an internal auditor which means the weakness in the functioning of internal audit unit, equally means the weakness in operationalisation of internal controls. Reg. 34 of the PFR 2001 (revised 2004) details what roles to be played by the internal auditor in respect of internal control system. Moreover, Reg.35 (2) of PFR 2001 (revised2004) emphasizes on the responsibility of management in prevention, detection and investigation of frauds.

1.5 Responsibilities of the Treasury Registrar

The Treasury Registrar Ordinance Cap 418 and Sect. 6 of the Public Corporations Act No. 16 of 1983 in relation to functions of Public Corporations, state that the Treasury Registrar has the functions and responsibilities for oversight over Public Authorities and closely monitoring, controlling and managing them effectively in collaboration with the Board of Directors of the respective entities.

1.6 Organisation of Audit work

The report provides a summary of the final results of the audit exercise, which was carried out on my behalf through outsourcing of this task to private audit firms registered with my Office for such purpose. In order for my Office to effectively handle this task of auditing all Public Authorities in the country, I decided to use the constitutional power vested to my office and contracted out the audit of some of the Public Authorities and other Bodies. In executing this responsibility the office either singly or jointly did the audit of the Public Authorities while the majority of such audits were wholly outsourced. Such audits were subject to the quality review of my office.

During the year under review my office worked hand in hand with 44 private audit firms registered with my office and the National Board of Accountants and Auditors (NBAA) as Certified Public Accountants.

1.7 Submission of financial statements to CAG for audit

Sect. 31 of the Public Audit Act No. 11 of 2008 requires public authorities or other bodies to submit their financial statements to the Controller and Auditor General for audit purposes within three months after the end of the respective financial year to which the accounts relate.

1.8 Outsourcing of audit work to eligible Private Audit Firms

Sub-Section 5 of Section 37 of the Public Finance Act replaced by Sect. 33 of the Public Audit Act No. 11 of 2008, empowers the CAG to authorise any person or body eligible to be appointed as an auditor under the Auditors' and Accountants (Registration) Act No. 33 of 1972 as ammended in 1995 to conduct the audit of public authorities and other bodies on my behalf and make a report to me for the subsequent processing to Parliament. Furthermore, the appointed/authorized auditors shall be bound by the provision of the law that they shall not divulge any information which relates to the business secrete of the auditee which comes to their knowledge in the course of the audit. The audit opinion shall remain the sole responsibility of the Controller and Auditor General. During the year of reporting my office worked together with forty four (44) private audit firms registered and authorized by the National Board of Accountants and Auditors (NBAA) to carry out accounting and audit functions in the United Republic of Tanzania.

CHAPTER TWO

BASIS AND TREND OF AUDIT OPINION

2.0 Introduction

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

According to International Standards on Auditing (ISA) "the opinion should clearly indicate the financial reporting framework used to prepare the financial statements and state the auditor's opinion as to whether the financial statements give a true and fair view and where appropriate, whether the financial statements comply with statutory requirements".

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

It is important to note that audit opinion on the financial statements is 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.

An auditor's opinion is considered an essential tool when reporting financial information to users. It is intended to advise Parliament and other users on whether Public Authorities financial statements have been prepared in accordance with the standards issues by the National Board of Accountants and Auditors being the regulator of the accounting and auditing profession in Tanzania as well as International Financial Reporting Standards issued by the International Accounting Standard Board (IASB) and the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC)

2.1 Types of audit opinion

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

2.1.1 Unqualified Opinion report

Unqualified Opinion is sometimes regarded by many as equivalent to "Clean opinion". This type of opinion is issued when the financial statements presented are free of material misstatements and were prepared in accordance with the standards issued by the National Board of Accountants and Auditors (NBAA) or International Financial Reporting Standards issued by the International Accounting Standard Board (IASB), or International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC) which in other words means that the Public Authorities financial performance, financial position, change in owners equities and cash flows are fairly presented in the financial statements. It is the best type of opinion an auditee may receive from an external auditor.

2.1.2 Unqualified opinion with Emphasis of Matter

In certain circumstances, the unqualified audit opinion may be modified by adding an emphasis of matter paragraph to highlight matters affecting the financial statements. The addition of such an emphasis of matter paragraph does not affect the audit opinion. The paragraph is normally included after the opinion paragraph and ordinarily refers to the fact that the opinion is not qualified in this respect.

An emphasis of matter paragraph is appended in each situation, which draws the immediate attention of the Chief Executive Officer and users of financial statements warning them about those matters requiring their urgent attention, failure of which may result in issuance of a qualified opinion in subsequent audits. However, the main objective of the emphasis of matter paragraph is to bring closer understanding of the situation obtained in the audited entity, despite the unqualified opinion given.

2.1.3 Qualified Opinion

This type of opinion is issued when the Controller and Auditor General disagreed with management or there exists uncertainty which has a material but not fundamental effects on the accuracy of the financial statements. The wording of the qualified opinion is very similar to unqualified opinion, but an explanatory paragraph is added to explain the reasons for the qualification. It will therefore show that financial statements present fairly the state of affairs except for the effects of a specific audit observation. The explanatory paragraph comes before the opinion paragraph.

2.1.4 Adverse Opinion

An Adverse Opinion is issued when the Controller and Auditor General determines that the financial statements of Public Authority are materially misstated and, when considered as a whole, do not conform to the standards issued by the National Board of Accountants and Auditors (NBAA) or International Financial Reporting Standards issued by International Accounting Standard Board (IASB). This opinion is considered the opposite of an unqualified opinion, essentially stating that the information contained in the financial statements is materially incorrect, unreliable, and inaccurate in order to assess the authority's financial position and results of performance. The wording of the adverse report are clear in which the auditor states that the financial statements are unreliable, inaccurate, and do not present a fair view of the auditee's financial position and operations.

2.1.5 Disclaimer of Opinion

A Disclaimer of Opinion, commonly referred to simply as a Disclaimer, is issued when the Controller and Auditor General could not form an audit opinion on the financial statements. This type of opinion is expressed when the Controller and Auditor General tried to audit an entity but failed to complete the work due to various reasons and therefore finds himself in a position of not being able to issue an oppinion. Certain situations where a disclaimer of opinion may be appropriate includes a lack of independence, or, when there are significant scope limitations, whether intentional or not, which hinder the Controller and Auditor General to obtain evidence and perform procedures, example where auditee willfully hides or refuses to provide evidence and information to the Controller and Auditor General in significant areas of the financial statements and when there are significant uncertainties within the auditee

2.2 Basis of expressing other than unqualified audit opinion

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

(a) Where there is an uncertainty which prevents the auditor from forming an opinion on a matter

Sub section (5) of Article 143 of the Constitution of the United Republic of Tanzania and amplified by Sect. 32(5) of the Public Finance Act No. 6 of 2001 (revised 2004) ammended by the Public Audit Act No. 11 of 2008 empowers the Controller and Auditor

General to access all records, books, vouchers, documents, securities, stores of public property in the possession of any officer or any other person who has received any public money or property.

Other than unqualified audit opinion is issued when the Controller and Auditor General is unable to obtain full information regarding the financial statements preparations or documents and the scope of audit is limited to full access of documents or such financial statements, and that he can not issue an opinion.

(b) Other than unqualified audit opinion is issued 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 standards issued by the National Board of Accountants and Auditors or International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

Each of these categories gives rise to alternative forms of qualification depending upon whether the subject matter of the uncertainty or disagreement is considered to be FUNDAMENTAL so as to undermine the view given by the financial statements taken as a whole. The forms of qualification which should be used in different circumstances are as shown below:

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	"**EXCEPT"** FOR OPINION (**QUALIFIED** OPINION)	**DISCLAIMER** OF OPINION

The above table guides the formation of audit opinion, its interpretation is shown below:-

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

(ii) Where audit findings constitute Uncertainty and
- the uncertainty is material but not fundamental, the opinion is qualified (Except for)
- the uncertainty is material and fundamental, disclaimer of opinion is expressed.

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

In accordance with auditing standards, audit reports will generally provide reasonable, but not absolute, assurance. In relation to the opinion given against the audit objectives, a reasonable level of assurance is provided by designing procedures so that the auditor's professional judgment, the risk of an inappropriate conclusion is reduced to a low level through procedures such as inspection, observation, enquiry, confirmation, computation, analysis, discussion and effective quality review procedures.

Absolute assurance is not attainable as a result of factors such as limitations on the use of testing, inherent limitations of the internal controls in the Public Authority and the fact that much of the evidence available to the auditors is persuasive rather than conclusive in nature. The level of assurance will, to some extent, also be influenced by the degree of precision associated with the subject matter itself.

It is important to note that an unqualified audit opinion does not give assurance that the financial statements are completely free of error or misstatements.

2.3 Status of the accounts of PA&oB's

The Controller and Auditor General has identified 164 Public Authorities and other Bodies during the financial year ended 30th June 2008 compared to the 158 Public Authorities captured in the financial year ended 30th June 2007. Accounts submitted for the audit were 145. Out of the 145 accounts submitted, the Controller and Auditor General was able to issue audit reports on 101 accounts by the date of issue of this report (31st March 2009). Audits of the accounts of 44 Public Authorities are in various stages of completion. Chief Executive Officers of 19 Public Authorities were in various stages preparing their financial statements ready for audit. The 101 individual audit accounts and management letters were also issued to the respective Board of Directors and their Ministries respectively. In summary, the above information is shown in the table below:

S/No	Category of the Entity	Audited Accounts	Audit in Progress	Accounts not Submitted	Total
1	Water Authorities	18	6	5	29
2	Regulatory Bodies	19	3	3	25
3	Higher Learning Institutions	12	9	3	24
4	Public Parastatals	31	10	1	42
5	Government Institutions	21	16	7	44
Total		**101**	**44**	**19**	**164**

2.4 Audit opinions issued to PA&oBs 2007/2008

During the year under review, various audit opinions were issued to the audited accounts of the Public Authorities and other Bodies audited. Out of the 101 accounts audited, 80 accounts representing 80% were issued with unqualified (clean) audit opinion while 6 accounts were give unqualified opinion with emphasis of matter representing 5%. Accounts of 15 public authorities representing 15% were issued with qualified (except for). No account of any Public authority was issued with an adverse or a disclaimer of opinion. In short, these opinions are summarised in the following table:

S/No	Category of the Entity	Unqualified Opinion	Unqualified with emphasis of matter	Qualified (Except for) Opinion	Adverse Opinion	Disc-laimer Opinion	Total
1.	Water Authorities	14	1	3	Nil	Nil	**18**
2.	Regulatory Bodies	16	1	2	Nil	Nil	**19**
3.	Higher Learning Institution	9	Nil	3	Nil	Nil	**12**
4.	Public Parastatals	22	4	5	Nil	Nil	**31**
5.	Government Institutions	19	Nil	2	Nil	Nil	**21**
Total		**80**	**6**	**15**	**Nil**	**Nil**	**101**

From the above analysis, it is evident that financial reporting within the Public Authorities and other Bodies was generally satisfactory. The outcome of this period's audit exercise is considered satisfactory as regards to proper control and management of public resources.

2.4.1 Unqualified Opinion

In the year under review, eighty (80) PA&oBs have been issued with unqualified opinion without emphasis of matter. The PA&oBs are as listed below:

S/N	Name of PA&oBs	Opinion Issued
1.	Architects & Quantity Surveyors Registration Board	Unqualified
2.	Cashewnut Board of Tanzania	Unqualified
3.	Deposit Insurance Board	Unqualified
4.	Energy and Water Regulatory Authority (EWURA)	Unqualified
5.	Engineers Registration Board (ERB)	Unqualified
6.	Gaming Board of Tanzania	Unqualified
7.	National Board of Accountants and Auditor (NBAA)	Unqualified
8.	National Board of Materials Managements (NBMM).	Unqualified
9.	Public Procurement Regulatory Authority (PPRA)	Unqualified
10.	Sugar Board of Tanzania	Unqualified
11.	Tanzania Cotton Board	Unqualified
12.	Tanzania Tea Board	Unqualified
13.	Tanzania Tobacco Board (TTB)	Unqualified
14.	Tanzania Tourist Board	Unqualified
15.	Tanzania Pyrethrum Board	Unqualified
16.	Capital Market and Security Authority	Unqualified
17.	National Council for Technical Education (NACTE)	Unqualified
18.	National Economic Empowerment Council-(NEEC)	Unqualified

19.	National Environment Management Council (NEMC)	Unqualified
20.	National Museum of Tanzania	Unqualified
21.	Tanzania Education Authority (TEA)	Unqualified
22.	Tanzania Port Authority (TPA)	Unqualified
23.	Unit Trust of Tanzania (UTT)	Unqualified
24.	Vocational Education and Training Authority	Unqualified
25.	Arusha International Conference Centre (AICC)	Unqualified
26.	Dar es Salaam Stock Exchange (DSE)	Unqualified
27.	Muhimbili National Hospital	Unqualified
28.	National Development Corporation (NDC)	Unqualified
29.	National Health Insurance Fund (NHIF)	Unqualified
30.	National Land Use Planning Commission	Unqualified
31.	Ngorongoro Conservative Area Authority (NCAA)	Unqualified
32.	Parastatal Pension Fund (PPF)	Unqualified
33.	SIMU 2000 LIMITED	Unqualified
34.	State Mining Corporation (STAMICO)	Unqualified
35.	Tanzania Bureau of Standards (TBS)	Unqualified
36.	Tanzania Electricity Supply Company Limited (TANESCO)	Unqualified
37.	Tanzania Engineering and Manufacturing Design Organisation (TEMDO)	Unqualified
38.	Tanzania Fertilizer Company Ltd	Unqualified
39.	Tanzania Investment Bank Limited (TIB)	Unqualified
40.	Tanzania Petroleum Development Corporation (TPDC)	Unqualified
41.	Tanzania Postal Bank	Unqualified
42.	Reli Assets Holding Company	Unqualified
43.	Twiga Bancorp Limited	Unqualified
44.	Ardhi University	Unqualified
45.	Dar es Salaam Institute of Technology (DIT)	Unqualified
46.	Institute of Finance Management (IFM)	Unqualified
47.	Mwalimu Nyerere Memorial Academy	Unqualified
48.	Mzumbe University	Unqualified

49.	National Institute for Productivity	Unqualified
50.	National Sugar Institute	Unqualified
51.	Tanzania Institute of Education	Unqualified
52.	Arusha Urban Water Supply and Sewerage Authority	Unqualified
53.	Iringa Urban Water Supply and Sewerage Authority	Unqualified
54.	Mbeya Urban Water Supply and Sewerage Authority	Unqualified
55.	Moshi Urban Water Supply and Sewerage Authority	Unqualified
56.	Musoma Urban Water Supply and Sewerage Authority	Unqualified
57.	Mwanza Urban Water Supply	Unqualified
58.	Shinyanga Urban Water Supply and Sewerage Authority	Unqualified
59.	Singida Urban Water Supply and Sewerage Authority	Unqualified
60.	Songea Urban Water Supply and Sewerage Authority	Unqualified
61.	Tanga Urban Water Supply and Sewerage Authority	Unqualified
62.	Babati Urban Water Supply and Sewerage Authority	Unqualified
63.	Morogoro Urban Water Supply and Sewerage Authority	Unqualified
64.	Bukoba Urban Water Supply and Sewerage Authority	Unqualified
65.	Tanzania Commission for Universities	Unqualified
66.	Tanzania Railway Corporation	Unqualified
67.	Marine Service Company	Unqualified
68.	National Ranching Company	Unqualified
69.	Small Industry Development Organization	Unqualified
70.	Dar es Salaam Maritime Institute	Unqualified
71.	Institute of Social Work	Unqualified
72.	Tanzania Tea Small Holders Development Agency	Unqualified
73.	Tanzania National Business Council	Unqualified

74.	NHC/PPF/IPS Co. Ltd	Unqualified
75.	Ubungo Plaza Co. Ltd	Unqualified
76.	Kibaha Education Centre	Unqualified
77.	Fair Competition Commission	Unqualified
78.	National Sports Council	Unqualified
79.	Tanzania Investment Centre	Unqualified
80.	National Examination Council	Unqualified

2.4.2 Unqualified opinion with Emphasis of Matter

In the year under review, six (6) PA&oBs have been issued with unqualified opinion with emphasis of matter. The concerned Public Authorities and the matters which has been emphasised are listed below:

S/N	Name of PA&oBs	Type of Opinion	Emphasis of matter
1.	National Insurance Corporatio n (NIC)	Unqualified opinion with emphasis of matters	▪ **Going Concern** As 31st December, 2007, the Corporation's current liabilities exceeded its current assets by TZS. 47,657,784,000. This condition, along with other matters set forth in Note 35 (on contingent liabilities) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. ▪ **I.T. Problems in Hardware and Software** The Corporation's computer system has problems as follows:

			-- The computer hardware and software are outdated hence not operating effectively, thus risking lack of data integrity and suffers from availability of both service and data backup. The maintenance and recovery of data from the computer system, especially main database, when there is a failure, takes a lot of time. The consequence of these problems has been to frequently intervene the IT system manually to ensure accuracy of reports which is not a recommended IT practice. -- Decentralization of data processing has also created several problems including data inconsistency between head office and branches. This has resulted in reliance on branch data rather than relying on head office data pertaining to branches. -- Absence of appropriate IT software to handle Claims Registers or Claims Subsidiary Ledgers elevates the risk for data integrity due to use of manual recording of these records which is prone to human error given the volume of claimants.

			Unless appropriate measures are taken to solve the IT problems mentioned above, the Corporation's future operations and accounting system will severely impair data reliability.
2.	National Social Security Fund (NSSF)	Unqualified opinion with emphasis of matters.	**Overdue loan not repaid by beneficiaries Shs. 58,757,794,802** As pointed out in our previous reports, some of the beneficiaries of investment loans have not complied with terms and conditions of the loans granted to them. Specifically, they have not paid the installments as scheduled, thus resulting into accumulation of accrued interest. Despite the management's follow up efforts, we are of the opinion that some of these loans and their respective accumulated accrued interests are non-performing assets and are doubtful of recovery. Some of the loans have been outstanding wayback from April, 1990. **Unsecured Loan to Kiwira Coal and Power Ltd USD 7,000,000** Short term loan of USD 7,000,000 was issued to M/s Kiwira Coal and Power Ltd,

			repayable after six months. The agreement, which was signed on 10th July, 2007, does not specify the collateral offered as security, apart from stating under section 10.15 that all properties and business should be kept insured. Title deed and the respective mortgage deed for the property, however, could not be availed for verification. Section 2.4.1 of the Fund's investment manual directs that security to investment loans should be first charge on fixed and immovable assets, which can be easily sold to cover any risk of default. Further, it was explained that the loan has been guaranteed 75% by the government and 100% by CRDB bank undertaking. The respective guarantee agreements were not availed to the auditors for verification. As at 30th June, 2008 interest accrued in this regard was reported at Tzs 840,450,000. Neither principal nor interest has been repaid so far, though the whole amount of principal is already due for repayment for over six months now. **Members' Withdrawal** Amount pertaining to members' withdrawals, as

			reported in the books of accounts, was observed to be substantial. Member's withdrawal has increased to Shs.70.7 billions for the year 2007/2008. The National Social Security Act, 1997 does not provide for withdrawal of membership from the Fund. Members' withdraw limits growth of the Fund and is against the National Social Security Fund Act. It should, therefore, be discouraged.
3.	Board of External Trade(BET)	Unqualified opinion with emphasis of matters.	▪ Generally, the Board did not comply with the provisions of the Public Procurement Act, 2004, its Regulations of 2005 and the Board of External Trade procurement regulations.

4.	Tabora Urban Water Supply and Sewerage Authority	Unqualified opinion with emphasis of matters.	• **Property, Plant and Equipment Tshs. 10,477,923,881** Assessment was not made at the balance sheet date to determine whether there was objective evidence that the value of the fixed assets may be impaired in order to adjust the carrying amounts of the assets as required under the International Accounting Standards. • **Debtors Tshs. 936,359,291** Debtors stated in the accounts at Tshs. 936,359,291 exceed debtors as per the Billing System by Tshs.187,548,013. • **Report on Compliance with Procurement Legislation** Tabora Urban Water Supply and Sewerage Authority for the supply of various materials and services during the financial year ending on 30th June 2008 did not fully comply with the procurement legislation.
5.	Bank of Tanzania (BoT)	Unqualified opinion with emphasis of matters	Note No. 42 in the financial statements arising from a legal dispute relating to a transaction in which the Bank was acting as an agent of the Government of the United Republic of Tanzania. A Garnishee Order was issued by the High Court of Tanzania on

			4th June 2001 ordering the Bank to pay a decree holder US$ 55,099,117.66 from funds of the Government held by the Bank. Due to the ongoing court proceeding instituted by the Government against the decree holder and the Bank and discussions between the Bank and the Government on the same matter, the Bank has not honoured the Order.
6.	Local Authority Provident Fund	Unqualified opinion with emphasis of matters	• **Amounts outstanding from M/S G. K Hotels & Resorts** In 2003/04, the Fund granted a loan of TZS 535 million to M/S G. K. Hotels & Resorts, who was a tenant at the Millennium Tower Investment House. The loan balance at 30 June 2008, inclusive of accrued interest was TZS 722 million. Outstanding rent relating to this customer was TZS 1.127 billion at 30 June 2008. The recoverability of these amounts is in doubtful. As shown in note 16 and 20, management has made a provision of TZS 1.849 billion against these balances. • **Actuarial present value of promised retirement benefits** As stated in note 39, an actuarial valuation of the Fund

			was carried out by 'The Solomon Consortium' as at 31 December 2003 with projections to 30 June 2005, which was deemed the conversion date of the Fund from a provident fund to a pension scheme. According to the actuarial valuation report, additional funding requirement was determined to be TZS 107.3 billion as at 30 June 2005, to enable all the existing members in the scheme to qualify for pensions, if they contribute for a minimum of 15 years and have reached the retirement age. The Government of Tanzania has agreed to inject in full the additional funding in equal installments over a period of 10 years from the 2007/08 financial year. As explained also in note 39, the Fund, as recommended in IAS 26 was expected to undertake second actuarial valuation in 2008 and report the result of such actuarial valuation in its financial statements for year ended 30 June 2008. However, the valuation is ongoing. • **Payments to pensioners made on behalf of the Treasury**

			As shown in note 20, the Fund made payments of TZS 1.875 billion to pensioners who were supposed to be paid by the Treasury as the benefits related to services rendered when employed by the Central Government and not to Local Authorities. The Treasury has reviewed files relating to pensioners paid by the Fund and accepted the obligation to the tune of 620 million. The Treasury is still reviewing the remaining files.

2.4.3 Qualified Opinion

In this year under review, thirteen (13) Public Authorities have been issued with qualified opinion. The concerned Public Authorities and the basis which has lead to qualification of the opinion are listed below:

S/N	Name of PA&oBs	Type of opinion issued	Basis of qualification
1	Dar es Salaam Water Supply Company (DAWASCO)	Qualified opinion	• the data base included customers not receiving water; the data base included customers who could not be located; and customers disconnected in the past continued to be billed. • Preparation and issue of incorrect bills due to incorrect meter readings and estimated consumption.

			• Numerous instances were detected during the year of active water connections that have not been billed. • Numerous instances were noted during the year where meter readings could not be matched to customer accounts in the billing database. Consequently, I am unable to confirm on the accuracy and completeness of the reported revenue amounting to Shs 17,332 million relating to water charges.
2.	Preside-ntial Parasta-tal Sector Reform Commi-ssion (PSRC)	Qualified (six months accounts Dec. 2007)	• Laxity on collection from overdue accounts or confiscation and repossession of assets sold -Tshs. 7,334,721,536 despite strong audit recommendation in the previous audits. • Investors/buyers' deposits amounting to Tshs. 6,632,693,934 inappropriately accounted for as creditors rather than revenue. • Direct banking not accounted for in the books of account Tshs. 691,217,330.64 • Non-production of contracts/ supporting documents for paying caretakers of assets prior to divestment-Tshs. 1,220,300,829 • Delays in concluding divesture deals and writing of sales contracts which has resulted to frustration of some investors

3.	Dodoma Urban Water Supply and Sewerage Authority	Qualified opinion	**Limitation of scope** The Authority's revenue policy is to recognise revenue from supply of water and the provision of sewerage disposal services on the basis of amounts billed to customers. We however noted that the Authority has been recognising revenue on the basis of cash collected from customers. Consequently an amount of Tshs 104,314,900 being excess of cash collected over the amounts billed during the financial year 2007/2008 had been recognised in the income statement. While we have made necessary adjustment in the financial statements in respect of the above excess collections incorrectly treated as revenue for the year ended 30 June 2008, we are unable to determine the magnitude of any further adjustments relating to prior years cash collections, that may be necessary to correct any misstatements in the accumulated deficit and trade receivable balances as brought forward from the previous financial statements. **Trade Receivables** There is a difference of Tshs 259,576,473 between trade receivables general ledger balance and the total of underlying billing listings as at 30 June 2008. This difference has not

			been reconciled by DUWASA and therefore, we are unable to conclude that trade receivables balance as included in the financial statements agree with the underlying books of accounts. **Fixed Assets** • Included in the cost the fixed assets as at 30 June 2008 is an amount of Tshs 187, 608,534 in respect of additions purchased during the year. These additions were not supported by detailed listing. Further, no records and third party supporting documents such as invoices and receipts were made available to indicate the nature or details of the assets. Further more it was not practical to physically verify them. We are uncertain of the valuation, existence and completeness of the additions made during the year. • In April 2008, a professional revaluation of the Authority's land and buildings, reservoir, pumps and machinery, major pipes and trunk water mains was carried out by Kuyenga, C.M, a fully registered (Valuation Surveyor). The revaluation, however, did not indicate the remaining useful life of the revalued individual or group of assets amounting

			to Tshs 14,420,180,000. In the absence of the remaining useful life of the assets, we are unable to determine whether an amount of Tshs 60,458,659 included in the depreciation charge for the year has been fairly charged and has not potentially misstated the carrying value of the fixed assets as at 30 June 2008. **Inventories** Included in the inventories balance as at 30 June 2008 is an amount of TShs 644, 354, 870 which relates to fittings and electrical equipment whose basis of unit cost could not be substantiated by any audit procedure, as no costing sheets and invoices were maintained by DUWASA. Further, there were no sufficient explanations on the basis of valuation of these inventories. We are therefore uncertain as to whether inventories are fairly stated. **Cash and bank balances** There are differences between bank reconciliation statements and bank statements as at 30 June 2008 amounting to Tshs 10,217,778 in respect of CRDB operations, CRDB main and CRDB administration bank accounts. We are not certain whether cash and

			bank balances as 30 June 2008 were fairly stated. **Operating Expenses** • There are differences between the general ledger and trial balance as at 30 June 2008 in respect of Telephone, stationery and printing and University of Dodoma project phase II expenses amounting to TShs 42,873,209. We are uncertain on the completeness and accuracy of these expenses. Expenses and project work in progress may not have been fairly stated. • Payments amounting to TShs 29.83 million are not adequately supported by all third party documents such as invoices and receipts. We are therefore uncertain as to whether these costs were exclusively incurred for the Authority's activities.
4	Tanzania Standard Newspa-per (TSN)	Qualified opinion	• Procurement of printing materials worth shs. 26,384,077 without competitive tendering procedures contrary to Sect.44 of the Public Procurement Act No.21 of 2004 and its related Regulations. • Questionable Renovation of Residential House - Shs. 53,920,108. There was an additional cost of Shs.

			27,260,000 with single quotation, evaluation done by the tender committee and approved by the Managing Editor. The practice was completely contrary to the PPA No. 21 of 2004. • Questionable Purchase of Newsprint and Thermal Plates Chemicals - Shs 1,404,785,324. • Questionable purchases of a Server for the Company use – Shs. 13,956,444 (USD 11,630.37) • Long outstanding debtors Shs 2,418,253,908.02
5	Tanzania Brodca-sting Corpora-tion (TBC)	Qualified opinion	**Limitation of scope** **Programs and Commercial advertisements revenue** As reported in previous year, the TBC receives commercial orders and raises broadcasting confirmation orders (BCOs) and programs certificates for commercial advertisements and programs aired. The invoices to customers are prepared on the basis of BCOs that are approved by the Director of Marketing. TBC did not maintain list of all commercial orders received and processed and BCOs raised during the year. We further noted a difference of TShs 2,217,323,619 between revenue summary from Marketing department and the

			summary total of invoices issued to customers by the accounting department during the financial year 2007/2008. There was no clear explanation from management for the difference between the two sets of reports. Furthermore there was no list of all programs and commercial advertisements aired. Due to limitation with respect to the recording and accuracy of revenue transactions the completeness of the programs and commercial revenue could not be substantiated with appropriate audit evidence by using other audit procedures. We are therefore uncertain on the completeness of the commercial revenue of Tshs 5,420,214,926 included in the financial statements. **Property, plant and equipment** TBC engaged a professional valuer to carry out valuation of all its fixed assets. By the time of our audit, the final valuation report was yet to be produced. Non currents assets balances included in these financial statements therefore do not include the results of the valuation. As reported in the previous year non current assets mostly from legacy Radio Tanzania include all buildings, equipment and

			furniture have not been included in the financial statements as at 30 June 2008. Furthermore the assets at the various sites are impaired. Due to the potential significance of the assets, we are uncertain of the values ascribed to the assets not recognised in the Financial Statements and any resultant depreciation that may impact on the operating result. **Letter of Credit** Analysis of movement of letter of credit account balance during the year under review was not made available to the auditors for review. The account balance moved from TZS 775,872,275 as on 1 July 2007 to TZS 250,251,054 as at 30 June 2008. We are therefore uncertain whether payments from this account were solely made for the Corporation's activities. **Operating expenses** Payments amounting to TZS 76,646,811 were not supported by third party documents. We are therefore un certain whether these payments were made exclusively for the Corporation's approved activities. **Procurements** • Procurements amounting to TZS 2.34 billion which were 49% of all procurements

			reviewed were not within the limits specified under the third schedule of the G. N. No. 97 and No. 98. This includes procurements that did not specify a method and were not subjected to tendering process. • Tender procedures and processes of procurements amounting to TZS 1.78 billion, which was 44% of all procurements reviewed were not approved by the tender board.
6.	Tanzania Communication Regulatory Authority (TCRA)	Qualified opinion	**Questionable payments** • Included in the loan receivable balance is an amount of TZS 1,250,000,000 paid to Air Tanzania Company Limited (ATCL) to facilitate pilgrims travelling to MECCA during the year under review contrary to Section of 50 of the TCRA Act, No. 12 of 2003. We are therefore uncertain whether this payment is eligible and whether the amount is recoverable. • A total of TZS 7.13 billion had been transferred to Tanzania Airports Authority for the rehabilitation of Mwanza Airport during the period from 1 July 2006 to 30 June 2008 (2007/08 – TZS 3.068 billion)

			contrary to Section 50 of the TCRA Act, No.12 of 2003. We are therefore uncertain whether this expenditure is eligible. • Payments amounting to TZS 151,372,212 were made for VAT on purchases made by the Authority during the year under review contrary to item 5 of the Third Schedule to the Value Added Tax Act, 1997. • Payments amounting to TZS 13,294,620 were supported by proforma invoices. We are therefore uncertain whether the payments were made exclusively for the Authority's activities. **Public Procurement Act, 2004 and Public Procurement Regulations, 2005** • TCRA has not established a Procurement Management Unit (PMU) contrary to section 34 (1) & (2) of PPA 04. • the current organisation structure indicates that the head of PMU will not report to the Director General. ▪ TCRA annual procurement plan was not updated with actual procurement to produce

			monthly reports as required by section 35 (o) of PPA 20 04. • Some items were procured outside the plan. • Procurement amounting to TZS 108 million, which was 13% of the total actual procurement for FY 2007/08, were not advertised contrary to the requirement of section 61 (2) of PPA 04, regulation 80 (5) of G.N. No. 97 and regulation 49 (1) – (4) of G. N. No. 98. • There was no evidence that invitation to quotations amounting TZS 113.56 million (13% of all procurements) were sent to all shortlisted suppliers/service providers, and it could not be ascertained whether or not bid periods were in line with those stipulated under third schedule, part (c) of G. N. No. 97. • Tender procedures and processes for procurements amounting to TZS 83.24 million, which was 10% of total procurement for FY 2007/08 were not approved by the tender board contrary to requirement of section 30 (a) - (g) of PPA 04 and regulation 80 (1) - (7) of G. N. No. 97.

			• There was no evidence that competitive quotations, which were 13% of all procurement, were received in sealed envelopes and opened in public at a specified time. • There were no records of the tender opening proceedings. Tender evaluation and award thereof was not properly done. • There were instances where lowest evaluated bidders were not awarded tenders without plausible reasons. • In other instances, evaluation committee members visited bidders during tender evaluation process. • No tender award was advertised during FY 2007/08 contrary to regulation 67 (3) of G. N. No. 98 and regulation 97 (12) of G.N. No. 97. • Tender documents were not professionally kept, making retrieval of information unnecessarily long. • The current organisation structure doesn't provide an environment for the tender board and the tender board secretariat ("PMU") to discharge their functions

			independently as required by section 38 of PPA 04. In the absence of a legally formed PMU, some procurement requisitions were directly submitted to the tender board by user departments. • There was no evidence that PPRA was notified on the constitution of the tender board as required by Section 29 (1) of the PPA 04 and contract documents were not submitted to relevant authorities as per regulation 116 of G. N. No. 97. • On certain instances adhoc tender boards were formed to deal with specific procurements; this is contrary to the public procurement regulations. • There was no evidence that the Accounting Officer appointed Goods Inspection and Acceptance Committees as required by regulation 127 and 128 of G. N. No. 97 for all goods that were procured during the year. • The procurement of consultancy services for the Review of the Organization Structure, Job Evaluation and Grading, and Development of

			Performance Management System (Transport Resources Centre Limited, TZS 46 million) was awarded in dubious circumstances and therefore violating PPA 2004 and its regulations. In view of the above and on the basis of performance indicators that were evaluated, TCRA's overall performance and compliance with the Public Procurement Act, 2004 and Public Procurement Regulations, 2005 is 55%.
7.	Tanzania National Parks (TANAPA)	Qualified opinion	**Limitation of scope** **Fixed deposits** TANAPA management could not provide the auditors with certificates for two fixed deposits amounting to USD 4,088,801.57 held with Exim Bank. Further more no confirmation replies of the above balance as at 30 June 2008 have been received by auditors from the bank. Our further inquiry and discussion with the management revealed that one of the two fixed deposits with the serial number EB/97/51721 amounting to USD 2,044,655.27 did not exist as at 30 June 2008. Auditors also observed that some of the fixed deposit certificates that

			TANAPA obtained from the Exim Bank during the year under review had no signature of the second authorized signatory of the bank. Auditors observed further that certificates were not uniform- some were typed while others were hand written. There was also significant inconsistency in the serial numbers of respective certificates issued within period of two days. **Land development costs** Included in the land development costs is an amount of 5.9 billion in respect of compensation to Usangu villagers that has not been fully accounted for. There was no any evidence or audit trail to suggest that the funds were received by the intended beneficiaries. **Tourism Marketing and Public Relations expenses** Included in the tourism marketing and public relations expenses is an amount of TZS 100,000,000 paid to Swagaswaga team for construction of stalls for Nane Nane Show in Dodoma during the year under review. This amount has not been accounted for.

			Advertising expenses with CNN and Jambo publications Limited Procurement for advertising with CNN did not follow public procurement procedures. Though the contract was signed by the Director General, Tanzania National Parks and the Board Chairman, all other procurement processes were handled by the Ministry of National Resources and Tourism contrary to the requirement of the PPA, 2004. The total contract sum for advertising with the CNN for the year 2007/2008 amounted to USD 750,000. Further, TANAPA has renewed the contract for advertising services with CNN at a sum of USD 800,000 for the year 2008/09. Both contracts do not specifically indicate: • Timing of the advertisement • Duration and length of the advertisement to be aired • Frequency of the advertisement per day, week or month • Procedures to monitor that the advertisement has been aired at the right times and at the right quality • Terms of payments. For

			instances, TANAPA made a lumpsum payment of TSHS 1,077,620,400 in October 2007 in favour of CNN. The payments were not supported by broadcasting confirmation orders or any other documents, confirming frequencies of the advertisements aired by CNN. In the case of advertising with Jambo Publications Ltd, London, TANAPA paid a total of USD 272,006.45 as fees in respect of advertising services for six months from January to June 2008 at London Heathrow Airport Terminal 4 (USD 68,373.23) and advertising services for six weeks on 100 London Buses (USD 203,633.20). The contract in respect of this service was not availed to the auditors for review. In addition, invoice dated 18/12/2007in respect of the above amount was addressed to Tanzania Tourism Board. Furthermore, there was no an audit trail to suggest that the advertisement was carried out.
8.	Tanzania Post Corpora-tion	Qualified opinion	The liability in respect of employees defined benefits plan included in the accounts at a debit balance of Shs.738,678,508 was not stated at fair value
9.	Institute of Accoun-	Qualified opinion	• Property, plant and equipment register (supporting schedules) of the Institute was not

	tancy Arusha		maintained up-to date. Consequently, we could not reconcile the property, plant and equipment figures as reflected in the general ledger with those shown in the register (supporting schedules) in respect of cost, depreciation charge for the year, accumulated depreciation and carrying amounts. For the same reason, we could not reconcile the year end physical inventory of property, plant and equipment with the property, plant and equipment register balances reflected in these accounts at TZS 5,100,947,762. • Our verification of additions to property, plant and equipment during the year under review revealed that some procurement were made either through direct purchasing or single sourcing without prior approval of the Tender Board contrary to the requirements of the Public Procurement Regulations, 2005 First Schedule. Furthermore, Office furniture and equipment and hostel furniture amounting to TZS 31,175,100 and TZS 101,749,998 respectively were acquired without being planned for and were also not published through the General

			Procurement Notice as required by Regulations No. 46 and 79 respectively of the Public Procurement Regulations, 2005. • Students Debt Receivable (A/C No. 2100/001) from Treasury amounting to TZS 207,138,504.75 had been included in these accounts under Trade and Other Receivables. The Institute last communicated with the Treasury on 17th December, 2007. Since then, no further communication nor response from Treasury in respect of the debt. Also supporting schedule for the balance was not available for our verification. Under such circumstances, recoverability of the same could not be ascertained by us. • Students Debt Receivable (A/C No. 2100/002) from self sponsored students amounting to TZS 288,457,700.16 (TZS 161,873,621 as at 30th June, 2007) had also been included in these accounts under Trade and Other Receivables. Age wise analysis schedule was not prepared. Furthermore, no provision has been made in the accounts for impairment of these debts. We could not be able to ascertain for how long the outstanding debts have

			been overdue, therefore, the recoverability of the same could not be ascertained. • Tuition fees included in these accounts at TZS 3,299,954,685.43 (including application and registration fees) did not agree with the tuition fees computed in accordance with the number of students registered for the academic year 2007/2008 amounting to TZS 3,359,500,000. A difference of TZS 59,545,314.57 between these two figures was not reconciled by management. Under such circumstances, completeness and correctness of tuition fees (including application and registration fee) could not be ascertained to the extent of unreconciled difference of TZS 59,545,314.57. • The Institute has not yet established an independent Procurement Management Unit as required by Sect. 34 of the Public Procurement Act, 2004. Currently, there is a unit under the Director of Finance and Administration called 'Purchasing and Supplies'.
10.	Univer-sity of Dar es Salaam	Qualified opinion	The University of Dar es Salaam procured works and equipment worth Tshs. 1,273,349,456 and USD 300,382 in on behalf of the University's affiliate Colleges of

			Education of Dar es Salaam and Mkwawa respectively without taking into account public procurement procedures contrary to Reg. 67 and 69 of the Public Procurement Regulations of 2005.
11	Muhimbili Univer-sity of Health and Allied Sciences	Qualified opinion	• the University neither maintained a fixed assets register nor physical verification of the assets carried out at the year end or at any time during the year on the non current assets worth Ths.14,337,694,754. • payables and accrued liabilities stated in the accounts at Tshs 741,295,019 include liabilities which have been outstanding for more than 8 years and lack documentary evidence to support their authenticity. • the cash book was not properly recorded as the entries in the cash book could not easily be traced to the official receipts issued by the University to acknowledge receipt of funds or easily traced to payments through Cheque payments. Likewise the reconciliation of the cash book with the bank statements was difficult. In the absence of a properly drawn up cash book which is a primary book of account, we could not satisfy ourselves as to

			the correctness of the amount of Tshs , 1,926,083,644 reflected in the US $ Forex A/c maintained with NBC Samora branch and Tshs.1,289,017,945 reflected in the Tshs. A/c maintained with NMB Muhimbili branch.
12	Government Employee Pension Fund	Qualified opinion	• International Standard on Auditing No.710 (ISA 710) requires the incoming auditor to obtain appropriate and sufficient audit evidence on whether opening balances and comparatives meet the requirement of the applicable financial reporting framework and are in agreement with the amounts and other disclosures presented in the prior periods or whether appropriate adjustments or disclosures have been made. We were appointed as auditors on 20 August 2008 and were unable to obtain and review the work papers of the predecessor auditor. We could not perform satisfactory alternative procedures in respect of auditing the comparatives amounts, to satisfy ourselves with regards to the requirements of ISA 710 on the comparative balances.
13	Lindi Urban	Qualified opinion	Customers disconnected in the past continued to be billed.

	Water Supply and Sewarage Authority		• Preparation and issue of incorrect bills due to incorrect meter readings and estimated consumption. • Numerous instances were detected during the year of active water connections that have not been billed. • the data base included customers not receiving water; the data base included customers who could not be located; and
14	Marine Service Co	Qualified opinion	• the cash book was not properly recorded as the entries in the cash book could not easily be traced to the official receipts issued by the Company to acknowledge receipt of funds. Likewise the reconciliation of the cash book with the bank statements was difficult.
15	Tanzania Civil Aviation Authority	Qualified opinion	• International Standard on Auditing No.710 (ISA 710) requires the incoming auditor to obtain appropriate and sufficient audit evidence on whether opening balances and comparatives meet the requirement of the applicable financial reporting framework and are in agreement with the amounts and other disclosures presented in the prior periods or whether appropriate adjustments or disclosures have been made. We were appointed as auditors on 20

			August 2008 and were unable to obtain and review the work papers of the predecessor auditor. We could not perform satisfactory alternative procedures in respect of auditing the comparatives amounts, to satisfy ourselves with regards to the requirements of ISA 710 on the comparative balances. • As set out in note 20 to the financial statements no interest charge is accrued in respect of the Long Term Treasury Loan. Article IV of the lending agreement between the Ministry of Finance and the Authority require that the loan bears 6% interest rate per annum. Article 4.01(c) further requires that a separate bank account is opened by the Authority and 5% of interest is deposited into that account annually to be used for training of financial and technical staff of the Authority. The remaining 1% of the interest is supposed to be accrued and paid to the Government annually in arrears together with repayments installments. Should this clause be effected as at 30 June 2008, a total of TZS 212 million would become payable to the Ministry of Finance with Tshs 170 million

			relating to prior years interest charges and Tshs 42 million being the current year charge.

2.4.4 Adverse Opinion and Disclaimer of Opinion

During the period under review there were no PA&oBs that were issued with an adverse opinion or disclaimer of opinion.

I have taken efforts of identifying the reasons for issuing the type of opinion issued so that the affected PA&oBs should be aware of the weaknesses and short comings of their financial reporting with the view of making improvements in the future.

CHAPTER THREE

SUMMARY OF THE PREVIOUS YEAR'S OUTSTANDING RECOMMENDATIONS

3.0 Introduction

This chapter summarises the outstanding recommendations raised in our previous year's General Audit Report which were either partly implemented or not implemented at all as at the time I concluded the audits of Public Authorities and other Bodies that require further attention and action of the Board of Directors and Chief Executive Officers.

3.1 Responses on the previous year's audit report

I have received response to my General Report from the Government through the Permanent Secretary and Paymaster General through his letter with Ref. No.ED/AG/AUDIT GEN/08/VOL./150 dated 4th October, 2008. Details of the outstanding recommendations that require further attention and action relating to my General report for the financial year ended 30th June, 2007 are summarised below:-

S/N	AUDIT OBSERVATION	RECOMME-NDATIONS	PMG'S RESPONSE	COMMENT
1.	**Addressing privatisation issues** The Treasury Registrar's Office had not collected outstanding proceeds from investors arising from the sale of the privatized	**Recommenda-tions** Treasury Registrar's Office should ensure that: Sound debt collection measures for long overdue debts from defaulting investors are	The recommendation is consistent with Government plans. Under the newly established structure of the Ministry of Finance	Partly impleme-nted

	Public Parastatals. However, despite the success gained from privatization together with the lessons learnt in the process, some of the privatized Public Authorities and other Bodies are not operating as intended while others have changed the original purposes of production and others have completely ceased operating.	instituted. ▪ Legal action is taken against investors who fail to fulfill their contractual obligations on privatisation; ▪ Public entities which are not operating are either revived or liquidated; ▪ Assets from defaulting investors are repossessed. ▪ The Consolidated Holding Corporations the successor of PSRC and LART; is strongly advised to commission or carry out a 'Post Sale Audit' of all divestitures to ascertain conformance of the privatised entities to the	and Economic Affairs, there is a section which will be responsible for monitoring conformanc e of privatized entities to the business objectives as the privatizatio n agreements .	

		business objectives and any other developments as per the sales agreements.		
2.	**10.2 Weak Information Technology Systems** Some Public Authorities and other Bodies were noted to have weak information technology systems while others are running old computerized systems.	**Recommenda-tions** ▪ The respective PA&oBs should improve the existing systems or install new and modern information technology systems. ▪ The existing information technology systems should be improved.	None	Not impleme-nted
3.	**10.3 Preparation of financial and operational manuals** A number of Public entities lacked important operational and financial	**Recommendat ions** ▪ PA&oBs management should ensure that the operational and financial manuals are prepared and put in use.	None	Not impleme-nted

	operational manuals as working tools in ensuring that operations and financial functions are properly carried out.			
4.	**10.4 Good Governance** It has also been noted that a number of Public Authorities and other Bodies have governance problems as explained below: • Internal audit units and audit committees were not established • Shortage of compentent staff in Internal Audit Units. • Head of Internal Audit Units are not	**Recommendations** • PA&oBs management should establish effective Internal Audit Units manned by professionally competent staff with pre requisite resources and facilities. • The Heads of Internal Audit Unit should report directly to the Chief Executive Officers. • The membership of the Audit Committee as	The recommendation which seeks to address potential conflict of interest with the oversight function of Parliament is under considera-tion by the Government.	Partly impleme-nted

	reporting directly to the Chief Executive Officers; • have ineffective internal audit units; • internal auditors were carrying out pre-audit functions; and, • Some members of Parliament are members of some Boards.	stipulated in Reg.31 of PFR 2001 (revised 2004) should be reviewed to allow for more external membership to enhance transparency and accountability. • Members of Parliament should not be members of the Board of Directors of public entities.		
5.	**10.5 Compliance with Public Procurement Law** We have noted the following: • Some PA&oBs have not established Procure-ment Management Units;	**Recomme-ndations** In order to ensure compliance with the requirements of PPA No. 21 of 2004 and its related Regulations, I recommend the following:- • Establish capacity building at all	The Government will continue to strengthen the Public Procure-ment Regulatory Authority (PPRA). In order to address the inadequate capacity for the	Partly responded

	• Non adherence to best procure-ment methods and practices; • Some PA&oBs have not established tender boards; • Procurements are made without approval of the tender boards • Major weaknesses in procure-ment contracts manageme-nt; • Procure-ment Management Units not manned by profession-nally competent staff.	levels in the procurement process; • The Public Procurement Regulatory Authority (PPRA) needs to be given adequate capacity to regulate the procurement function in the country; • Improve-ment in record keeping regarding procurement proceedings, and; • Effective Tender Boards and Procurement Management Units should either be formed or substantially improved.	procure-ment cadre the PPRA has prepare a procure-ment capacity Building strategy to guide the procure-ment capacity building efforts.	
6.	**10.6 Public Authorities with Going**	**Recommendations** ▪ Efforts	None	Not impleme-nted

	Concern Problems Some public corporations have been experiencing persistent negative working capital to the extent of facing difficulties in liquidating their maturing obligations, a situation that does not reflect a healthy financial position of the entities.	should be taken by PA&oBs to increase/boost revenue and reduce operating costs; ▪ Loss making units/branches of PA&oBs should be identified and recommended for closure, divestiture or restructuring; ▪ Idle assets and investments of PA&oBs with poor returns should be sold; External financing should be secured to turn the loss making PA&oBs to profitable organizations; ▪ Employees' morale/motivation should be enhanced to improve		

		performance. ▪ Further-more, prospective restructuring of particular entities should be well researched, hastened and considerations of the factors that bring inefficiencies and losses to the PA&oBs taken and rectified.		
7.	**10.7 Water Billing in Water Authorities** Audit of Water Authorities have revealed significant weaknesses in water billing. The gaps arise from incorrect application of rates and failure to collect data on water consumption, as well as problems in locating billed	**Recomme-ndations** • The respective Water Authorities should identify all billable customers; • Meter installation to customers should be hastened to ascertain accuracy of bills receivables; • The Water Authorities should make	None	Not impleme-nted

	customers resulting into over or under billing customers. The effect of this weakness has been inaccuracy of records and accumulation of uncollectible debts. In addition, there has been enormous loss of treated water in most authorities above the accepted normal loss standard. These problems have resulted into most Water Authorities having negative net operating results thus experiencing operational difficulties.	sure that only genuine customers are billed. • The Ministry of Water and Irrigation should assist the Water Authorities in improving their billing systems by recommending an appropriate software billing package to be uniformly applied. This should be coupled with the appropriate training on the application of the recommended software package.		

8.	**10.8 Contracts Management** A review of contracts entered by a substantial number of PA&oBs have revealed major weaknesses that have resulted into contractual problems and pending court cases that have attracted liquidated damages to the authorities.	**Recomme-ndations** • PMUs and tender boards should be involved in the preparation of the procurement contracts; • Improve capacity of PMUs and tender boards in contract management executions. • Maintain contracts registers.	None	Not impleme-nted
9.	**10.9 Assets Management** A review of a number of Public Authorities revealed that they do not posses title deeds of some landed properties, poor record keeping, under or	**Recomme-ndations** ▪ Movable fixed assets should be properly recorded, disclosed and accounted for; ▪ Legal ownership of the properties should also be sought; ▪ Revaluation of assets	None	Not impleme-nted

	overstatement of the assets; non-revaluation for a long time and impairment not tested periodically.	should be done and impairment tested at recommended time interval. ▪ Management should regularly verify and ascertain the existence and conditions of the assets; ▪ Record keeping of assets should be improved.		
10	**10.10 Non recovery of Loans** It was noted that large amounts of loans advanced to some customers by some PA&oBs have remained uncollected beyond the agreed dates.	**Recommendations** • The respective PA&oBs should carry out rigorous follow up on the outstanding amounts; • Improve existing lending policies,	None	Not implemented
11.	**10.11 Improvement in financial management**	**Recomme-ndations** In view of the above	None	Not responded

	and control We noted during the year that some of the PA&oBs had weak financial management systems. The general weakness noted among PA&oBs include non submission of statutory deductions to the respective authorities, weak management of debtors and creditors and lack of key financial directives.	weaknesses, I recommend the following:- • Management of the entities should ensure that there is compliance with the requirements of the law and effective financial control systems are in place; • Debtors and creditors are to be dealt with promptly so as to safeguard public resources and protect the image of the entities in dealing with third parties.		
12.	**10.12 Results of TANESCO Special audit** It was found out during special audit that TANESCO is overburdened	**Recomme-ndations** ▪ In decisions to enter into any contract in respect to TANESCO, the law governing public	None	Not responded

	by the liabilities imposed by various power purchase agreements (PPA) mostly entered without compliance with the requirements of Public Procurement Act and its regulations.	procurements in Tanzania should be complied with. ▪ The Government's interference in the management of TANESCO should be minimized in order for it to be held accountable.		
13.	**10.13 Liquidated Damages Due From M/S Dowans Holdings USD.4,865,000** M/S Dowans Holdings failed to commission at full capacity of 100MW generation on the Commercial operation date contrary to the agreement.	**Recomme-ndations** The management of TANESCO should ensure that liquidated damages are paid by the defaulter as per provision of the contract agreement and any delay in paying the amount in question should attract interest charges.	None	Not impleme-nted
14.	Over payment of VAT to the	**Recomme-ndation**	None	Impleme-nted

	Commissioner of Domestic Revenue TSN Shs.268,810,275 and TPB Shs. 106,533,951	▪ The management of Tanzania Standard Newspaper and Tanzania Postal Bank should ensure recovery of Shs. 268,810,275 and Shs.106,533,951 respectively ooverpaid to the Commissioner Domestic Revenue as VAT. ▪ The management of DUWASA should seek a retrospective approval on the amount overspent.		
15.	**10.15 Irregular Contract agreement** Tanzania Ports Authority Container Terminal was leased to a private operator M/s	**Recomme-ndation** The Government should revoke the un-procedural extension of the TICTs agreement and	None	Not impleme-nted

	Tanzania International Container Terminal Services (TICTS) since May, 2000. Initially, the lease agreement was to last for a period of ten years. However, the lease agreement was extended for another term of fifteen years vide Addendum No.2 to the lease agreement executed on 30.12.2005 to make the lease period to be twenty five years of which in my opinion there were contract irregularities.	conduct a thorough evaluation of the 10 years agreement period before extension of the same is decided upon. Should there be need for an extension the Government is strongly advised to adhere to the Public Procurement Law and its Regulations.		
16.	**Unremitted statutory deductions** Five PA&oBs failed to remit	**Recomme-ndation** The Government should ensure	None	Not impleme-nted

	statutory deductions amounting to Shs.29,336,119,602 to relevant receiving agencies. Of the amount in question, unremmited statutory deductions (i.e. PAYE, PPF and NSSF PSPF) were Shs.23,643,858,878 while taxes were Shs. 2,210,703,119. Moreover, the Tanzania Posts Corporation failed to remit deductions of Shs.6,613,767 and Shs.196,741,985 relating to insurance premiums on staff life assurance policy and SACCO's loan repayment deductions respectively	that statutory deductions due from PA&oBs are promptly remitted to the appropriate receiving agencies to avoid unnecessary penalties and minimize the inconvenience that would be subjected to retiring officers.		

	while the Board of External Trade failed to remit land rent amounting to Shs.142,859,539.			

3.2 Specific outstanding matters

I would like also to draw the attention of the Government to the specific outstanding matters in the reports of the specific public authorities which I consider worth to report for better performance of these prastatals as follows:-

3.2.1 Tanzania Post Corporation

Distribution of assets and liabilities of the former Tanzania Post and Telecommunications Corporation (TP&TC)

The task of distributing the assets of the former Tanzania Posts and Telecommunications Corporation (TP&TC) between TTCL and TPC was in progress but yet to be completed by 31st December, 2007. We recommend that Management should continue to follow up the issue of distribution of the assets and liabilities of the former Tanzania Posts and Telecommunications Corporation with the appropriate authorities.

Lack of Title Deeds for some properties

The Corporation's properties were stated at a total cost of Tzs 62,400,000 as at 31st December, 2007 which had no title deeds. In the absence of title deeds, we could not ascertain the Corporation's legal ownership of such properties. However, follow up is at an advanced stage to obtain the remaining title deeds. A List of the Corporation's properties, which still do not have title deeds are located in Kondoa, Muleba, Ifunda and Zanzibar.

Pension and similar obligations Ex-East African Community staff

As reported in our previous reports, the liability of defined benefit plan created in the accounts is wholly un-funded and therefore managed by the Corporation. No contributions by the Corporation are made into a Trustee legally separate from the Corporation for the purpose of meeting payments of retiring members. As a result the Corporation is forced to pay dues to retiring officers from sources not intended for that purpose. Furthermore, we noted that the accounting for defined benefit plans was not compliant with accounting policies and IAS 19, in that: -

(i) Actuarial techniques were not used to estimate employees benefits earned in return for their services in the current and prior periods.

(ii) The present value of defined benefits could not be determined by discounting the estimated future cash flows, as the actuary has not determined applicable interest rates.

(iii) Actuarial gains and losses could not be determined and included in the accounts. As a result the liability in respect of pensions included in the accounts which exceeded payments by Tzs 737,678,508 could not be reliably measured in the absence of computation made by qualified acturial valuers. We are aware that the Government has promised to set aside during the financial year 2008/2009 Shs. 8.2 billion for settling the Ex-East African Community Staff Pension benefits. Management should continue to follow up with the Government's promise to ensure that the funds are availed as promised

3.2.2 National Insurance Corporation

(i) IT Problem in Hardware and Software

The Corporation is running an old infomix computer system under UNIX platform developed and installed in 1993. The system has not undergone any major upgrade since its installation. This has resulted in poor performance, unreliability of data. System failure is recorded at least once per month especially on database system. Maintenance and recovery of data from the computer system especially main database once the failure has occurred takes a lot of time, even up to three days and causes other services to be placed on hold or being processed elsewhere. Lack of system automated features has also been causing many problems and delays including the following:-

(a) Manual verification of processed records and data;

(b) Manual confirmation of tapes from branches during processing of records;

(c) Loading of incorrect tapes into the computer system;

Decentralization of data processing between branches and head office has also created several other problems, which include;

- Data inconsistency between head office and branches;
- Poor control on preparation of tapes to be transported to head office;
- Poor control on transportation of media data tapes;
- Poor control on handling of tapes at head office.

3.2.3 Muhimbili National Hospital

During the physical verification of the assets owned by the Muhimbili National Hospital it was noted that one constructed within the Hospital land is owned by a private person. The Hospital management explained that one person identified as Mr. Kiluvia approached management of the then Muhimbili Medical Centre to construct a commercial building currently housing National Micro Finance Bank, Pharmacy, Restaurant and other business units. The copy of agreement between the then Muhimbili Medical Centre and H.A.Kiluvia trading as Agent Store was signed on 11^{th} April, 1987. The tenant (A.H.Kiluvia) was to occupy the building for five years with effect from 22^{nd} December, 1987. The agreement period expired, but the building is still under ownership of the developer contrary to the agreement.

3.2.4 National Social Security Fund

Non-Repayment of Loans Shs. 58,757,794,802

As pointed out in our previous reports, some of the beneficiaries of investment loans have not complied with the terms and conditions of the loans granted to them. Specifically, they have not paid the installments as scheduled, thus resulting into accumulation of accrued interest. This is illustrated hereunder:-

Borrower Name	Date	**Principal Amount** T.Shs.	**Accumulated Interest up to 30^{th} 06.2008** T.Shs.	**Total Loan as at 30th.06.2008 TShs**	**Remarks**
New Kilima-njaro Bazaar	03.04.1990 26.08.1991 and 07.09.1992	99,445,000	750,849,846	850,294,846	Legal action taken
Mbowe Hotel Ltd	10.03.1990	7,500,000	229,898,516	237,398,516	It was repaya-ble fully by December, 1997. - Legal

					action taken. Subsequently Tzs 50m has been paid.
Kagera Sugar Company Ltd	11.02.2003	12,000,000,000	5,624,290,000	17,624,290,000	Repayment was to commence from September, 2004. Loan has been rescheduled, new agreement was not yet availed for verification.
General Tyre East Africa	08.02.2005	11,610,000,000	1,892,430,000	13,502,430,000	Repayment was to commence as follows:- Interest-31.12.05 Principal-30.03.07 Apart from 85% govt. guarantee, security was

					specified receivables aggregation to $ 3,398,551.55 as at the date of agreement. however, out of the amount, $1,465,837.60 was subsequently considered irrecoverable and written off.
KATANI LTD.	06.11.2006	4,295,700,000	794,520,000	5,090,220,000	Repayment was to commence as follows:- Interest-December, 06 Principal December, 07.
Continental Ventures	15.09.2005	4,063,500,000	900,322,411	4,963,822,411	Repayment was to commence as follows:- Interest-June, 06

					Principal Dece-mber, 07
Emunio Tanzania Limited	07.10.2004	1,683,450,000	86,639,625	1,770,089,625	Repay-ment was to comme-nce as follows:- Interest-30th 06.06 Principal -30th 05.06
Kiwira Coal & Power Company Limited	05.07.2007	8,127,000,000	840,450,000	8,967,450,000	Repay-ment was to comme-nce as follows:- Interest-Jan, 2008 Principal -Jan, 2008
Tanzania Portland Cement Company	November, 2007	5,456,700,000	295,099,404	5,751,799,404	Repay-ment was to comme-nce as follows:- Interest-June, 2008 Principal -Dece-mber, 2008
TOTAL		**47,343,295,000**	**11,414,499,802**	**58,757,794,802**	

Despite the management's follow up efforts, we are of the opinion that some of these loans and their respective accumulated accrued interests are non-performing assets and are doubtful of recovery which implies overstatement of loans portfolio by the impaired balances of Shs.58.7 billion. We recommend that non performing assets should be provided for impairment as per International Financial Reporting Standards (IAS 39 Para 59) and there after management should continue with effective recovery measures.

Securities to Investment Loans

Unsecured Loan to Azania Bank Limited

The Fund had advanced a loan of Shs.4 billion to M/s Azania Bank Limited. On reviewing the loan agreement, which was signed on 9th July, 2007, provision therein describing the collateral involved in case of default, could not be established. Similarly, no guarantee whatsoever was provided for in this regard. Section 2.4.1 of the Fund's investment manual directs that security to investment loans should be first charge on fixed and immovable assets, which can be easily sold to cover any risk of default. We urge management to review its loan to Azania Bank Limited in order to comply fully with its investment policy.

Loan to Kiwira Coal and Power Ltd

Short term loan of USD 7,000,000 was issued to M/s Kiwira Coal and Power Ltd, repayable after six months. The agreement, which was signed on 10th July, 2007, does not specify the collateral offered as security, apart from stating under section 10.15 that all properties and business should be kept insured. Title deed and the respective mortgage deed for the property, however, could not be availed for verification. Section 2.4.1 of the Fund's investment manual directs that security to investment loans should be first charge on fixed and immovable assets, which can be easily sold to cover any risk of default. Further, it was explained that the loan has been guaranteed 75% by the government and 100% by CRDB bank undertaking. The respective guarantee agreements were not available. As at 30th June, 2008 interest accrued in this regard was reported at Shs. 840,450,000. Neither principal nor interest has been repaid so far, though the whole amount of principal is already due for repayment for over six months now. We urge the management to review the loan agreement with M/S Kiwira Coal Power Ltd to include collateral. CRDB Bank guarantee for the loan should be availed to auditors for verification.

Loan to M/s Meditech

The Fund had extended a loan of Shs.1,525,368,425 to M/s Meditech on 30th April, 2003 and the agreed due date for repayment was December, 2004. We were notified that the loan was subsequently rescheduled for repayment to commence from 30th June, 2006. Agreement to substantiate this later development was yet to be availed for our verification. Further, current correspondences made by the Fund regarding the loan, was observed to have been made with M/s Emunio Tanzania Limited as the borrower. Legality for change of loan liability from M/s Meditech Ltd to M/s Emunio Tanzania Ltd could not be substantiated as no documentary support was availed in this regard and therefore recoverability of the loan could not be ascertained. We are of the opinion that management should consider its taking legal action against the defaulter as two years have elapsed without any repayment.

CHAPTER FOUR

EXPENDITURE AND REVENUE MANAGEMENT

4.0 Introduction

This chapter deals with matters relating to management of revenues and expenditures in Public Authorities that were reported in the management letters addressed to the Chairperson of the audited entities after the completion of each audit for the year ended 30th June 2008. Matters which are common to all or most Public Authorities are grouped within the respective subject matters. Items which are specific are placed under the headings of the respective Public Authorities.

4.1 Expenditure management

4.1.1 Advance payments made to suppliers

Regulation 122(1) of the Public Procurement Regulation, 2005 (GN 97) requires the procuring entity to effect payments after receiving a report on the receipt of goods that have been delivered provided they are satisfactory. Contrary to the aforementioned Regulation TANAPA, TPA and MWAUWASA made payments in advance to various suppliers amounting to Shs.146,024,582. The concerned Public Authorities management should strictly adhere to procedures governing expenditure in the public sector.

4.1.2 Improperly supported transactions

The audit of financial statements of the Public Authorities during the year under review revealed that, expenditure amounting to Shs.1,605,899,198 and USD 10,700 was made without proper accountability. The Public Finance Regulation No.95 of 2001 (revised 2004) states that any payment voucher which is incomplete because of its supporting documents are missing shall be regarded as a missing voucher.

The concerned Public Authorities whose expenditures were not properly supported by third party documents are shown below:

S/No	Auditee Name	Amount (Shs)	Description
1.	TANAPA	219,993,790 and USD 10,700	Various payments to suppliers and service providers
2.	Tanzania Broadcasting Corporation	466,255,884	Payments to various suppliers who rendered services to TBC
3.	Public Procurement Regulatory Authority	43,700,000	Payments made to various PPRA staff for different activities not supported by list of participants and signed pay list.
4.	National Social Security Fund	628,484,416	Various payments to suppliers and service providers
5.	Dar es Salaam Stock Exchange	25,948,111	Expenditure incurred to meet traveling expenses, per diem, course fees, subscription fees and cost for workshop.
6.	Tanzania Broadcasting Corporation	525,621,221	Movement in Letter of Credits (LCs) transactions
8.	Tanzania Ports Authority	310,870,450	Payments to suppliers not supported by initial claims/invoices
9.	Mwanza Urban Water	24,675,000	Payments in respects of terminal benefits, facilitation allowances, annual director's fees and sitting allowances.

4.1.3 Questionable payments

(i) National Social Security Fund

National Social Security Fund have been paying bonus to staff who registered members to the Fund. However, it was not made clear as to which activities performed by staff qualify for bonus. Further, it was not explained as to how the performance allowance/bonus was justified to other departments such as IT, finance and procurements who does not directly deal with registration of members. Despite the efforts to call for a bonus policy, the same could not be produced for audit review. In view of the above circumstances payments of allowance/bonus amounting to Shs.74,357,526 was seen to be unjustified.

(ii) Tanzania Electrical Supply Company

It has been noted during audit that Dowans Holdings submitted invoice No. EFD 786675 of 17th November 2006 to TANESCO requiring reimbursement of USD 4,865,000 spent as charter aircraft charges for the three shipments of electric power generation equipment, consumables and accessories to Dar es Salaam.

As explained by management, the payments were made following the Government and Dowans Negotiation Team resolutions as written in minutes of contract negotiations held from 8th – 15th June 2006. However, the minutes of negotiations do not categorically state whether the amount is subject to be paid and by whom. It appears that the amount was wrongly paid by the Government therefore management should justify the payment made to the contractor or arrange recovery of the whole amount which was wrongly paid to the contractor

4.1.4 Irregular payments in respect of Insurance Premiums for BOT HQ Building Shs. 7.3 Billion

Payments were made in respect of insurance premiums for the Bank's Head Office project for which the Bank lacks relevant, sufficient and appropriate supporting documents such as insurance policies, endorsements or policy covers. Furthermore, premiums charged and paid to the Broker appear excessive and there were inconsistencies in the manner the transactions were conducted. I am of the opinion that Premiums may have been paid to the Broker for no insurance policies and/or the Bank may have paid excessive amounts of insurance premiums due to the application of unjustified excessive premium rates. Management should institute a competent independent investigation on the transactions and take appropriate action

4.1.5 Over payment of Value Added Tax (VAT) on the approved Contractor's certificates:

(i) Dar es salaam University College of Education

We observed that some of the contractors were given advance payments at the beginning of the construction work as per terms of contracts. These advance payments were recovered by the University College when the respective contractor's issued their certificates of completed work. In the course of examining the corresponding payments accounts, we noted that the Value Added Tax (VAT) paid on some of these certificates was more than the amount which was supposed to be paid as detailed below:

Details	Shs
The Certified Value	229,896,093.00
Add: Advance Payments	93,100,833.00
Gross Value	322,996,926.00
Less: Recovery on Advance Payment	27,930,250.00
The Amount used to Determine VAT	295,066,676.00
VAT 20%	59,013,335.00

The above certificate was in favour of ESTIM Construction (T) Ltd. The correct value of Value Added Tax (VAT) should have been determined as follows:

Details	Shs
The Certified Value	229,896,093.00
VAT 20%	45,979,218.00

The excess amount paid is Shs. (59,013,335 – 45,979,218) = 13,034,116. No plausible explanation was advanced by management for this anomaly.

4.1.6 Compensation to Usangu villagers not fully accounted for TZS 5.9 billion by TANAPA

Tanzania National Parks (TANAPA) included in the land development, land development costs of Shs.5.9 billion being compensation to Usangu villagers that has not been fully accounted for. There was no any evidence or audit trail to suggest that the funds were received by the intended beneficiaries. Furthermore, the Ministers Council instructed TANAPA through the Ministry of Natural Resources and Tourism to pay Usangu villagers an amount of Shs.4.28 Billion as compensation following the inclusion of Usangu wet lands into Ruaha National Park and thus payments were to be made in accordance with the Village Land Act, 1999. TANAPA however had released a total of 5.9 billion as compensation to the villagers by 30th June 2008. There was no evidence whether the extra funds amounting to Shs.1.62 billion was approved by the Cabinet and TANAPA's Board of Trustees. In the absence of accountability, compensation may not have reached the targeted Beneficiaries.

4.2 Revenue management

4.2.1 Cash management

Pursuant to Reg. 78 of the Public Finance Regulations 2001(Revised 2004) all collections of revenue or public moneys shall be paid into the bank on the same day or if this is not possible, at earliest possible opportunity. A review of cash collections and banking procedures in Public Authorities revealed circumstances where cash collections are not timely deposited into bank for un-explained reasons as illustrated here under:

(i) Tanzania Broadcasting Corporation

Audit conducted to the cashier's office observed that Cash collection is not deposited within stipulated time in the Corporation's financial regulation. The manual requires all receipts to be banked intact preferably the same working day or the next working day. However, audit noted instances whereby the cashier remained with cash collections for about 45 days without being deposited. In such situations cash collections are exposed to high risk of theft or loss.

(ii) Tanzania Civil Aviation Authority

The audit of financial statements of Tanzania Civil Aviation Authority (TCAA) and especially at up-country stations we noted that cash is received at different stations by a clerk/accountant who is also responsible for recording the cash received. The same person prepares daily cash report which could not be ascertained if they are not reviewed by independent personnel to ensure completeness and correctness. Further review noted that cash collections in some of the stations are held in hand for unreasonable period of up to one month before being deposited. This is against the Authority's policy which requires the Civil Aviation managers to deposit the respective collections immediately when received. Lack of a proper cash management system can lead to fraud in relation to the cash held at the premises and less optimal cash management results.

(iii) Tanzania Engineering and Mechanical Development Organization

Cash collections at TEMDO were not banked promptly and intact, instead collections were used to meet day to day expenses, thereby resulting into under-banking as follows:

Date	Receipt No.	Receipt Amount TZS	Amount Banked TZS	Difference/ Not Banked TZS
15.08.2007	12365	302,200	252,000	50,200
09.10.2007	12391	24,000	2,000	22,000
29.10.2008	12509	900,000	606,566	293,434
TOTAL		**1,226,200**	**860,566**	**365,634**

I urge the management of TEMDO to ensure that cash collections are banked promptly and intact.

4.3 Specific Observation

4.3.1 Tanzania Broadcasting Corporation (TBC)

Lack of accuracy and completeness of revenue data

Generally, the Marketing Department of TBC does not maintain a complete record of all Broadcasting Commercial Orders (BCOs). For instance the department did not prepare a detailed list of all BCOs that were raised during the financial year 2007/2008 on a monthly basis. We further noted a difference of Shs 2,217,323,619 between revenue summary from Marketing Department and the summary total of invoices issued to customers by the Accounting Department. See table 1 below. There was no clear explanation from management for the difference between the two sets of reports.

Sales as per accounting department (VAT inclusive)	Revenues as per Marketing department records (VAT inclusive)	Difference
(Shs)	**(Shs)**	**(Shs)**
6,302,213,023	4,084889,404	2,217,323,619

Our review of the minutes of the Board of Directors revealed that monthly BCOs and revenue reports are not prepared, submitted or discussed by the Board of Directors. Furthermore, we noted that the Program section does not produce and maintain reports for all programs and commercial advertisements made. Lack of the above information makes it difficult to ascertain the completeness of the revenue by the corporation for the financial year ended 30 June 2008. The accuracy and completeness of the corporation's reported revenues is uncertain.

Credit Notes passed without approval

During the year under audit we noted that TBC raised credit notes of Shs.60,270,800 which were processed in the General ledger without proper approval from authorised personnel of the Corporation. According to the Corporation's Accounting Manual Section 5.2.5.2, all credit notes should be approved by the Director of Finance and Supplies or Finance Manager. Credit notes issued fraudulently may lead to revenue losses and non compliance to TBC's Accounting Procedural Manual.

4.3.2 Lack of Security over cash collections at Institute of Social Works

According to regulation 57 (1) of the Public Finance Regulations 2001 (revised 2004) the Accounting Officer shall be personally responsible for ensuring that adequate safeguards are in place and are applied for prompt collection of and proper accounting for all revenue and other public moneys relating to their departments. To ensure that this regulation is fully complied with, an accounting officer has to make sure the cashier's office is well safeguarded. During the course of our audit, we observed that the Institute of Social Works does not have an office provided for cashier's daily activities. Instead the cashier is sitting at the office pool in the account office where receiving of cash and cheques is done. Management is inadequately controlling and safeguarding the institution's revenue collections.

4.3.3 Lack of safe custody over accountable documents at Tukuyu Urban Water and Sewerage Authority

Regulation 151 of the Public Finance Regulations requires that valuable documents when not in use should always be kept in a strong room, safe, or strong box. Audit test conducted at Tukuyu Urban Water and Sewerage Authority noted that a total number of 30 revenue collection receipt books were missing from the authority's offices. Some other 80 receipt books were found to be kept a cupboard and there were no records for the same in the counterfoil register. Audit could not ascertain the revenue collection on the missing receipt books.

4.3.4 Tanzania Electrical Supply Company Ltd

Long outstanding revenue reconciling items

During audit I noted differences between income reported in the monthly cash collection report and amounts reported in the general ledger as shown below;

Details	Consumer contribution	Consumer contribution	Miscellaneous income
Total per monthly reports sent to head office	123,378,144	355,509,564	73,173,455
Balance per general ledger	223,616,208	712,362,570	8,948,057
Variance	**109,234,064**	**356,853,006**	**4,225,398**

Though the differences above were explained to relate to errors in preparation of monthly reports, management ought to ensure that these reports reflect a fair presentation of the company's performance and results.

Late collection and non billing of revenues

It was observed during the audit that some of the Public Authorities are facing problems of timely collection of revenues. This problem has been contributed by late submission of bills to customers and short staffing in the sales departments. In our review we sited few examples as they were reported in the management letter issued to TANESCO:

Meter readings for large customers not done in some months

We noted for the month of December 2007 that meters reading for some customers were not done. Though, invoicing was done based on estimate, revenue at the year end may be misstated.

There was no meter reading done for the following customers in December 2007:

Name	Customer Ref:
Tradeco Oil Industry	51036253
Agro Processing and Allied	51036225
M/S Superstar Fowarders	51036224
M/S UCLAS	51056618

Revenue for financial year 2007 may have been misstated.

Delays in billing new customers

We noted that newly connected customers received their first bills two or more months after connection. The table below represent some specific examples:-

Customer	Meter No.	Date connected	First bill
Vodacom (T) Limited	99158721	31/1/07	Not billed until April 08
Alpher Nuhu	13959	18/1/07	Not billed until April 08
Philemoni Kalokola	12140187	26/1/07	Not billed until 23/7/07
Celtel (T) Limited	050801127	28/3/07	Not billed until April 08
Macdonald Machange	0200672	18/1/07	Not billed until 28/9/07

1. Meter readings are not made in time as analysed below:

Customer name	Customer Ref	TYPE	Date meter connected	Date first meter reading	No of months the meter reading was delayed
Chief Secretary State House	41066446	T2	04.02.2007	03.10.2007	8
Gassi Holdings Ltd	41066438	T2	25.04.2007	06.06.2007	1
Magereza office	41066452	T2	04.07.2007	01.09.2007	2
Derm Electricsm (T) Ltd	41066451	T2	03.08.2007	04.10.2007	2
Kibo trade textiles Ltd	41066454	T2	03.08.2007	04.12.2007	4
NBC (Industrial branch)	41066455	T2	03.08.2007	05.10.2007	2
National Institute for Medical Research	41066461	T2	15.09.2007	02.11.2007	2
Coconut fibber manufacturing Ltd	41066476	T2	24.10.2007	06.12.2007	1
NBC Mnazi mmoja	41066475	T3	24.10.2007	01.02.2008	3

Delays in meter reading and billing

Delays in meter reading and billing may lead to cash flow problems to the Company as well as facilitate customer disputes.

Unbilled consumption

During our review of billing procedures, we noted that Kilimanjaro Kempinski Hotel was under-billed for two months by a total of 135,765 units of electricity amounting to Shs 13,120,939. The difference contributes to the loss of revenue from the unbilled accounts.

4.3.5 Tanzania National Parks

Weakness on the controls over concession fees
Controls over concession fees are very weak. The trend analysis shows that concession fees have been steadily declining despite the fact that the number of visitors to the national parks has been increasing. The low concession fee is highly attributed to weak controls over collection of concession fees from investors operating within the National Parks. For instance, TANAPA does not consistently record number of visitors who reside in the hotels within the parks. We tested register of visitors maintained by TANAPA against hotel records in the month of November 2008 for Manyara National Park and found significant discrepancies between the two records as shown in the table below.

Date	Number of visitors per TANAPA records	Number of visitors per HOTEL records	Discre-pancy
09/11/08	4	8	(4)
10/11/08			
11/11/08	2	4	(2)
12/11/08	6	6	0
13/11/08	2	0	2
14/11/08	2	12	(10)
15/11/08			
16/11/08	2	6	(4)
17/11/08	0	4	(4)
18/11/08	2	8	(6)
19/11/08	0	4	(4)
20/11/08			
21/11/08	0	4	(4)
22/11/08	2	2	0
23/11/08	2	2	0
24/11/08	3	7	(4)
25/11/08	3	3	0
26/11/08	0	2	(2)
27/11/08	4	4	0
28/11/08			
29/11/08	3	2	1
30/11/08	4	8	(4)

Furthermore, we noted neither tourism section nor accounts department prepares reports on number of visitors including nights spent in park lodges for reconciliation purposes with the hotels' records and ascertainment of accuracy and completeness of the monthly concession returns submitted by investors in the parks. Moreover, we reviewed permits dated 9th January 2009 and noted that the gate clerk did not fill in the permit accommodation destinations of the respective visitors. These weak internal controls over concession fees provides a room for tourist accommodation operators to under declare the number of visitors who stayed in their lodges which later affect the reported revenues

4.3.6 Tanzania Ports Authority

Inaccurate measure of cargos for Inward and outward wharfage Revenue at Lake Ports

Wharfage charges are reported based on the weight of inwards and outwards cargo. Our audit examination revealed that, cargo shipped through lake ports were not measured accurately as not all cargo was measured. Only few packages of the cargo were measured and then estimation was made for the entire cargo on the basis of sampled packages, except for the items with standard weight such as cement, sugar etc.

In addition, inwards and outwards wharfage charges were accounted for through filling two documents before customers make payments and wharfage receipts were raised, the documents are Tally Sheets and Inwards/Outwards Cargo Declaration Form (IOCD). Our examination of the documentation procedures revealed that, in most cases tally sheets which were supposed to be filled by operations staff were not completed and IOCD which are supposed to be filled by the customers as declaration of the cargo being shipped in or out were filled by operation staff contrary to the required procedure. Management explained that, the above weaknesses are attributable to inadequate number of staff and level of customer literacy.

In view of this practice, we were unable to ascertain the accuracy and completeness of the revenue in respect of inward and outward wharfage charges amounting to TZS. 606,201,591 as reported in the accounts. We recommend to the Management to ensure that all cargo is weighed with a view to ensuring that revenue is properly accounted for. Furthermore, all revenue forms should be completed as required.

Loss of Potential Revenues from Private Jetties at Lake Ports

Under the Ports Act, every sea and lake ports within Tanzania mainland are supposed to form the Authority's source of revenue through various activities within the respective ports. Our sampled visit to the private jetties (ports) at south and north ports in Mwanza and Nansio as listed below revealed that there were several activities with substantial revenue amount not charged and collected by TPA in compliance with the above mentioned enabling Act. The respective private jetties visited are depicted below:-

	Name of Jet	Name of Owner	Location
1.	Mwaroni	City Council	Mwanza North Port
2.	Mkombozi 1	Mr. Kitana	Mwanza North Port
3.	Kamanga Ferry	Mr. Cag klaus	Mwanza North Port
4.	Kishimba	Mr. J. Kishimba	Mwanza North Port
5.	Hamo Transport	Mr.James Kisandika	Mwanza North Port
6	Nyehunge	Mr.Said Mohamed	Mwanza North Port
7.	Bijli	Mr. Bijli	Mwanza North Port
8.	Mkombozi 2	Mr. Kitana	Mwanza South Port
9.	Kamanga Ferry	Mr. Cag klaus	Nansio Port

Management did not comply with the Ports Act. In this regard we urge management to continue with efforts to ensure that they increase their revenue earning capacity.

4.3.7 Tanzania Petroleum Development Corporation

Late Collection of Gas Sales from PanAfrican Energy (T) Limited

We observed that collections of gas proceeds from PanAfrican Energy (T) Limited were not satisfactory.

The figure of PanAfrican Energy (T) Limited as a debtor has been increasing significantly. This denies the Government timely receipt of its rightful revenue.

The schedule below shows the outstanding balance from PanAfrican Energy (T) Limited

Date	Invoice	Gas sales	Amount Paid	Outstanding
		TZS	**TZS**	**TZS**
07/02/08	340	200,606,756	149,531,752	51,075,003
30/03/08	346	231,723,636	0	231,723,636
30/03/08	347	670,029,239	450,000,000	220,029,239
30/03/08	348	567,493,751	533,569,266	33,924,484
30/06/08	429	268,306,354	0	268,306,354
30/06/08	430	937,941,506	0	937,941,506
Total				**1,743,000,224**

CHAPTER FIVE

INTERNAL CONTROL SYSTEMS

5.0 Introduction

This chapter deals with internal control issues that were found to be material and worth to be reported in this general annual report.

5.1 Internal control

Internal control is a key element of the Public Authorities and other bodies, which involve continuosly monitoring and improvement depending on the changes the business environment is under going through some of the weaknesses of the internal controls observed from a number of Public Authorities and other Bodies audited in period under review are listed below:

5.2 Improper Cancellation of Cheques

For control purposes, where a cheque is drawn and noted to have significant error which could not allow it to proceed for payments, that cheque will be cancelled for payment by drawing two parallel lines with the word 'cancelled' on the face of it. The control is put to prevent fraudulent actions which might take place in case the cheque falls into the hands of unfaithfull persons. A test check conducted on this control among the undermentioned Public Authorities revealed the following anomalies:

(i) Institute of Social Works

Review conducted at the Cashier's desk noted 8 cheques worth Shs.7,761,200 which were fully signed by signatories but not dispatched to the respective payees due to the fact that they had some errors. The cashier when interviewed said that the cheques had already been replaced with correct cheques. This is very risky as the same cheques could be used to draw money from the accounts of the Institute.

(ii) Tanzania Engineering and Manufacturing Designing Organization

Our scrutiny of cheque stubs revealed 16 cheques that were genuinely cancelled; however, the cancellation process was not properly done by marking the respective cheques "Cancelled". Instead, in some cases, the cancellation was evidenced by tearing off signatures. Also, the respective cancelled cheque numbers were not recorded in the cash book and indicated as cancelled.

5.3 Non preparation of bank reconciliation statements

Regulation 162 of PFR, 2004 insists that balance of every bank account as shown in the bank statement must be reconciled with the corresponding cash book balance at least monthly. On reviewing some of the Public Authorities' accounts, we found that reconciliation statements were not prepared for un-explained reasons. In some Authorities the reconciliation statements when prepared were not reviewed and approved by the entity's authorized officers.

Below is the detailed analysis of the concerned Public Authorities whose bank accounts were not reconciled monthly:

S/No	Name of PA&oBs Organizations	Description
1.	PPRA	Monthly bank reconciliation statements are not thoroughly reviewed.
2.	TCRA	(i.) Monthly bank reconciliation statements are not regularly reviewed. (ii.) Stale cheques are not reversed timely in the books of accounts.
3.	TANESCO	(i)Bank reconciliation statements are not reviewed rigorously. (ii) Bank reconciliation statements for collection accounts had not been

		prepared (NBC A/C No. 022103000156 and CRDB A/C No. 01J1043011104). (iii) From our review of cash in transit (CIT) reconciliation statements, we noted double postings were was not reconciled worth Shs 71,096,331
5	TCAA	Bank reconciliations, especially revenue bank accounts were not reviewed by independent personnel as they had no reviewers sign off to evidence such reviews (if any). Some reconciliation statements were not properly prepared and no investigations were performed by management to establish the causes of the anomalies. Bank balance used on those reconciliation statements did not agree with the balance as per bank statements.

In the absence of reconciliation, errors and or irregularities on the bank reconciliation statements may not be timely uncovered and promptly corrected. The above cases are just indicators but this situation is common to many Public Authorities and other Bodies which needs purposeful efforts to address. Moreover its has been proved that major theft of Public Authorities money using the bank system has take place in those Public Authorities which never do bank reconciliation or those in arrears of such statements.

5.4 Inefficient control over cash receipts at NSSF

Audit review on the contributions receipt noted that employers monthly contributions to the Fund are done either through bank or Cash. These monthly contributions are usually supported with NSSF 15 form which includes relevant employer's particulars and that of individual employee like their respective salaries regarding contributions of a particular month under which the contributions falls under. The controls instituted by the Fund in this regard includes issuing of receipt which is system numbered. The reconciliation between the Recipient of Funds and Main cashier is conducted through preparation of daily report summary and daily cash banking.

However, our evaluation of controls with regards to receipts of contribution by cash we observed that a notes counting machine at Morogoro Branch is inefficient in detecting fake notes. For example on 4th January a counting machine failed to detect two fake notes of a denomination of Shs.10,000. This anomaly if not corrected can affect revenues.

5.5 Weaknesses noted on the dispatch of cheques

For the matter of ensuring controls of daily issued cheques by Public Authorities and other Bodies management has to ensure an existence of cheques register. The register should contain on it full particulars of a cheque such as name of payee, cheque number, amount, signature and date. These controls are designed to protect loss of cheques or misallocation of cheques to un-intended recipient.

During our audit we noted cases where some of the Public Authorities despite of having established a cheque control register; the recipient collected the cheques without signing on the register as detailed below:

S/No	Auditee	No. of cheques	Amount (SHS)
1	TBC	35	318,905,190
2	NSSF	various	1,579,832,604
		Total	**1,898,737,794**

5.6 Lack of segregation of duties.

Segregation of duties is a basic key of internal control used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Segregation of duties ensures crosscheck of duties whereby a single employee is not allowed to perform incompatible duty. During audit we noted some Public Authorities which lacks segregation of duties in various departments singled out in the following examples:

Entity	Description
Tanzania Ports Authority	Finance section at ports in Mwanza, Kigoma, Kyela and Inland Container Terminals revealed lack of segregation of duties especially in the accounts section had shortage of staff and as a result most of the functions supposed to be carried out by accounts staff were carried out by operational staff that are not conversantly trained to handle such activities and therefore, there was no distinction between service rendering and book keeping.
Tanzania Civil Aviation Authority	Cash is received at different stations by a clerk/accountant who is also responsible for recording the cash received.

5.7 Outstanding receipts on the monthly bank reconciliation statements of DAWASCO

Included in the list of reconciling items in the bank reconciliation for CRDB A/C 900 as at 30 June 2008 were long outstanding amounts mainly cheques received from customers amounting to Shs 14 million that had not been credited in the bank account. These long outstanding receipts can be analysed as shown below;

Outstanding Receipts as at 30 June 2008	Amount Shs
3 to 6 months	3,181,535
6 to 12 months	6,166,613
Over 12 months	4,736,540
Total	**14,084,688**

There is a possibility for misstatement of the cash balances as some of these items could have been unpaid cheques that have become stale. Also this is an avenue that can be used to conceal misappropriation of funds. We noted that adjustments were processed in the financial statements to write-off these amounts and customer balance reinstated but reasons for such delay was not provided.

5.8 Dormant Bank Accounts

Many Public Authorities and Other Bodies operate dormant bank accounts sometimes holding substantial amounts of money. Such dormant accounts tend to be forgotten and neglected. It should be borne in mind that dormant accounts carrying reasonable amount of cash are risky and very prone to fraudlent activities which will normally involve collusion between dishonest bank employees and staff of the PA&OB who are aware of such dormant accounts. PA&oB are therefore discouraged from maintaining dormant bank accounts as much as possible. Once the use of a bank account has been accomplished, it is advisable for such account to be closed and transfer whatever remaining cash balance to another active bank account of the PA&oB.

5.9 Lack of Bank Reconciliations

Bank reconciliation is one of the best control and assurance mechanism that your cash in bank is safe and all transactions in the account are genuine. The operation of a bank account is trusted to the Bank holding that account. The bank transacts the operations of the bank account on behalf of the bank account holder. It is of paramount importance therefore that once in a while preferably on a monthly basis to do a reconciliation of the entries the bank has effected on your account with what you have transacted on the cash book. It is only through this procedures you can assure yourself that your monies in the bank account is safe and well taken care of. It is important therefore for PA&OB to strictly adhere to the requirements of Reg.162 of the Public Finance Regulations 2001 (revised 2004) which states that, "The balance of every bank account as shown in the bank statement must be reconciled with the corresponding cash book balance at least monthly, the reconciliation statement being filed or recorded in the cash book"

These few reported cases of weaknesses in the internal control system indicates a need for management of PA&OB to insist on a serious discipline in abiding to the controls instituted to safeguard the public resources.

CHAPTER SIX

PERFORMANCE REVIEW

6.0 Introduction

This chapter deals with matters relating to perfomance review in Public Authorities that were reported in the management letters during the period ended 30th June 2008

To enhance service provision, supervisory and regulatory role, the Government has established new PA&oBs and vested them with the regulatory roles, others with service provision and few with both roles.

However, analysis carried out during the year under review noted that some Public Authorities are not performing satisfactorily as expected by stakeholders. Factors which contribute towards setsback of Public Authorities in the Country are highlited in the proceeding paragraph.

6.1 Factors contributing towards setback of the PA&oBs Organizations

Among others major challenges which are contributing to the unsatisfactory performance of Public Authorities are among the following:-

(i) Bureaucratic in offering policy guidance and legal advice by the responsible ministries,

(ii) Weak legal and regulatory frameworks governing the operations of the Public Authorities

(iii) Weak supervisory capacity by Treasury Registrar's office, sectoral Ministries and, Board of Directors inability to play their role as an oversight organ,

(iv) Lack of Entrepreneurial Organizational Culture, Incompetent Management and lack of Professionalism,

(v) Organizational and management structures, systems and processes set without objective,

(vi) Inefficient planning, budgeting and financial management due to lack of competent staff, accountability and transparency

(vii) Inadequate procurement procedures, processes and assets management

(viii) Under capitalization of the PA&oB

6.2 PA&oBs Performance Results for the year under review

The PA&oBs performance for the year under review has been measured on both physical and financial performance.

The physical performance review based on a degree of fulfillment of the entity's core objectives and other peculiar matters that deemed necessary for reporting, whereby the operational performance of PA&oBss were measured in terms of the profit or loss generated during the year under review.

Further, financial standing of these entities have also been evaluated in terms of the accumulated surplus or loss as at 30th September 2007, 31st December 2007 and 30th June 2008 for the respective entities closing their financial years at those dates.

6.3 Summary of PA&oBs Operational Performance

During the year under review, operational performances of PA&oBss were measured in terms of the surplus or deficit made by these entities. The numbers of concerned entities are shown in the bracket.

Category of the Entity	Surplus for the year (Shs)	Deficit for the year (Shs)
Water Authorities	370,711,085	1,389,362,740
Regulatory Bodies	21,691,610,790	9,553,098,603
Higher Learning Institutes	5,276,073,929	2,685,539,545
Big PA&oBs	118,051,293,661	83,357,566,164
Other Government Institutions	34,785,531,601	3,278,104,002
Total	**180,175,221,066**	**100,263,671,054**

From the table above, the operational performance of Public Authorities and other Bodies during the year under review shows that big PA&oBs were leading in surplus making while Water Authorities were leading in loss making.

6.4 Cumulative Surplus or Loss

During the year under review, financial standing of PA&oBss were measured in terms of the accumulated surplus or deficit created over the life time of the entities.

The following is an overall cumulative profit or surplus of Public Authorities and other Bodies:

Cumulative surplus or loss

Category of the Entity	Accumulated surplus (Shs)	Accumulated deficit (Shs)
Water Authorities	**1,211,251,749**	**5,570,304,655**
Regulatory Bodies	**89,672,168,700**	**7,546,402,387**
Higher Learning Institutes	**19,823,100,853**	**2,837,074,266**
Public PA&oBs	**602,377,355,008**	**31,212,057,177**
Other Government Institutions	**172,921,611,576**	**4,580,535,456**
Total	**883,168,413,619**	**51,746,373,941**

From the table above, the financial standing of PA&oBs during the year under review shows that big PA&oBs were leading in accumulating surplus and Water Authorities were leading in accumulating losses. I call upon the Ministry of Water and Irrigation together with other stakeholders to urgently intervene and come out with everlasting solutions to the problems been faced with Water Authorities in the country.

6.5 Specific Findings and Recommendations

6.5.1 Operation anomalies of Tanzania Electric Supply Company Ltd

Audit review of TANESCO performance on power supplies system for the year ended 31st December, 2007, disclosed the following summarized weaknesses which needs to be addressed to improve the performance.

- Revenue generated by TANESCO is being retained by Songas Limited for future investment, the total amount retained up to 31 December 2007 was Shs 5 billion. However going concern of Songas is in question as it recorded after tax loss of USD 4,935.
- As per the Songas power purchase agreement, TANESCO has the right and hence was to review all the initial Songas project costs to confirm that the project costs were as provided by Songas. This finalization of project costs is still pending meanwhile TANESCO continues to pay to Songas capacity charges based on the original stated Songas project costs. This constitutes a major concern in decision making since these initial project costs form the basis of approximately US$ 5 million monthly capacity charges that continues to significantly cripple TANESCO's liquidity.
- RICHMOND Development Company was advanced with USD 30,696,598 being 35% of rental income to facilitate the opening of the Letter of Credit with the commercial bank. The recoveries of the money could take 24 months. From November 2007 the total amount recovered so far is USD 7,674,186 resulting into an outstanding balance of USD 23,022,412. However we have been informed that the contract between TANESCO and the successor of RICHMOND M/S DOWANS ceased on 1 August 2008 before TANESCO had fully recovered the balance.
- TANESCO profitability for over six years has collapsed as the payments to just two Independent Power Producers

– IPTL and Songas accounted for about 90% of TANESCO revenues.

6.5.2 Noted Anomalies on Water Supplies Sector

It has been noted that, large part of the Water and Sewerage Authorities uses the old distribution networks, this leads to significant divergence from the average industry unaccounted water level, illegal connection, experience inconveniences in billing and collection system and below the industry average revenue per shilling spent on electricity as explained below:-

- **Indequate Revenue from Water and Below Average Revenue per shilling spent on power**

Unaccounted for water at DUWASA is 40%, this is above industrial average which stands at 31.8% and, electricity expenses at DUWASA are above industry average, consequently revenue per 1 Shs. spent on electricity is below industry average. Management should strive to control electricity expense. The Authority revenue has increased by 1% while its expenditure has increased by 14% from last financial year.

- **Metered Customer, Water Billing and Revenue**

The Billing system at TAWASA is open to every staff of the section from senior to junior staff whom cannot pass entries for amendment of bills. Further, most of the amendments made, lack proper supportive documents and authorization such as customers' written complaints approved by the Managing Director or any other officer delegated by the Managing Director to do so, and some customers are not metered. This could make it difficult to hold any one responsible incase of embezzlement of revenue by unscrupulous employees. It is recommended that, all adjustment of bills should be supported by written complaints from the customers and be authorized by the Managing Director or the Business Manager jointly with the Finance Manager on his behalf.

The revenue relating to water and sewerage charges at DAWASCO represents the operator element of the water and sewerage tariff billed to customers during the year. The Corporation inherited a customer data base from the previous City Water Services Limited. The data base had a number of weaknesses namely:

- Preparation and issue of incorrect bills due to incorrect meter readings and estimated consumption. Inaccurate meter readings are attributable to faulty meters and inability of the meters to cope with instances of low water pressure in the network that occur from time to time.

- Numerous instances were detected during the year of active water connections that have not been billed.

- Numerous instances were noted during the year where meter readings could not be matched to customer accounts in the billing database. This indicates instances of unrecorded revenue but has not been quantified.

- **Failure to achieve the Key Performance targets stipulated in the Lease Agreement between DAWASCO and DAWASA**

The Corporation is required to achieve the Key Performance Indicators (KPIs) and Key Performance Targets (KPTs) agreed by Dar es Salaam Water and Sewerage Authority (DAWASA) and DAWASCO as stipulated in the Lease Agreement dated 2 September 2005 as amended and restated as of 12th December 2005.

During review of the Key Performance Indicators (KPIs) and Key Performance Targets (KPTs) indicated that during the year the Key Performance Targets (KPT's) outlined in the table below were not achieved by the Corporation.

Key performance targets not achieved by the Corporation

Key Performance Target		Units	Year 1	Year 2	Year 3	Year 4	Year 5	Achievements as at 30 June 2008 (year 3)	Remarks
No	Component								
1.	Customer Meter Installation	No.	14,475	16,500	16,500	16,500	17,500	8,570	Failed
2.	New Water Supply Customers	No.	12,500	30,500	27,000	10,500	5,000	9,844	Failed
3.	Collection target	Shs'million month	1,700	2,300	3,100	3,700	3,750	1,619	Failed

This implies non compliance with article 38.4 of the lease agreement and attracts a financial penalty equal to 0.5% of the weekly revenue for each week of delay or part thereof after the due date. In this regard a penalty amounting to Shs 121 million was provided for in the financial statements. In the prior year, the penalty was Shs 74 million. Further, going concern basis of accounts preparation for the Corporation is questionable under achievement of the key performance targets contribute to low revenues and collections and hence the risk of inability to meet repayments of borrowings and other liabilities as they fall due in the future.

6.6 Central Bank of Tanzania (BOT)

- **BOT plan to engage a Consultant or Firm to Undertake a Review of the Status of EPA Liabilities**

The External Payment Arrears (EPA) saga has been one of the event that signifies the grand malpractice that can be undertaken in key Government institutions. In order to prevent the same event and the related ones to re-occur in the future, the responsible authorities had taken several measures including forcing the people involved to repay the stolen money back and taking legal action against them.

However, reviewing of status of EPA Liabilities and related procedures as the bank plan is of paramount importance. It is our view that, the bank should speed up the process of engaging the consultant to undertake the assignment in order to address the weaknesses identified in the Auditors Special Audit report.

Furthermore, the Government should not end up with EPA only, but it has to arrange for the review of other areas with identified weaknesses like Commodity Import Support Fund, in order to make sure that people do not squander public money which can be used to enhance economic performance of the country.

- **BoT Lacks integrated policies on Money Laundering and Terrorist funding monitoring.**

In year 2006, Tanzania enacted Anti-money Laundering Act to make better provision for prevention and prohibition of money laundering. To provide for the disclosure of information on money laundering the Government established a Financial Intelligence Unit (FIU) and the National Multi- Disciplinary Committee on Anti-money Laundering.

According to the Anti-Money Laundering Act of 2006 and its Regulations 2007, BOT has two roles namely; regulatory authority and at the same time as a reporting entity. However, BOT lacks a comprehensive money laundering policies and procedures manual for use by the Bank. There are some policies and procedures prescribed in different departmental manuals, further, the bank has no comprehensive guidelines in place covering all of the relevant areas of the Bank including directorate of banking, foreign department, Bank branches, staff, Government deposits monitoring and other deposits monitoring.

This implies that, in the absence of an integrated internal Bank's Anti Money Laundering policies cutting across directorates and departments, there are risks of the bank failing to effectively and efficiently execute its core obligation. Therefore, the bank should develop a policy and procedures manual dealing with money laundering.

6.7 Energy and Water Utility Authority (EWURA)

6.7.1 Development and Enactment of Relevant Sector Legislations

EWURA is a regulatory authority responsible for the technical and economic regulation of electricity, petroleum, natural gas and water sectors in Tanzania. The functions of the Authority include, among others, licensing, tariff review, and monitoring performance and standards with regard to quality, safety, health and environment of the regulated suppliers.

During the year under review, the Authority was able to develop and enact two sector legislations namely; The Electricity Act, 2008 and, the Petroleum Act, 2008. Therefore, it is vital for the remaining two sector bills to be drawn and harmonized with the EWURA Act, to enable the Authority execute its legal regulatory obligations as expected by the public it is serving.. In addition, the Authority should strengthen its regulatory and monitoring capacity.

6.8. Public Procurement Regulatory Authority (PPRA)

6.8.1 Very Low Reporting Compliance by Procuring Entities to the PPRA

Reporting compliance by procuring entities to the Authority is very low as analysed below:

- 22 of 350 PEs submitted their Annual Procurement Plans (APPs) to the Authority during the year under review.
- 26% of the Ministries submitted their tender notices to the Authority

- 18% of the Local Government Authorities submitted their tender notices to the Authority

- 46% of the PA&oBss submitted their tender notices to the Authority

- The reported contracts to the PPRA were about 62% of the collected tender notices

It was not evident whether PPRA provided feedback to the PEs that complied with the reporting requirements, with an emphasis to highlight areas where they did not perform right in the preparation of annual procurement plans, tender notices, and contracts.

This implies that, enforcement is not properly instituted and, lack of feedback from the Regulator to Procurement Entities may make them consider the reporting requirement as a formality and not a useful exercise.

The Authorities management should ensure that compliance monitoring is enforced and a feedback mechanism instituted

6.9 Tanzania National Park

6.9.1 Under-utilization of Donor Fund

TANAPA does receive funds from development partners for specialised activities such as specialised training for local staff and conducting health related activities e.g. assessing biodiversity health. However, these funds have been kept idle and are not used to implement the intended purposes. For instance there was a total amount of TZS 126.3 million from various donors as at 30 June 2008 that had not been used to send staff for specialised training programs for more than three years now. See table below:-

SN	Donor	Year of deposit	Amount
1.	Mac Arthur Foundation	1996	51,006,321
2.	University of Queensland	2004	21,772,750
3.	Ministry of Natural Resources		13,510,081
4.	National Environment Council		10,781,000
5.	University of Greenwich		8,285,691
6.	Tanzania Promotion Services.		7,533,151
7.	KRCD		7,000,000
8.	T.W.P.F		6,450,790
	Total		**126,339,785**

The intended objectives of the grants may not be met and, this may destroy the credibility of TANAPA and other local Authorities in the eyes of the development partners which could lead into reduction/ cessation of funding local development activities.

Management should utilise these grants timely for the purposes they were meant for.

6.9.2 Delayed implementation or non implementation of development projects

We noted cases of delayed or non-implementation of the development projects. From our sample of development projects that we reviewed, budgeted development projects amounting to Shs.1,980,912,829 were not implemented during the year under review as shown in the table below:-

S/n	Name of project	Park	Budget	Actual	Actual Achie-vement	Remarks
1.	CPW house at Seronera	Sere-ngeti	88,000,000	-	Not done	Tender process not comple-ted
2.	Social	Sere-	41,200,000	-	Not	Tender

	Hall at Seronera	ngeti			done	process not comple-ted
3.	Constru-ction of 22km long water pipe at Naabi	Sere-ngeti	684,788,208	-	Not done	Tender process not comple-ted
4.	Constru-ction of rest house	Sere-ngeti	220,000,000	-	Not done	Tender process not comple-ted
5.	Office furniture for CPW	Sere-ngeti	13,929,000	-	Not done	Renova-tion of chief park warden office is not ready
6.	Mvave Staff house	Sadani National Park	45,000,000	29,811,240		Stagnant
7.	To acquire one Landruiser station wagon for CPW by June 2008	Rubondo Island	86,000,000	-	Not acqui-red	To be acquired by Head Quarter
8.	Two in one junior staff houses at park HQ	Tara-ngire	158,211,343	-	Not done	Tender process and award comple-ted
9.	Staff house at Kuro	Tara-ngire	93,784,278	-	Not done	Tender process and

	ranger post					award comple-ted
10	TANESCO Electricity conne-ctions	Tara-ngire	450,000,00(	-	Not done	Funds returned to TANAPA HQ for re-budgeting
		Total	**1,980,912,829**			

Delayed implementation of development projects could imply lack of efficient and effective project and contract management teams. Management should ensure that project and contract management teams are established at TANAPA

6.10 Government Employees Provident Fund (GEPF)

6.10.1 Oracle Accounting System Failure

The Government Employees Provident Fund (GEPF) uses Oracle accounting system to record its transactions. During the audit, we noted that, the accounting system was not in full operation and financial transactions for most of the accounting period under audit were in Excel spreadsheets. The accounting system was acquired in year 2005/2006 and commissioned in February, 2007. No post implementation evaluation of the system was performed to establish the proper working of the system. The objective of purchasing the system was to increase efficiency in processing financial transactions of the fund and reduce unnecessary manual records.

Due to non-functioning of the accounting system, all information requested for audit purposes were generated from Excel spreadsheets.

Excel spreadsheets are prone to errors, manipulation and lack audit trail as they do not have proper functionalities allowing tracking of adjustments through journal entries.

6.11 Tanzania Broadcasting Corporation

6.11.1 Lack of monitoring of programs, commercial advertisements and Signing of Contract.

Tanzania Broadcasting Corporation has not put in place monitoring procedures for all programs and commercial advertisements made by the Corporation.

Monitoring of programs and commercial advertisements enable management to ascertain whether all scheduled programs and commercial advertisements have been made in accordance with terms of contract with the customer and are invoiced for.

In addition, TBC did not sign contracts with its international customers. During the year under review the Corporation provided advertisement services for foreign companies on credit without obtaining any legally binding contracts. Most of communications between the Corporation and these companies were through e-mails.

Commercial advertisements are made without raising Broadcasting Confirmation Orders (BCOs) contrary to the requirement of Section 5.2.4.3 of the TBC Accounting Manual

This may lead to loss of income resulting from un invoiced programs and commercial advertisements, any disputes by the customer can not easily be resolved, not only that, but un authorized programs and commercial advertisements can be aired without management knowledge.
In view of the above therefore, management should consider putting monitoring mechanism in place to control all programs and commercial advertisements aired.

Valid contracts should be signed between TBC and foreign customers for all services to be rendered

Management should ensure that BCOs are raised for all advertisements made and no advertisement should be aired without raising Broadcasting Commercial Orders as required by Sect. 5.2.4.3 of the TBC Accounting Manual

6.12 Tanzania Ports Authority (TPA)

6.12.1 Poor Performing of Leased Container Terminal

TPA Container Terminal was leased to a private operator M/s Tanzania International Container Terminal Services (TICTS) since May, 2000. Initially, the lease agreement was to last for a period of ten years. However, towards the end of year 2005, the lease agreement was extended for another term of fifteen years vide Addendum No.2

However, upon evaluation of the lease performance for the year ended 31.12.2007, the Lessor was dissatisfied with the Lease's performance, and having being dissatisfied with the explanations given to account for poor performance (failure by the Lease to attain targets beyond 25%) decided to issue a letter of intention to terminate the lease agreement as per clause 7.4.2 (2) of the lease agreement.

After tabling the matter before the Government, the two parties were advised to settle the matter by reviewing the agreement of which the leasee refused; the negotiation committee had to revert the matter back to the Government for further guidance and or determination.

One of the challenges was the congestion at the container terminal which was attributed by shortage of container handling equipment caused mainly by operator's reluctance to invest in modernization of the terminal.

The management should continue to ensure that the lease agreement come to an end on the basis of poor performance. With the increased containerization cargo, the exclusivity by TICTS to handle all cellular ships should be lifted to allow other operators to handle containerized cargo.

6.12.2 Congestion at Dar es salaam Port

The terminal at Dar es salaam port faces many challenges, among the huge one includes; Rapid increase in traffic beyond the terminal's rated capacity, High container dwell times, Increased ship waiting time and, poor productivity.

However, the port authority has set the following measures to alleviate the problem:-

- Increase use of Ubungo Inland Container Depot
- Expanding yard area by demolishing of unused warehouses in the terminal
- Sustain 24hrs operations to increase deliveries
- Use of private Inland Container Terminals located outside the terminal.
- Construction of multi storey car park project was on the offing
- Additional land was acquired at Kurasini area to provide additional land for port operations.

Meanwhile, the congestion problem is worse at the general cargo especially motor vehicle yard as well as containers which are being handled at the terminal. Apart from the measures envisaged decongesting the port, at the time of conducting the audit, the problem was still persisting.

This implies that, the efforts that have been exerted to decongest the port of Dar es Salaam have not yet produced significant results. Therefore, management should continue with concerted efforts to decongest the port.

6.13 National Development Corporation (NDC)

6.13.1 Non Performing Investment-Matinje

During the site visits of the National Development Corporation project sites, it was observed that Matinje Gold Company was not in operation at all. At the site we, observed valuable plant and machinery which were idle and rusting.

6.13.2 National Development Corporation Investments in Associates

Latest financial statements of Ms Siemens (T) Ltd for the year ended 30th September, 2006 showed that net equity distributable to equity holders was Shs.280,904,000. This implies that the 20% holding attributable to the Corporation was Shs.56,180,800 as compared to investment amount of Shs.80,000,000 (at Cost) reflected in the accounts.

Latest financial statements of Ms Ace Audit & Expertise Ltd showed that the Company had accumulated deficits to the tune of Shs.132,061,256 as at 31st December, 2004. As a result the Company's net equity was negative at Shs.78,061,256. This implies that the 30% holding attributable to the Corporation was negative Shs.23,418,377 as compared to investment amount of TZS. 15,000,000 (at cost) reflected in the accounts.

Furthermore, we were informed that the Corporation had never received dividends from any of the companies in which the Corporation has invested.

In view of the foregoing, it is in our professional opinion that the Corporation's investments in the Associated Companies have been impaired. No provision has been made for this fact as is required by IAS 28.

6.14. National Insurance Corporation

6.14.1 Long Outstanding Claims with National Insurance Corporation

In accordance with Section 109 of the Insurance Act, 1996, every insurer is required to pay claims received within sixty days of admission of the liability. If the insurer is unable to settle the claims within that time he may apply to the Commissioner of Insurance for extension and the Commissioner may grant an extra time within which the claim shall be settled. Our verification of approved Non Life outstanding insurance claims revealed claims amounting to Shs.9.6 Billion which have been outstanding for a long time and the Commissioner's approval was not sought. However, due to limited working capital the Corporation was unable to comply with Section 109 cited above. Age analysis of the long overdue outstanding claims as at 31st December, 2007 is given below:

Year of Approval	Amount TZS
1992 – 2000	8,093,319,197
2001	7,241,683
2002	415,254,400
2003	28,910,548
2004	225,362,521
2005	222,238,511
2006	195,755,806
2007	387,289,890
TOTAL	**9,575,372,556**

Under the prevailing circumstances, the claims might not be recovered.

CHAPTER SEVEN

COMPLIANCE WITH PROCUREMENT LEGISLATION

7.0 Introduction

Tanzania embarked into a major restructuring of its procurement system which led into the enactment of the Public Procurement Act, 2001 and later repealed by the Public Procurement Act No.21 of 2004, the Public Procurement Regulatory Authority (PPRA) and the Public Procurement Appeals Authority (PPAA). To ensure the existence of procurement compliance in Tanzania, Section 44 (2) of the PPA requires the auditor of each public entity to state in his annual report whether the audited entity has complied with the procurement law and its Regulations.

In addition, Reg. 31 of the Public Procurement Regulations *(goods, works, non-consultant services and disposal of public assets by Tender)* requires the auditors of public body to state in his annual report whether or not these regulations have been complied with in relation to competitive tendering and approval of the procurement or disposal by tender by appropriate tender Boards.

In view of the Mandate given above, the National Audit Office reviewed the procurement systems and activities of various Public Authorities which were conducted during routine audit work of financial statements of the respective entities for the financial 2007/2008.

The procurement audit for the financial year has revealed material weaknesses and irregularities worth to report. These weaknesses include lack of procurement management units in most of the parastals, lack of independence of procurement functions and powers among pillar in the procurement process, Lack of Procurement Planning, appointment of persons with no procurement qualifications to be secretaries of the tender boards, underperformance of tender boards, notification of the

PPRA on the composition of the tender boards was not done as required by law, general procurement notice were not published and other procurement related gaps as detailed below:

7.1 General Observation

7.1.1 Lack of procurement management unit

Section 34 of the Public Procurement Act, 2004 requires the procuring entity to establish Procurement Management Unit staffed to an appropriate level. Study on the compliance with the above provision has revealed significant weaknesses whereby Chief Executive Officers of Public Authorities have not been able to establish the units as per requirement of the law. Detailed analysis of the findings for selected entities can be provided in the table below:

Entity
Tanzania National Parks
National Social Security Fund
Mwanza Urban Water and Sewerage Authority.
National Council of Technical Education
Bank of Tanzania
Institute of Social Works
Tanzania Broadcasting Corporation
Tanzania Institute of Education
Cashew nut Board of Tanzania
Tanzania Communication Regulatory Authority

7.1.2 Lack of Annual procurement plans

Section 45 of the procurement Act, 2004 a procuring entity is required to plan its procurement in a rational manner and in particular to avoid emergency procurement, aggregate its procurement requirements whatever possible both within the procuring entity to obtain value for money. Also procuring entities are required to reduce procurement costs and avoid splitting of procurement to defeat the use of appropriate procurement methods and integrate its procurement budget with its expenditure program. However, during year under review most of Public Authorities lack procurement plans in place as a result much procurement was done as the need arise and splitting procurement was noted in some of the transactions done by the procuring entity.

For example,

ENTITY
Ngorongoro Conservation Area Authority
Mwanza Urban Water and Sewerage Authority.
Bank of Tanzania
Institute of Social Works
Tanzania Institute of Education
Cashew nut Board of Tanzania

7.1.3 Performance of the Tender Boards

In most cases Chief Executive Officers appointed Tender Boards as per requirement of Section 28 (1) & (4) of the PPA, 2004. However, the following weaknesses were generally noted in appointing and functioning of the Tender Boards:

Appointments of tender boards were delegated by Chief Executive Officers contrary to reg. 33 (2) (a) which prohibits the delegation of establishment of tender board and appointment of members. There were not evidences that PPRA was notified on the constitution of the tender boards as required by Section 29 (1) of the PPA of 2004. I further observed material deficiencies in tender board proceedings in relation to resolutions which showed lack of understanding of board's functions and powers as per section 30 & 32 of the PPA, 2004. For instance, post qualification is done for all bidders before award is given to the lowest evaluated bidder.

Furthermore, some of the appointed Secretaries to the Tender Boards were neither procurement specialists nor heads of Procurement Management Unit contrary to part 2 (c) of second schedule made under section 28 (2). There were cases whereby members of Tender Board failed to attend tender board meetings for more than three consecutive meetings without justifiable reasons and no action taken on absence by Chief Executive Officers.

7.1.4 Inadequate independence of procurement functions and powers among pillars

Section 38 of Public Procurement Act, 2004 spells out that Chief Executive, Tender Board, Procurement Management Unit, the User Departments and evaluation committee shall act independently in relation to their respective functions and powers. However, many organization structures of Public Authorities indicated that procurement management units are placed under various user departments such as Finance and Administration department which impairs the independence of the two pillars in procurement process.

In addition, there were interference between the functions of the Chief Executive Officers and the Tender Boards that the chairman and members of the tender boards were the signatories of procurement contracts documents contrary to regulation 33 (3) of G. N. No. 97 which prohibits delegation of the functions to members of Tender Boards and staff of Procurement Management Unit.

For instance, at Tanzania Communication Regulatory Authority, the Secretary of the tender board (the Supplies and Logistics Officer) functionally reports to the Director of Corporate Resources Management who is the Chairman of the tender board. This undermines the independence of "PMU". Also procurements requisitions from user departments are not sent to the Supplies and Logistics Officer; rather, they are directly tabled at tender board meetings. Evaluation reports also are directly tabled by the evaluation committee to the tender board without being reviewed by Supplies and Logistics Officer.

7.1.5 Appointment and composition of evaluation committees

Public procurement regulation 90 (1) requires a procuring entity to establish a tender evaluation committee comprising not less than three and not more than five members. However, there were cases whereby the committees comprised more than five members contrary to the above regulation. Further the evaluation reports were noted to lack signatures of members of the evaluation team.

In addition, we observed that recommendations for appointment of evaluation committee made by Procurement Management Unit were not approved by Chief Executive Officers instead they were approved by heads of directorate such as Director of Human Resources and Administration contrary to section 37 (2) of the PPA, 2004

7.1.6 Procurement made without competitive bidding

Audit review of the procurement procedures during the year under review, revealed that procurements were done without competitive bidding as required by section 59 of the Public Procurement Act, 2004. The Act requires that a procuring entity engaging in the procurement of goods, works or services or disposal shall apply competitive tendering.

There was no evidence that invitation to quotations were sent to all short listed suppliers/service providers and it could not be ascertained whether or not bid periods were in line with those stipulated under third schedule, part (c) of G. N. No. 97.

There was no evidence that competitive quotations, which were 13% of all procurement, were received in sealed envelopes and opened in public at a specified time, as there were no records of the tender opening proceedings.

7.1.7 Unadvertised tenders without plausible reasons for single sourcing

We note significant deficiencies on advertisement of tender where by tenders for financial year 2007/08 were not advertised by procuring entities. Examples include:-

Entity	Tender not advertised
Tanzania Communication Regulatory Authority	Tender for provision of health service awarded to AAR Health Services (T) Limited worth Shs 75.67 million and tender for provision of digital documentation of the construction of TCRA building amounting to Shs. 32.38 million
National Social Security Fund	Procurement of one unit of Motor vehicle for Shs. 120 Million
Institute of Social Work	Procurement worth Shs.107,610,800 were made without competitive bidding

7.1.8 Irregular tender board composition

A review made on the composition of Tender Boards noted that the Boards comprises members less than required number of members as required by part 2 of the second schedule made under section 28(2) of the PPA of 2004. In some instances TUICO representatives were appointed to the tender board by virtual of their TUICO positions.

For example at the Institute of social work tender board comprises seven members only and at Bank of Tanzania TUICO representative was appointed to the tender board by virtual of his position.

7.2 Specific observations

7.2.1 Tanzania Communication Regulatory Authority (TCRA)

Controversial Tender for TCRA organisation review, job evaluation and grading

A review of the tendering procedures revealed that tender for organization review, job evaluation, and grading was initially advertised on 16, 17 and 20 August 2007 and was awarded to PriceWaterHouseCoopers (PWC) on 28/1/2008 after scoring 87.75 against the recommendation of the evaluation committee to award the tender to Ernest & Young who scored 87.80. PwC negotiated with TCRA on 5/2/2008 and agreed to enter into contract. The same was indorsed by the tender board on 06/02/2008 for TZS 59,879,040. However, no contract was signed with PwC and there was no documentation on what went wrong with PwC, and no evidence that the Tender Board cancelled the tender.

Further; the tender was later re-advertised on the grounds that there was no firm that qualified to carry out the assignment which in our eyes is considered to be a misrepresentation since there were qualified firms and as a matter of fact an award had been made. Furthermore, the advert **prohibited participation of the three firms** (PwC, Ernest & Young and Charter Consult) that had their financial proposals opened. These firms were not included in the evaluation of the re-advertised tender. No reasons were given for barring these firms. In the process of getting a competent consultant, Transport Resources Centre Limited (TRCL), which had been disqualified in the technical stage of the initial tender process, was the only responsive firm out of the 11 that qualified technically as per Tender Board minutes dated 4/6/2008. Subsequently DG approved a temporary tender board and the tender was awarded on 27/6/2008 by a temporary tender board that was proposed by the chairman of the tender board and approved by DG. The temporary tender board had 3 acting heads of department and was to serve as tender board members for that particular meeting only to approve the only tender.

Scrutiny of the tender documents submitted by the firm (Transport Resources Centre Limited) indicated that there were no significant changes to the two technical proposals between the initial tender and the re-tender. In the re-tender document two consultants from the awarded company misrepresented that they have worked with the firm for more than 12 months, which to a large extent improved their score. Also it was noted that the Principal Consultant of awarded company is a member of the TCRA Review Panel and this was not disclosed in the proposal stage apart from a comment from one tender board member. This was not reviewed to establish whether or not a conflict of interest exists and declaration to that effect had not been done. We consider the tender process to lack openness, transparency and equality among players in procurement which conclusively caused gross violation of Public Procurement Act, 2004 and its regulations which require responsible authority to conduct an independent investigate on the tender and take appropriate action.

7.2.2 National Social Security Fund (NSSF)

Questionable procurement of security services from Alliance Day and Night Ltd.

During the year under audit, the Fund procured security services for guarding its offices and estates country wide. The result of evaluation committee submitted to the tender board meeting held on 13th August, 2007 proposed the winners for the lots that Alliance security bided as detailed in the table below:-

Region	LOT No.	Bidder	Evaluation results (ranking)
Arusha (2 offices)	5	Pentagon Security	1
		Aliance day and Night	*2*
Kilimanjaro (5 Offices)	7	Bullwark	3
		Pentagon	1
		Aliance day and Night	*2*
Tabora (2 sites)	9	Aliance day and night	1

Dodoma (2 sites)	10	Bulwark security	2
		Alliance day and Night	1
Singida (2 sites)	11	Panic system	1
		Alliance day and Night	*2*
		Real security	3

During the process of selection of successful winners for each lot the tender board at its meeting held on 13th August, 2007 directed the concerned department to conduct the vetting of best three in each lot for further decision. The vetting report conducted by the department of security and its report signed by Chief Security Manager, recommended a reversal of recommendations made by the evaluation team, and recommended otherwise based on own criteria of evaluation and Aliance Day and Night Security Guard Limited of BOX 305 Tabora was awarded to render security service for Arusha, Kilimanjaro, Tabora, Dodoma, Mwanga, Same, Tarakea, Hai, Everest Chinese restaurant, Nzega, rest house from 31/10/2007 to 31/10/2009.

However, the justification for vetting and awarding such many lots to one private security company instead of the ones recommended by evaluation committee could not be made available. As far as the procurement process is concerned and interference of the procurement process by Security department could not be ascertained. The fund vetting recommendation implies a gross violation of procurement Act and regulations which attracts investigation the respective authorities to ascertain whether there were fair play in procurement process.

It was further noted that bid document submitted by Alliance Security did not comply with the format of a standard tender document issued by the PPRA casting doubt as to how the company competed and won this tender and the security company ended up underperforming in some areas assigned to it. We are of the opinion that the respective authority should investigate the fate and take appropriate action.

7.2.3 Tanzania National Parks (TANAPA)

Procurement for advertising services with CNN and Jambo publications Limited, London did not follow procurement procedures

Though the contract was signed by the Director General, Tanzania National Parks and Col. Emmanuel S. Balele (Rtd.), Board Chairman by then –Tanzania National Parks, all other procurement processes were handled by the Ministry of National Resources and Tourism contrary to the requirement of the PPA, 2004. The total contract sum of advertising with CNN for the year 2007/2008 amounted to USD 750,000. Further, TANAPA has signed a new contract for USD 800,000 for the year 2008/09 for adverting services. Both contracts do not specifically indicate timing of the advertisement, duration and length of the advertisement, frequency of the advertisement per day, week or month and at what time, procedure to monitor that the advertisement has been aired at the right times and at the right quality and terms of payments.

For instance, TANAPA made a lumpsum payment of TZS.1,077,620,400 in October 2007 in favour of CNN. The payments were not supported by broadcasting confirmation orders or any other documents, confirming frequencies of the advertisements aired by CNN. In the case of advertising with Jambo Publications Ltd, London, TANAPA paid a total of USD 272,006.45 as fees in respect of advertising services for six months from January to June 2008 at London Heathrow Airport Terminal 4 (USD 68,373.23) and advertising services for six weeks on 100 London Buses (USD 203,633.20). The contract in respect of this service was not availed to the auditors for review. In addition, invoice dated 18/12/2007 in respect of the above amount was addressed to Tanzania Tourist Board but was paid by

TANAPA. Furthermore, there was no evidence to suggest that the advertisement was carried out. In my opinion, there was no value for money achieved by TANAPA for carrying such transactions.

7.2.4 Tanzania Broadcasting Corporation (TBC)

Fraudulent tender award- Supply of Internet Services

TBC engaged WiA Company Limited to supply internet service since December 2007 without following tendering procedures including signing a contract six month later in June 2008 while the supplier had begun supplying internet service, TBC tendered this procurement by obtaining quotations from WiA company ltd, TANSAT Limited and Startel (T) Limited in June 2008. However, the tender was controversially awarded to WiA after other bidders being disqualified and the recommendation of the bid evaluation committee to negotiate price with the bidder from the quoted price of Shs.172 million to Shs.60 million, which was approximately the price quoted by the disqualified bidders. The solicitation documents and contract was not made available to the auditors for review.

The tender board on 23/7/2007 resolved to use P Squared Limited of UK as a single source contractor upgrading of Radio Studios at New BH Building, PRT and Scoop News Studio at TVT Mikocheni. The contract for GBP 53,212 was signed on 11/10/2007. However, it was noted in the tender board minutes dated 26/11/2007 that 5 firms were invited to submit quotations for the same procurement and 3 quotations were received. The tender board under instructions from DG resolved that the quotations would be evaluated after obtaining a quotation from P Squared Ltd. On 5/2/2008 the tender board resolved that the prices quoted by the 3 firms were high, therefore a quotation from P Squared should be solicited. The rejected quotations were in the region of USD 51,383 to USD 71,630 compared to P Squared contract of GBP 53,212 (Shs.126 million). It could not be ascertained the rationale of starting tendering procedures while the contract has already been signed and payments made since 1/11/2007. The other bidders were disqualified on the grounds of high prices; however, the price paid to P Squared was higher than those quoted by some other bidders.

7.2.5 Tanzania Ports Authority (TPA)

Tender for construction of container staking yard at ex-TANESCO using consolidated system - Shs. 4,165,666,875

The audit tests on the contract between TPA and a joint venture between M/S Tangerm LTD of Dar es Salaam and M/S Techno Combine Construction LTD for the construction of container staking yard at ex-TANESCO using consolidated system at a cost of Shs. 4,165,666,875 revealed the following irregularities

S/N	Item	Irregularities
1.	Leveling contract	-The work of leveling EX-PCMC and EX-TANESCO yards was contracted to CHICO the connection of which could not be linked to the main project of - construction of container staking yard at ex-TANESCO -Original contract sum was adjusted by 56.74% i.e from TZS.245,850,000 to TZS.385,319,000 following the actual BOQ verification of total quantity of excavation of 49,923 from 20,800
2.	Joint venture arrangements	The evaluation committee recommended the work to be done on joint venture between M/S Tangerm LTD of Dar es salaam and M/S Techno Combine Construction LTD for a total cost of Shs. 2,184,046,000 (Excluding

		VAT). How the Joint venture came about was unexplained to us.
3.	Completion time	Although the project completion period (45 days) was mentioned to contribute to single source and above limit procurement, the same was extended for 45 days from 29/5/08 to 18/7/08 and latter extended for further 43 days to 25/9/08 hence a total of 133 days.
4.	Status of the project and Value for Money	The site visit made on 9/10/2008 saw the contractor at site yet to finish the work which implies that the contractor was working without properly approved extended contract time. Further, value for money and the relationship between the nature of the project and the contract price of about 4.17 billion could not be measured as it needs special investigation.

I am of opinion that the Authority was not given an opportunity to get better price and competency for the said project through competitive tendering.

In order to be satisfied that the project costs represent the best price that could have been secured by the Authority, the management is urged to evaluate the project and or commission an investigative technical audit to ascertain and report on the fair value of the project. Further, failure by the contractor to execute the project within agreed time frame, the contract should be evaluated to establish liquidated damages suffered by the Authority and the same should be claimed from the contractor.

CHAPTER EIGHT

CONTRACT MANAGEMENT

8.0 General Overview

This chapter deals with legal framework and management of contracts that were found material from the respective management audit reports of Public Authorities during the period ended 30th September, 2007 31st December, 2007 and 30th June 2008.

Audit of contracts was conducted during the routine audit of the financial year ended 30 June 2008 as part of our review. The need of contract audit was attributed by the enactment of Public Audit Act No. 11 of 2008. Section 26(e) of same Act empowers the Controller and Auditor General to conduct any audit which the Controller may consider necessary.

Public Procurement Act, 2004 and Public Procurement Regulations, 2005 define contract as an agreement made between a procuring entity and a supplier or contractor or asset buyer, supply of goods or for the execution of works or for sale of public asset; In order to acquire goods, works or non consultancy services from external source there must be a contractual agreement between the parties.

Most our observations on contracts management centered on non compliance with statutory requirements which lead to misappropriation of public funds, hence obliterate the entity and bring doubtful reputations to the public.

The common practice includes weak and vague contracts, breaching of contracts and absence of contracts. Outcomes of the review of some legal contracts that were entered into by some of the Public Authorities are as analysed below:

8.1 Power purchase agreement by Songas Limited - TANESCO

Review of the power purchase agreement between TANESCO and Songas Ltd revealed that TANESCO has the right and hence was to review all the initial Songas project costs to confirm that the project costs were as provided by Songas. This finalization of project costs is still pending while TANESCO continues to pay to Songas capacity charges based on the original stated Songas project costs. This constitutes a major concern in decision making since these initial project costs form the basis of approximately US$ 5 million monthly capacity charges that continues to significantly cripple TANESCO's liquidity.

I am of of the opinion that management should immediately review the Songas project cost to establish the correct amount which should be paid by TANESCO.

8.2 Development of Dar es salaam water front by TPA - Shs.433,837,547

A review made on the procurement processes and contracting procedures for the agreement entered between TPA and M/S CPCS Consultants for development of Dar es Salaam water front at a contract price of Shs. 433,837,547 had the following anomalies:

S/N	Item/Anomaly	Description
1.	Evaluation of expression of interest	There was no evaluation report regarding the expression of interest on development of water front instead the report prepared by the PMU to the tender board was used as an evaluation report
2.	Informal arrangements	Director of planning wrote to Director General requesting approval for pre-feasibility study on the project and stated to have conducted informal consultancy and informally had requested M/s CPCS Consultants to perform the assignment.

3.	Unjustified Single source	The Director of Procurement and Supplies convinced the Tender Board to award the tender M/s CPCS Consultants on a single source basis contrary to the requirements of Reg.35 (GN 98 of 2005) through Memo No. 91/2007.
4.	Lack of advertisement for consultancy	In addition to M/s CPCS Consultants, 12 firms were invited to submit their consultancy proposals by invitation letters. In this document prepared by Director of Planning the address for requesting clarification was said to be the Director of Planning instead of the PMU contrary to Reg.112 (4) of PPR)

8.3 Security Service Contract between M/s Gema Security and TPA

Review procurement procedures and the contract entered between the two parties revealed the following weaknesses:-

- The contractor was selected based on the lowest price and not lowest evaluated bid ignoring other technical requirements.
- Contract was signed on 1st February, 2008 without official seal
- The contract did not specify the number of guards required
- Massive theft cases were reported and no action was taken by the TPA management.

The contract between TPA and Gema Security did not specified the number of guards required such that the bills raised have been varying from one month to another which cast doubt on where the payment was made for the services rendered to the Authority or not as tabulated below:-

	Number of guards workforces supplied			
	Internal	**External**	**Estate**	**Total**
February	70	40	48	158
March	59	44	48	151
April	-	121	48	169
Total	**129**	**205**	**144**	**478**

Tanzania Ports Authority and M/s Gema have entered into disagreements regarding number of guards required. This situation indicates existence of a serious misunderstanding on the contract between the two parties. Management has not shown efforts to resolve this problem Seven theft cases were reported during the contract period.

The contractor has failed to supply armed guards, dogs, motor vehicles and Motor cycles as agreed under clause 3.0 of the contract.

Payments were rising from time to time with an indication of falsified claims as almost 50% of seven claims amounting to Shs. 245,280,000 raised were slashed down by the pre-audit section of TPA to Shs.195,690,000.

I am of the opinion that Management has not exercised its due diligence in procurement and contracting management process which expose both parties into high litigation in case of dispute.

8.4 Anomalies on contracts management at Dar es Salaam port

Audit visit to Dar es Salaam Port came across many weaknesses in contract management which needs to be tackled as shown below:-

1.	Contract for provision of Female Sanitary Services for 2006/2007 (Bradys Quality Service at TZS. 9,000 per Bin per Month)
2.	Contract for Maintenance of Gardens at DSM Port with

	Property Market Consult –TZS. 107,916,000
3.	Contract for hiring vehicles –TZS. 267,060,000 The contract period was 12 months (27/4/07 to 11April, 08 but thereafter it was extended to 30th June, 2008)
4.	Contract for Block Staking Operations of Bagged Cargo at Dar es Salaam Port for 2006/2007

We observed the following anomalies:

(i) **Lack of legally binding clauses on the contracts**

Contracts reviewed at Dar es Salaam and Tanga ports noted that:

- Contracts were not formally written.
- Letters of understanding were signed instead of formal written contracts.
- At times, contracts were extended beyond the initial contract periods. This anomaly was also found at TPA Tanga port for all contracts involving supply of goods.

(ii) **Performance evaluation of service providers**

While evaluating performances of service providers it came to our attention that some of them performed poorly but their contracts were nevertheless extended. Examples of contract periods extended despite complaints from service beneficiaries include:-

- Contract for provision of Female Sanitary Services for 2006/2007 (Bradys Quality Service
- Contract for Maintenance of Gardens at DSM Port with Property Market Consult.

We further observed that these contracts brought contradictions among staff of TPA as the Port Engineer via letter ref.PWS/7/17 of 29/10/2007 wrote a letter complaining of poor performance of contractor requesting an apology for his action on the contractor and thereafter requested the port procurement manager to arrange for extension of contract while justifying every failure and anomalies of the contractor via letter ref.DET/2/7/01 of 6/11/2007.

(iii) **Lack of provision for liquidated damages**

Contract for provision of Female Sanitary Services for 2006/2007 (Bradys Quality Service at TZS. 9,000 per Bin per Month) and Contract for Block Staking Operations of Bagged Cargo at Dar es Salaam Port for 2006/2007 had no provision for liquidated damages.

(iv) **Inconsistency in evaluation of tenders**

We also noted existence of inconsistence in tender evaluation in respect of Contract for Maintenance of Gardens at DSM Port with Property Market Consult – Shs.107,916,000. While other bidders were disqualified during the evaluation process under the category of licence, by having licence of cleaning and not gardening (i.e Ludewa Batini Co, Intercapital LTD, Perfect Cleaning LTD and Professional Cleaning LTD), the awarded service provider M/s Property Market Consult had a trading licence on valuation and property management business which raised doubt on gardening competency.

(v) **Lack of clarity on the quantity and contract price**

The contract price in respect of Contract for provision of Female Sanitary Services for 2006/2007 was quoted to be Shs.9,000 per bin per month. However, the number of bins to be attended remain unknown, hence a room for over claims. As regards the Contract for Block Staking Operations of Bagged Cargo at Dar es Salaam Port for 2006/2007 the signed letter of understanding did not mention price of varied bags (other than 50 kgs) which was made in the addendum signed on 10 January, 2008. Rates were revised 11 months later before expiry of the contract period (1 calendar year) as follows:

Item	Old rate (Shs)	New rate (Shs)
50 Kg Bag of foodstuff	50	75
50 Kg Bag of fertilizers, salts and other Chemicals	75	112.5
Varied bags other than 50 kg : Foodstuff		1.5/Kg
Fertilizers, salts		2.25/Kg

(vi) **Unjustifiable correction of bid amount**

A bid amount in respect of Contract for Maintenance of Gardens at DSM Port was corrected by Shs.1,216,000 from Shs.7,777,000 to Shs.8,993,000 per month.

8.5 Weakness on lease of Kigoma port to MS Gravimports SPLL

Our review of Kigoma port operations found out that the operations of cargo terminal were leased to a private operator MS Gravimports SPLL of Burundi and its partner called MUAPI of Tanzania at an annual rental fee of USD 200,000 from 1/1/2008 for a period of 5 years.
However we observed the following anomalies:-

- The Contract was effected by Head office without any directives such that the management at the Kigoma port seems not to be aware of many provisions agreed in the contract.
- There was no access to MUAPI activities by TPA staff, hence TPA raised invoices only from the declarations made by MUAPI in the reports.
- The Performance bond of USD 500,000 which was to be issued by authorized bank in Tanzania, from the effective date to until 30 days after the end of the lease (to be renewed annually) was provided on

5/6/2008 while contract became effective 1/1/2008.

- The contract required operator to deposit with the lessor an insurance cover for general liability greater than USD 5 Million. No evidence was produced suggesting that the operator had complied with the provision of the contract.
- The annual rental fee of USD 200,000 was paid on 7/8/08 based on the invoice raised on 2/4/08 contrary to the contract which spelt out that the annual rental fee should have been paid within 90 days after effective date which was 1.1.2008. In other instances the staffs at TPA Kigoma were noted to be unaware of the provisions requiring the contractor to purchase, install and maintain internal fire fighting systems for cargo terminal. We recommend management should as much as practicable ensure transparency in all contracts and involvement of branch management for smooth execution and supervision of contracts.

8.6 Insurance for Construction of Head Office building at BoT

Review of the insurance for the construction of head office building at BoT identified major anomalies as shown below:-

(i) Lack of Insurance Policies and/or addendums from insurers

From the total Insurance Premiums of US$ 6,302,823.42 paid by the Bank to its Insurance Broker between 20 February 2003 to 24 July 2007 the Bank has in its possession Insurance Policies to support only US$ 2,478,388 worth of premiums paid. For the rest of the premiums paid, the Bank has only letters and invoices issued by its broker.

Furthermore, throughout the period between 20 February 2003 and 24 July 2007, there were renewals/upgrades of policies, change of insurers and changes to premium rates which are not supported by relevant endorsements, or addendums policies, or replacement cover notes issued by the identified insurers. Again in these cases, the Bank has relied on letters and invoices from its broker to effect the transactions.

(ii) Excessive premium rates charged

Based on the original insurance policies, the agreed rate of premium rates were 0.45% for CAR-Main. However, in subsequent upgrades and renewals the Bank was charged insurance premiums at higher rates of 0.91 to 0.96 %. Moreover, as stated above these renewals and upgrades were not supported by relevant endorsements, or addendums policies, issued by the identified insurers.

The CAR Insurance premium quoted in the original policy document was US$ 516,250 comprising:
CAR- Contract work US$ 335,700
CAR – Public liability I US$ 130,550
CAR – Public liability II US$ 50,000

We observed that while the rate of premium for CAR public liability I policy was agreed at 0.175 % i.e. US$ 26,250, the actual amount indicated in the policy document was US$ 130,550. This was excessive by US$ 104,300 but neither the Broker nor the Bank identified and correct the apparent mathematical error in the policy document.

However, eventually the Bank was billed a premium of US$ 679,500 by the Broker and which was duly paid. No explanation provided on the reasons for the higher bill. If the error is considered, the potential overpayment of premium to the Broker at the inception of the CAR policy was US$ 267,550.

Based on the PII Policy document, the PII Limit of Indemnity was US$ 20,000,000 with the total premium of US$ 1,798,888 charged to the Bank for entire duration of the cover implying premium rate of 16%. This rate appears to be unreasonably high.

However, eventually a total premium of US$ 3,182,471.50 was billed by the Broker in respect of the PII policy and was duly paid by the Bank to the Broker. The Bank does not have policy addendums, endorsements or cover notes for the increase in premiums of US$ 1,383,583.5. Furthermore, we noted that contrary to the standard insurance practices, premium for PII was subsequently computed on the value of the Building and not based on Indemnity Limit which was agreed at US$ 20,000,000.

(iii) Possible duplicated insurance policies

Public liability risk: Whereas the contractor was required to maintain a public liability insurance policy under clauses 18 and 19 of the construction contract, the Bank also purchased public liability policy under CAR policy. The CAR policy also covers the contractor and sub contractors. The Bank did not seek to recover the premiums paid from the payments it makes to the contractor as required under clause 19(3).

Damage to property risk: Under clause 18 and 19 the contractor was required to maintain insurance policy to cover against risk of damage to the property that may occur in the course of carrying out of the construction works and which are due to negligence, omission, or error by the contractor, its sub-contractor or agents; and the cost of which was duly included in the total contract price. However, the Bank also purchased CAR policy which also covers “risk of damage to the insured property”.

(iv) Justification for the Bank to purchase such policies

Whereas we understand that the Bank was advised to purchase the above insurance policies by its professional insurance broker and a Bank's project manager we found no satisfactory answers to the following questions:

- Reasons for duplicated insurance cover for same risks as already explained above;
- Whether it was in the best interest of the Bank for the Bank to purchase at own costs Professional Indemnity Policy for its able independent consultants namely M/S Architect WEBB Uronu, M/S Design & Services; M/S Inter-Consult, and M/S Tan Consult for their respective professional related risks; and
- Whether the Bank had any insurable interest in the professional duties and obligations of these independent consultants. Moreover, we find it logical that the Bank should have required these consultants to maintain such policies or the Bank should have recovered insurance premiums paid by it from payments it made to these consultants.

(v) Inconsistent information on PII Policy

Inconsistent information provided to the Bank management. For example, the Bank's broker indicated in his letter to the Bank that the PII was sourced from Insurers in Europe, US and SA and that no local insurer was capable to provide the cover. This was further supported by the Bank's project manager who also indicated in his recommendation to the management that the PII was obtained from Specialised Risks Underwriters (SRU) of South Africa. However, ultimately the PII Policy given to the Bank after about a year and half since payment of premium was from a local insurance company M/S Alliance Insurance Corporation Limited.

Additional inconsistency regarding PII policy is with regards to payments of insurance premium in which insurance premiums of US$ 1,798,888 in respect of PII cover was paid to the broker on 17 March 2005 with the Policy document issued on 26 July 2006 (about a year and a half since payment of premiums were made). Furthermore, this policy was retroactive from 14 March 2005 and not from 24 February 2003 as advised to the management.

(vi) Inconsistent information on identity of insurers

Whereas the named insurers in the original CAR Policy was M/S Nova Risks Partners Ltd of South Africa, and for PII was M/S Alliance Insurance Corporation Ltd of Tanzania, subsequent letters and invoices from the broker and which form the basis for subsequent payments made by the Bank indicated different insurers. For example;

- Invoice from the broker No. 6458 for US$ 441,916 for additional premium in respect of CAR and PII policies due to escalation of value of insured property indicated that the insurer was M/S Scintilla Insurance Company of South Africa and not Nova Risks Partners Ltd.

- Another Invoice No. 6459 for similar reasons for US$ 432,000 indicated that the insurer was M/S Santam Insurance Company of South Africa.

- A further invoice No. 402706 from the broker for similar reasons of US$ 1,028,903 indicated that the Insurer was M/S Scintilla Insurance Company of South Africa.

We found that the Bank had no replacement insurance policies, or endorsements, as the case may be, issued by the named new insurers.

(vii) Bank is not in possession of Contractor's Policy required under clause 18 & 19.

The Contractor was required under clauses 18 and 19 of the contract to maintain an insurance policy in a joint name that covers the contractor and the Bank against risks of injury or death to persons and damages to property which result from actions of the contractor. However, the Bank does not have in its possession a copy of such policy. This implies that Bank may have paid insurance premiums to its Broker while no insurance policies were in existence and possibly the bank had no cover at the time and the Bank may have paid excessive amount of insurance premiums due to the application of unjustified excessive premium rates. In addition, the manner in which the insurance transactions were conducted, nature of the transaction, sufficiency of documentary evidence has raised major uncertainty regarding the regularity, authenticity and hence validity of the transaction.

Based on the limited information provided the depth of our review, we treat this matter as highly suspicious. The management should institute a competent independent investigation on the transactions and take appropriate cause of action including recovery of the premiums.

8.7 Improvements required in managing completion stage contract of BoT HQ Building Extension Project

Our review of the agreement between Group Five Building East (PTY) Limited and Bank of Tanzania for Extension to the Head Office Bank of Tanzania 10 Mirambo Street Dar es Salaam noted the following;

- Original Agreement was signed on 25 June 2002.
- Contract sum indicated in the Agreement was US $ 73,600,000 (United States Dollar Seventy three million six hundred thousand only).
- Commencement date (Not indicated)
- Completion date (Not indicated).

Clause 13 of the contract document states that “the contract sum shall not be adjusted or altered in any way what-so ever otherwise than in accordance with the express provisions of these conditions, and subject to clause 12 (2) of those conditions any error whether arithmetic or not in computation of the contract sum shall be deemed to have been accepted by the parties hereto.

However, the provisions of clause 13 of the contract were not observed by both parties throughout the execution of the contract, the payments made to Group Five Buildings East (PTY) Limited up to 30 June 2008 amounted to US $ 284,671,000 without any new addendum to the original contract or cost and design escalation agreements to incorporate the changes in design and price escalation.

Price fluctuations

For example, we observed certificate No. 32 with value of US $ 12,071,804.67 included US $ 6,517,230 described as prolongation cost for extension of time and US $ 71,500 insurance bond paid to the Contractor. These were not supported by revised agreements.

Schedule A 15 (i) of the schedule of conditions of building contract states that “the contractor has included a sum of equivalent to 5.39% of the contract sum to cover escalation in the cost of the measured works and preliminaries. (ii) "This sum shall be adjusted to the final cost of the measured works and preliminaries.

Clause 32 of the same contract had detailed notes with regards to fluctuations and this clause has been struck off by hand without any explanation or amendment.

Regulation 43 of the Public Procurement Regulations GN No. 97 alteration and amendment of contract spells out that "a procurement or disposal contract shall not be altered or amended in any way after it has been signed by both parties unless such alteration or amendment is endorsed by the approving authority that reviewed and approved the original procurement contract or disposal by tender".

Regulation 44 states that "any variations to the value of a procurement or disposal contract shall be reviewed and approved by appropriate tender Board".

Until the conclusion of audit report in November 2008, the Bank could not provide us with information as to the agreed revised maximum Contract price under the Extension Project. It does appear though that at present the Bank has no effective control over the future cost to complete the project. Management should review the existing contract for the extension work to ascertain whether it is still valid and that the Bank is safeguarded from contract risks. The review should also involve terms and conditions with sub-contractors and consulting engineers. Maximum contract price and completion timetable should be agreed with the Contractor. Since the Bank will continue to have major contractor such as Estate management and IT, it should consider developing Project Management Methodology as well as develop a programme aiming to build the Bank's internal capacity to manage major contracts.

8.8 Management of costs for other consultants under the project for extension of bank's head office building

Alongside the main contractor to the extension of the Bank's Head Office building project are Quantity Surveyor - WEBB Uronu & Partners, Project Planning Consultants - Design and Services (Limited), and Tan Consult Limited.

These consultants were committed to provide their respective services in accordance with the conditions of engagement as contained in the Tanganyika Territory. The Architects and Quantity Surveyors Ordinance – By Laws 1950 (as revised in 1972) for the above named Consultants. However the attachment to the agreement as guidance of fees and remuneration to the Consultant Clause No. 60 states that;

(i) If the contract and/ or order exceed £2,000 the percentage is 6 percent.

(ii) If the contract and/ or order does not exceed £2,000 the percentage is 10 percent in the case of works costing £250, graduated to 6 percent in the case of works costing £2,000 as the special character of such works may render appropriate.

(iii) These percentages apply to the great bulk of the architect's work but the charge may be reduced to 5 percent in the case of extensive work of a simple character which involves continuous repetition of units, but in no case shall this apply to works the total of which does not exceed £2,000.

(iv) When several distinct buildings being repetition of one design are erected at the same time and in the same locality from one contract the fee shall be 6 percent on the cost of the first building and 3 percent on the cost of each repetition.

The original contract price with Group Five East (PTY) Limited in June 2002 was US $ 73,600,000; and the total payments up to June 2008 were US $ 284,671,176 which is equivalent to TZS 335,991,987,901.
The analysis of payments to other consultants up to 30 June 2008 was as follows;

Contractor/ Consultant Name	Payment up to June 2008 (Shs)
Design and Services Limited	39,801,670,160.36
WEBB Uronu & Partners	24,349,296,705.35
Inter Consult Ltd	8,921,404,091.60
Tan Consult Ltd	5,991,508,081.47

Design and Services Ltd and WEBB Uronu & Partners payments are above the range of fees in their agreements. We found no evidence of agreement for revision of the terms with consultants which implies that the Bank may be paying excessive payments contrary to the agreed terms and there is potential cost escalation without any safeguard by the Bank.
Management should review the terms and conditions with sub-contractors to ensure that these are reasonable and adhere to relevant professional standards and guidance on rates.

8.9 Questionable implementation of ICT contract NSSF

Review of the contract signed between NSSF and Macro software systems (T) LTD for consultancy, development, and integration & application software (oracle e-business suite applications and core fund management system) on 29/10/2004, found the following anomalies:-

- Although the time frame to accomplish the project was spelled out to be 18 Calendar Months from 1/11/2004 to April, 2006 and considering the urgency of the system, NSSF deployed more resources in order to reduce the time frame to 12 Months but over 24 Months elapsed without completion of the same (refer letter NSSF/HQ/C.03/514/Vol.III/15). This cast doubt as to whether management considered the aspect of value for money in implementation of this project.

- The contract signed on 29/10/2004 revealed a difference in writing a provision for Oracle Licence fee which reads in figures as USD 512,000 while the same appears in words as "USD five hundred and twelve thousands six hundred and eighteen only" (i.e. 512,618)

- Before Commencement of the project there was a need to upgrade the servers to accommodate the increased capacity which costed Shs.5,719,500 (USD 4,500 @ 1271/=) from Mega system CO. Limited, this procurement was done out of the contract.

- On 12/9/2006 NSSF made payment for Oracle application of payroll systems for Shs.24,390,000 (USD 18,000@1355/-), however, such payment was made for completed part which comprises a payroll part instead of production set- up and although reminded by Ag. System Application Manager on 31/8/06 about the contract requiring a production set up to be the mile stones for payments and not report generation as the tests were done to allow this payment and also despite the status of payroll being unsatisfactory such payments were approved and paid.

- Core system design had to be changed to accommodate problems seen from data, operations e.t.c on 19/9/2006 and hence change of deliverable dates to 8/10/06 despite the earlier agreed time of April 2006 (18 Months). This may appear to be an indicator for lack of feasibility study for the project.

- On 7/11/2006 it became evident that there was no good relationship between a client and contractor as the Fund wrote to the contractor complaining on the delay of the project and not responding to the request for project implementation status.

- NSSF an 11/6/2006 signed an addendum to the contract USD 90,000 (excluding any tax payable in Tanzania), however, Item 4 of the Addendum amends Article 8 of the contract to allow NSSF to pay directly to M/s Arowana consulting of India.

- The addendum to the contract signed on 12/5/2007 allowed a contractor to sub-contract the development, finalization, supply and installation of Core Fund Management System (item 3 of addendum). However, the scrutiny of the original contract found out that the supply of Core Fund Management System was not covered in the scope of Contract under Article 11.

- The scope of the contract as detailed under article 11 of the contract covers core fund systems, oracle application implementation, implementation of document management system, legal management system, public relation system and MIS, training and oracle licences. The review of this project found out that the scope of the contract is not adequately covered as no information on implementation of document management system, legal management system, public relation system and MIS.

- The Director of Information Technology through minute 22 of 8/9/2006 advised a Director General to approve payment to contractor and commended the performance of the contractor despite the defaults raised by the users and he asserted that the defaults noted by were due to lack of confidence among users. The Director of IT also ignored the advice made to him by the acting system & Application Manager that the contract requires the mile stone for payments to be production set up instead of report generation which were used to judge completion.

- The contracts entered in respect to integrated system development are stated at the tax exclusive values which might appear to assist the contractors to pay tax.
- The core fund system development was done without passing the source codes to the Fund which indicates that the Fund can do nothing to the system and high risk in case of the system collapse and disappearance of the developing companies abroad.

- The relationship of the companies in the contract being M/s Arowana consulting Group of Bangalore-India ,Macro soft systems LLC of Muscat Oman and Macro soft systems (T) limited of Dar es salaam could not clearly come up.

8.10 Irregular sale of executive apartments at ADA estate – Kinondoni area

The Fund acquired property comprising of a site measuring 4.6 acres on plots no 80/1 and plot no. 90/2 located at ADA estate Kinondoni Area on 6th December 2000 from TAZARA at a contract sum of Tshs. 1.4 billion.

Plan to develop the plots started in year 2002 and the construction started on 1st September 2004 and completed on 20th June, 2006 at a total construction cost of Tshs. 5,940,805,946.00.

Tender for sale of the property, which comprises of eight blocks where each block accommodates four apartments, was subsequently advertised in the newspapers (the express) on 02nd ovember, 2006. On 10th January 2007 the tender was awarded to M/S Seven Anchors Properties and Services Company limited vide letter with reference number NSSF/IG/F.20/12/99/59.

Our review over the documents availed in this regard revealed the following irregularities:

(a) Tender Evaluation Documents

We could not obtain the original evaluation report as it was stated that the same was in possession of Prevention and Combating Corruption Bureau (PCCB). Though photo copy of the report was available, it was not dated hence we could not ascertain whether the evaluation was done as required by section 33 of the Public Procurement Act of 2004.

(b) Tender Evaluation Committee

Evaluation of the tender was done by six members in the evaluation committee contrary to Regulation 90 (1) of the Procurement Act of 2004 which requires the procuring entity to establish the evaluation committee comprising of not less than three and not more team than five members.
Further, the evaluation committee was appointed by Director of Human Resources and Administration rather than being recommended by Procurement Management Unit and approved by the Chief Executive Officer as per section 33(e) of the Public Procurement Act of 2004.

(c) Opening Ceremony Register and Bidder Documents

Opening ceremony register signed by both Fund's representative and bidders` representatives which is a binding document for read out prices was not availed to us despite several requests made by auditors. Further, Original bid documents could not be read since they were destroyed apparently by water.

Therefore, some of the important information contained therein, such as bidders' names and the corresponding prices could not be established. The fund contravenes regulation 19 (5) G.N. 97 which requires records to be kept for a period of not less than five years from the date of completion of the contract and may be made available within a reasonable time during that period to the Minister and the Controller and Auditor General, the Authority or any other officer authorized by the accounting officer.

(d) Approval for Disposal of the Property

The Board of Trustee of NSSF on its 37th meeting held on December 18th, 2006 approved the award of this tender to the named bidder to purchase the Executive Apartments at ADA Estate Kinondoni area contrary to section 30 (d) of Public Procurement Act of 2004 which specifies that Tender Board shall be responsible for approving procurement and disposal by tender. It is our opinion that by virtue of the above section there is interference between Tender Board and Board of Trustees in discharging their mandatory responsibilities.

(e) Profile of the Acquiring Company

Seven Anchors Properties and Services Company limited, the company which purchased the property, was incorporated on 11th day of October 2006 just three weeks prior to advertisement of sale of the apartments on 02-08th November 2006. We are of the opinion that the Fund did not consider the company's profile in terms of experience and existence in business operation in such a short time. Thus, casting doubts as to whether the company was formed specifically to undertake this transaction.

(f) Sales Agreement

The sales agreement included, *inter alia*, the following terms and conditions:-

(i) Selling price for the entire property is USD 6,510,000 equivalent to Shs. 8.5 billion;

(ii) Down payment of 10% of selling price required to be paid within 15 days from the date of letter of award (i.e. 10th January 2007) and the remaining balance should be paid within 90 days from the date of the offer;

(iii) All costs related to the transfer of the property to the purchaser's name should be the latter's responsibility;

(iv) Responsibility for all matters related to cleanliness, security and insurance of the property immediately after payment of 10% of the selling price lies to the purchaser.

The following irregularities, however, were observed on management and implementation of the sales agreement:

- **Signature on Sales Agreement**

The agreement for the sale of property was signed on 2nd October 2007 by the purchasing company (Seven Anchors Company Limited) and returned to vendor (NSSF) whereby the later signed on 4th October 2007. We, thus consider the agreement was signed without the presence of both parties and witnesses at the same time.

Moreover, the contract was signed by Director of Planning Investments and Projects (DPIP), contrary to section 33 (h) of the Public Procurement Act of 2004 which requires the Chief Executive Officer to be responsible for signing of contracts for the procurement activities on behalf of procuring entity.

- **Down Payment**

  Down payment of USD 100,000 was paid on 16th April 2007 that is three (3) months after the award instead of 15 days as per signed agreement. The amount so deposited was not equivalent to 10% of the selling price as per agreement. According to the agreement the deposit was supposed to be USD 651,000. The deposit was done vide cheque No. 487000454 dated 14/04/2007 issued by Mashreq Bank (Zabeel Branch) of P.O.Box 1250 Dubai, UAE into NSSF bank account No. 870-800-600-3900 at standard Chartered Bank, international house branch.

  Further on 14th May 2007 the same bank deposited another down payment of USD 551,000 vide cheque no. 487000625 dated 14/5/2007 into same NSSF bank account at Standard Chartered Bank. Besides the buyer breaching second condition in the agreement which required payment of 10% of selling price within 15 days, it remained unusual and doubtful whether money laundering element existed, adding obscurity surrounding genuineness of the transaction.

- **Maintenance of the Property on Disposal**

  According to the agreement, the buyer was supposed to be responsible for all matters related to cleanness, security and insurance immediately after payment of 10% of the selling price. The Fund, however, had incurred these expenses after payment of the deposit (i.e 14th May, 2007) until the date of handling over of the property to the buyer (October 2008).

- **Non Compliance to Terms of Payments**

  The agreement stipulated that after down payment of the 10% of the selling price, the remaining balance (i.e. 90% of selling price) should be paid within 90 days from the date of the offer (i.e from 1st November, 2007). However, payment of the balance was delayed for almost seventeen (17) months before being paid in September, 2008, causing the Fund to incur uncalculated loss in terms or exchange rate fluctuation and real earnings on investment. We could not judge why the fund did not terminate the contract despite that massive failure by the buyer to honor payment within the prescribed period of 90 days.

8.11 Irregular Sale of club Oasis by NSSF

During the year under review, the Fund disposed of its properties located at plot No.489-517 block "J", situated at Mbezi Beach, off African Road, Kinondoni, Dar es Salaam at total value Shs. 600 Million to M/s TILE FRESH Limited of Dar es Salaam.

The property, referred to as Club Oasis Mbezi Beach, was initially acquired on 7th August, 2003 from Tanzania Investment Bank limited at a cost of Shs. 350,000,000/= and subsequently handled over to the Fund on 30th June, 2004. Transfer of the property was transferred to the Fund's name on 5th September, 2006. Our review over the transaction revealed some irregularities as shown hereunder:

(a) Un-procedural Change of Buyer

Management accepted changes of buyers from one Dr. Hawa Sinare to M/s Tile fresh limited, without the approval of the Board of Trustees**.** The change was effected following an undated letter, with no reference from Dr. Hawa Sinare.

Further, M/s Tile Fresh Limited was incorporated on 22nd of December 2004, just the same day when the

Board of Trustees approved the disposal of the properties. Under the circumstances, possibility that the company was established specifically to undertake this transaction could not be ruled out.

(b) Non Compliance to Competitive Disposal Procedures

We could not establish whether the Fund considered disposing off the properties on competitive basis in line with generally acceptable procedures and section 59 of the Public Procurement Act of 2004, despite the fact that the property was initially acquired through tendering from TIB.

There was no invitation for expression of interest on the disposal by the Fund instead; Dr. Hawa Sinare of M/s EPITOME Advocates of Dar es Salaam expressed interest to buy the entire property on 10th November, 2004 no invitation by the Fund was seen in this regard. The Fund agreed to sale the same on 27th December, 2004.

(c) Excessive Delay in Completion of Sales Agreement

The sale agreement of the properties was signed on 29th October 2007, three years after the initial offer which was made on 27th December, 2004 by the Fund and accepted by the buyer (Dr Hawa Sinare). We could not substantiate how the offer made three years previously could have effect, because an offer is not binding unless there is consideration from the offeree. It should be noted that the Fund suffered losses, in this regard, in terms of time value of money by not disposing the properties in time as the market value of the properties Shs.600,000,000 in year 2004 is not the same as the corresponding value in year 2007.

(d) Terms of Payments and Handing Over

According to the sales agreement which was signed on 29th October, 2007, the Fund was to deliver vacant possession of the property to the purchaser within 60 days after signing of the agreement but prior to payment of the purchase price, which was agreed at Shs.600 million. On the other hand the purchaser was to ensure payment of purchase price no later than 7 days subsequent to completion of transfer of property.

It was further agreed upon that payment shall be made by bank guarantee issued by a reputable bank undertaking to pay the whole purchase price once the property is transferred in the name of the buyer. Under the circumstances, the handling over deed of the properties was signed on 16th November, 2007, whereby the buyer accepted the hand over pending transfer of documents of title to the buyer's name. We further observed that, on 10th June 2008, the buyer submitted a bank guarantee issued by CRDB Bank guaranteeing to pay to the Fund amount not exceeding Tshs. 600 million after the properties have been transferred in the name of the buyer and registration of the same as mortgage in favour of CRDB Bank.

To date process of transfer of property to the name of buyer is yet to be concluded. In this respect, we are of the opinion that the Fund was engaged into vague terms and conditions which resulted into none payment for the properties to date. We urge management to revoke this agreement and dispose the property on competitive basis to attain fair value in the market.

8.12 Contract variations not certified by consulting engineer and approved by tender board at TBC Shs.194 Million

Tanzania Broadcasting Corporation paid Thompson Broadcasting and Media Limited of France a total Euro 114,225 equivalent to TZS 194 million for additional costs for Civil works due to change in design of tower foundations as a result of rock underneath Euro 93,255.00

and additional cost for management fees for the 41 weeks delay of the project was Euro 20,970.00 for installing 7 television transmission stations in Tanzania. We however noted that the payment was not certified by the Consulting Engineer since his contract had already expired. But in his brief to the incoming TBC management he indicated that TBC were the ones to be compensated for delay of the project not the other way round.Furthermore, the payment was not approved by the tender board although it was recommended by some members of management.

8.13 Mismanagement of contract for accommodation (hostel) services amounting to Shs. 69,490,000 by the Institute of Social Work

The Institute for the year 2007/2008 entered the contracts worth Shs.69,490,000 with six Hostel service providers to accommodate students. As the hostels were acquired in different locations the Institute had to into another the other contracts for provision of transport services which might take the students to and from the College to the respective Hostel. On this Samaritan contract it was agreed that students who will apply and being agreed to live therein, had to repay the Institute so that the Institute might recoup the contract sum paid.

Despite the fact that the contracts were entered and the Institute paid the contract sum, the total number of 58 students rejected to stay in the hostels as a result the institute was unable to recoup the total sum of Shs.36,650,000.

8.14 Weakness in management of lease agreement between the Instituteof Social Work and Mobitel (MIC) TZ limited

The Institute entered into a twenty years lease agreement of Land (20m x 30 m) to Mobitel (MIC) TZ Limited effectively from 5th May, 1998 for an annual rental of USD 6,000. Mobitel developed the land by erecting a tower and a building. However, the following anomalies were noted in contracting and contract management:

- **Lack of a provision regarding review of rent**
  It is obvious that with time value of money the value of USD 500 monthly rental charge of 1998 would not be the same with that of 2018 (20 years after). We noted that there was no provision to the contract that allow review of rent. However, correspondences show that there were initiatives from the institute geared at increasing rent up to USD12,000 per annum vide their letter dated 5th July,2007 with reference No.ISW/AGC/M.32/37, the same had not been responded by Mobitel to date and no other efforts had been made since then. The absence of a clause regarding review of rent in the contract denies the Institutes right to review rental charges when deems necessary and therefore, lose an opportunity to explore potential sources of generating income.

- **Lack of the provision to demolish the Building, removal of resudial and the tower during the Expiry of the Contract**

  We noted that Mobitel (MIC) erected a building on the Institute's land and the tower which may still be in existence after 20 years of contract, but there is no provision in the contract which explain the ownership of such building in case the contract is terminated or expires and the responsibility for clearing of the land.

- **Other weakness**

  In the letter NSWTI/AGC/M.32/17 of 19th October1998, ISW queried Mobitel to forward a copy of the agreement after Mobitel had signed. This shows that a contract was signed without presence of other party. Also, on 12/4/1999, ISW kept on claiming to MIC (T) LTD to present the copy otherwise the new contract would have to be forwarded for signatures. On 5th May, 1999 ISW forwarded a new contract for signatures and requested a second payment of annual fee. Mobitel letter of 14^{th} April 1999 confirmed that the original lease agreement signed by both parties disappeared and therefore agreed the idea of ISW of signing a new contract. The existing copy of signed contract between the parties bears various corrections and alterations which seem to be informal. ISW via its letter ISW/AGC/M.32/37 of 18^{th} April, 2008 requested MIC to meet and review a contract and failure of turn up would mean a notice of termination. However, to the date of this audit (December 2008), no evidence of review and termination was provided despite the delay in settling of ISW invoices for 2007/08 and 2008/09.

8.15 Expired Contract for Olmotony Forest Training Institute - Sokoine University of Agriculture

Review of the contract between the Government of Tanzania and Sokoine University of Agriculture on the running of the Olmotonyi Forest Training Institute revealed that the Government of the United Republic of Tanzania is the owner of the forest and has been leasing the same to Sokoine University of Agriculture on 10 years term from July 1977. The last contract covered 10 years period from 1997 to June 2007, since then, the contract has not been renewed and the University has been running the forest without formal contract with the government.

CHAPTER NINE

ASSETS MANAGEMENT

9.0 Introduction

Asset management refers to a comprehensive and structured approach to the long term management of assets as tools for the efficient and effective delivery of community benefits. The emphasis of assets management is on the assets being a means to an end, not an end in themselves.[2] The assets represent the wealth owned by the entities and therefore it is expected to be efficiently managed.

Contrary to the expectations of the auditors having a regard on the importance of the efficient management of the assets, the audit for the year 2007/2008 still recorded a number of anomalies in the management of non current assets despite the fact that similar anomalies have been consistently raised in the CAG management letters to various audited entities. It is important to note that mismanagement of non current assets has a direct link with mismanaging of the entity's wealth. Observations that were considered substantial to be reported in respect of assets management are shown in the proceeding paragraphs.

9.1 Poor Record Keeping and non Insuring of the assets

Record keeping for non current assets is a vital requirement to our public organizations in the sense that, non maintenance of a comprehensive non current assets register which would give pertinent details regarding the historical cost, date of purchase, accumulated depreciation, net book value, supplier for each of the reported assets and other key asset information, will attract loss of the same unnoticed.

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[2] Picked from http://www.austroads.com.au/asset/whatisasset.html on 16/2/2009

It is also an imperative paramount that the assets be insured so as to mitigate the risks that may occur to these public assets. In this regard, I urge the Chief Executive Officers of the Public entities to exercise their stewardship role on the vested authorities over the public resources with high degree of efficiency and concern.

The above mentioned important records on non current assets were found missing/not maintained by the following authorities:

S/N	Entity	Anomalies Noted
1.	TCRA	Non current assets register is not properly maintained to show pertinent details regarding the historical cost, date of purchase, accumulated depreciation, net book value and supplier for each of the reported assets. The valuation of non current assets is carried out annually by an independent valuer, for which the management relies to prepare the report for accounting purposes without a base for comparison
2.	PPRA	The entity has not coded the assets contrary to the requirements of the Authority's financial regulations. Non current assets are not insured. For instance none of the PPRA's non current assets had an insurance cover by 30 June 2008. Non current assets inherited from the former central tender board had not formerly been transferred from the Ministry of Finance and Economic affairs to PPRA, with all necessary details and therefore are not included in the financial position of the Authority as at 30 June 2008. PPRA's detailed list (register) of non current assets lacks key information on location, codes, accumulated depreciation and net book values

		No periodic physical verification exercises are conducted to ascertain existence and conditions of the non current assets
3.	DUWASA	Non maintenance of a comprehensive current assets register that would give pertinent details regarding the historical cost, date of purchase, accumulated depreciation, net book value and suppliers for each of the reported assets. As at 30 June 2008, the Authority had fixed assets worth 17billion and inventories worth Shs. 1.7 billion without an insurance cover in September 2008
4.	TBC	No register for Non current assets is maintained by the corporation hence difficult to trace the records of the assets
5.	CDA	No insurance for non current assets hence highly exposed to risks No register for non current assets which implies the high exposure to risk of loss
6.	IRUWASA	No insurance for assets which implies risk of loss in case of occurrence of unforeseen contingencies
7.	Mbeya UWSA	No insurance for the assets worth Tshs 18,260,260,927 lack of which exposes the whole value to risk
8.	TAFORI	No insurance cover for all non current assets
9.	NEMC	No insurance cover for non current assets
10.	TPA	No record for assets of TPA Mwanza and those inherited from Marine services
11.	LUWASA	No register to record the assets as results key asset information can be obtained in a difficulty situation.
12.	TSHTDA	No insurance for assets other than motor vehicles/cycles, worth Tshs 1,552,405,906
13.	DIT	All assets are not insured except Motor vehicles, this shows that the management do not give weight to insurance to the assets owned.

9.2 Ownership of Assets

Audit results on the tests of assets ownership in various public authorities revealed the following:-

9.2.1 Missing Registration Cards for Motor Vehicles and Cycles- MBEYA UWSA

The motor vehicles and motor cycles of Mbeya Urban Water and Sewerage Authority listed below have been included in the books of account of the Authority has the assets under their ownership. However, registration cards for the same were not available for verification. It was explained that the motor vehicles and cycles were handed over to the Authority by the Ministry of Water and Irrigation but the respective cards were yet to be released to the Authority. The assets under question are cited hereunder:-

Reg.No	Asset	Cost -Tshs	NBV-Tshs
STJ 689	TOYOTA	10,988,550	294,972
STH 1505	ISUZU LORRY	6,073,600	398,039
STJ 6059	ISUZU PICKUP	10,240,000	671,089
STG 379	HONDA	1,703,593	56,022
STJ 379	HONDA	1,500,000	49,327
ST 381	HONDA	1,677,200	55,154

It was further observed that motor vehicles which were used in the donor funded project Phase I are reflected in the books of accounts of the Authority although the registration cards for the same are still in the names of the former owner. The motor vehicles are cited hereunder:-

Registration No.	Motor Vehicle	Amount-Tshs
DFP 1308	Toyota Land Cruiser (St. Wagon)	59,601,134
DFP 1309	Toyota Hilux Double Cabin	11,264,075
DFP 1310	Toyota Hilux Double Cabin	11,264,075
		82,129,284

Lack of motor vehicles registration cards and having cards implies that the Authority's legal ownership is questionable and at risk.

9.2.2 Ownership Irregularities of Motor Vehicles at TAFORI

We observed that ownership documents for a number of motor vehicles operated by the Institute were irregular, in that Registration cards for the motor vehicles were not registered in the name of Tanzania Forestry Research Institute (TAFORI) but in various names as illustrated below:-

TYPE	REG. NO	REGISTERED OWNER	REMARKS
M/cycle	TZL 1683	Forestry Project, Box 292 Morogoro	
M/cycle	TZL 1684	Forestry Project, Box 292 Morogoro	
M/cycle	TZL 1685	Forestry Project, Box 292 Morogoro	
M/cycle	TZL 1686	Forestry Project, Box 292 Morogoro	Re-registered DFP 4544
M/cycle	TZL 1681	Forestry Project, Box 292 Morogoro	Re-registered DFP 4545
M/cycle	TZL 1682	Forestry Project, Box 292 Morogoro	Re-registered DFP 4543
M/vehicle	SU 34567	Forestry Research, Box 202 Morogoro	
M/vehicle	SU 34574	Forest Project, Box 292 Morogoro	
M/vehicle	SU 34573	Forest Project, Box 292 Morogoro	
M/vehicle	SU 34572	Forest Project, Box 292 Morogoro	
M/vehicle	SU 34569	TAFORI Box 1854 Dar es Salaam	
M/vehicle	SU 34570	Forestry Research, Box 292 Morogoro	

M/vehicle	SU 34571	TAFORI Agroforest Project, Box 1854 Morogoro	

9.2.3 Bank of Tanzania's vehicles Registered in Private Numbers

While auditing the Bank of Tanzania, motor vehicles registered in Private number and TSN we observed that Bank's motor vehicles listed below were registered under private registration numbers system instead of the 'SU' as required by Government regulations. The reasons for this occurrence was not clearly explained by the management which then may imply that the vehicles were highly exposed to the risk of missing unnoticed.

(i) BoT list

S/N	Type of Motor Vehicle & Reg. No.
1.	Toyota Land Cruiser VX T.312 ALH
2.	Toyota Land Cruiser VX T.288 ALH
3.	Toyota Land Cruiser T658 AHM

This trend is not only with BOT but has been noticed within other Public corporations such as Tanzania Standard Newspapers (TSN). The Treasury Registrar should take measures to adress the matter to safeguard the public properties.

9.2.4 Questionable Ownership of plot No. 21-Tabora by Tanzania Tobacco Board

Review of property, plant and equipment of Tanzania Tobacco Board (TTB) revealed that TTB has a title deed No. 12155 issued back in 1957 with occupancy term of ninety nine years (99) related to plot No. 21 low density area, Tabora (49,525) sq. ft which is in the name of the East African Tobacco Company Ltd. Further review noted that TTB made follow-up on 13th October 1998 by writing to the registrar of titles' Office- Lake zone, subsequently the

Registrar through his letter with reference no. LR/MZ/TEMP/T/12155/2 dated 28th October 1998 replied to TTB by explaining that the land comprising the above title has been surrendered to his excellence the President of the United Republic of Tanzania. There was no evidence that the property was sincerely handled over to the President or used for other purpose. With this observation the management was asked to make follow up on the matter and confirm the ownership.

9.2.5 Absence of Title Deeds/Right of Occupancy Certificates

A deed is a legal instrument used to grant a right and is issued by the Ministry of Lands and human settlement.

Contents of the titles deeds:

(a) who owns (or has 'title to') the property
(b) Boundaries of the property

Despite the above importance served by the title deeds, the following audited entities were noted to operate without having title deeds to support their rights of occupancy in the plots they occupy.

S/N	Entity	No. of plots
1.	Cashew nuts Board of Tanzania	16
2.	Capital Development Authority-Dodoma	40
3.	Iringa Urban Water and Sewerage Authority	4
4.	Mbeya UWSA	10
5.	AWSA-Tshs plots worth Tshs 146,370,900	4
6.	Musoma Urban Water and Sewerage Authority	8
7.	TPA	7 ports in lake Victoria
8.	BOT	Plot No. 28A Kenyatta Road

		in Zanzibar.
9.	VETA-Plots worth 421,946,462	3
10.	Institute of Adult education	5
11.	Kariakoo market Corporation - Mbezi house worth Tshs. 113,992,495	1
12.	Tanzania Small Holders Tea Development Agency	16
13.	Arusha institute of Accountancy	1
14.	National Social Security Fund	9
15.	Dar es salaam Institute of Technology (DIT)	11
16	Moshi Urban Water and Sewerage Authority	8

9.2.6 Dispute on Plot no. 250 block 'T' Kenyata Road Mwanza City - NSSF

The National Social Security Fund (NSSF) acquired a plot no. 250 block 'T' on 10th September 2005 from Kassim Omari of P.O.Box 327 Mwanza as an extension to the main plot no. 254 block "T" for building the NSSF Commercial Complex in Mwanza. Audit noted that before compensating the owner, NSSF commissioned Mwanza City Council to determine the market value of the plot whereby the land valuer estimated the value of the properties on plot No. 250 to be Shs.29,800,000. Mr. Kassim Omari claimed additional expenses incurred in development of the same plot amounting to Shs. 14,000,000 and the fund agreed and finally compensated him Shs. 43,800,000 on 10th September 2005 without signing any agreement or putting any documentation evidence in that regard.

After almost three years, Mr. Kassimu Omari raised a claim on 18th March 2008 demanding that he was just compensated a part of land by the Fund and not the whole plot and the Fund asked the city council to value the remainder of Kassimu's plot but the city disagreed stating that it had already done so. Thereafter the parties have gone in dispute which has not been resolved up to date of this audit December 2008.

There is a risk that investment in Mwanza commercial complex might be attached to legal proceedings which may delay the timely realization of return on investment for the Fund's investment in the Mwanza Commercial complex.

9.3 Inventory Management

Inventory Management and Inventory Control must be designed to meet the dictates of a corporations' strategic plan. The many changes in operations, global sourcing of materials, and new technology, means many corporations need to change their Inventory Management approach and change the process for Inventory Control. Despite the many changes, the basic principles of Inventory Management and Inventory Control remain the same.

Although not covered comprehensively in this report but inventory management is also an area with challenges in our public corporations. Some few weaknesses includes lack of proper stores, weak documentation of the stores movements, weaknesses in the stock taking exercise such as non invitation of external auditor and issue of stock taking instructions as well as weak physical security for stores.

9.4 Intangible Assets not in use at Sokoine University of Agriculture

Our review of the list of intangible assets for Sokoine University of Agriculture revealed that Kovis Documentation Software and 5ACL Version 8 Auditing Software worth TZS 33 mil procured in 2004 and 2005 respectively have never been used since then.

We further noted that both softwares were blocked by suppliers because of the long outstanding licence fees of about US $ 18,000. Keeping such assets idle implies that the same were procured without proper plans and the transaction has provided no Value for money to the entity.

9.5 Weaknesses in Managing Staff Quarters at Institute of Social Works

The Institute's lease agreements states categorically that, if tenant wish to renew the contract he/she should inform the Institute in writing three months before the end of the existing contract. Furthermore, there is a clause in the same agreement that show the tenure of the contracts. Most contracts prevail for two years term. However, we noted that most of the contracts are not renewed or takes longer than their expiry dates to renew as can be seen hereunder (a position as at April **2008):-**

S/N	Tenant's Name	Block	Expiry Date of Contract	Renewed On
1.	Esther D. Kapteni	C-1	15.8.2001	1.7.2007
2.	D.T. Luhanga	B-4	6.1.2006	1.7.2007
3.	Tully Msirikali	B-3	Dec. 2001	1.7.2007
4.	Nkwame Ibrahim	B-8	10.3.2003	1.7.2007
5.	Dr. Lawrence Vitto	B-7	1.7.2004	No new contract
6.	Zeno Ngowi	D-8	1.3.2007	No new contract
7.	Myung Chin Song	B-1	Jan, 2003	No new contract
8.	Thomas D. Kashilila	B-6	1.3.2004	No new contract

In addition, the estate is in poor state. not maintained at all, even by the tenants.

9.6 Tanzania Port Authority's Compensation due from the Government

In 1996, the Authority incurred Shs.362,995,415 to acquire plot number 2459/35 along Shaaban Robert Street and Garden Avenue with an intent to construct an investment property. However the project could not take off as planned for varying reasons. One reason was specification of the Authority by the then Presidential PA&oBs Reform Commission (PSRC).

While the Authority was preparing herself to revive the project after been dispecified, the Government decided to reallocate the plot to the Ministry of Foreign Affairs and International Relations without compensating the costs incurred by the Authority.

The costs incurred by the Authority constitute of:-

	Amount-Shs
Amount paid to the then Ministry of Works vide Government Receipt No.558541 dated 4.2.1997	362,692,440
Valuation fees of the plots	302,975
Total	**362,995,415**

We were informed that the Authority was claiming the same for compensation from the Government.

9.7 Staff imprest, advance, receivables and ex-tenant rent

The entities operating on accrual accounting principles are expected to have a strategy on how best they will recover the money outstanding from the service that they have provided. Also regulation 103 of the PFR, 2001 requires an immediate retirement of the imprests after the necessity for it ceases to exist. Although it is expected to see more efforts dedicated in realizing the receivables, the circumstance is different for our corporations whose efforts seems to be unsatisfactory as the review of the financial statements of Public Authorities for the period ended 30th June 2008 noted some weaknesses relating to long, outstanding imprest, receivables, staff advances Ex-employees imprest/advance and ex-tenant rent as narrated in proceeding paragraphs.

9.7.1 Long outstanding imprests and receivables Shs.17,629,973,487

Review of financial statements of twelve Public Authorities revealed long outstanding staff imprest and receivables amounting to Shs. 17,629,973,487 as follows:-

S/n	Entity	Remarks	Amount Shs.
1	MUWASA	Long outstanding imprests and receivables	332,465,008
2	DAWASCO	Long outstanding imprests	432,427,750
3	MNH	long outstanding trade receivable	141, 442,424
4	TANESCO	Long outstanding receivables	285,602,774.
5	Mbeya UWASA	Long outstanding receivables	827,448,990.
6	NIP	Long outstanding receivables	97,961,943.
7	TCRA	Long outstanding receivables	9,285,082, 678
8	LUWASA	Long outstanding receivables	107,678,623
9	NIC	Long outstanding receivables	1,291,145,642
10	TEA	Long outstanding receivables	64,270,000
11	Reli Assets Holding	Long outstanding receivables	4,742,216,436
12	NSSF	Long outstanding receivables	22,231,219
Total			**17,629,973,487**

The circumstance above indicates weaknesses in the collection of debts which takes the entities into liquidity problems. The collections would enhance the capacity to undertake various activities and thereby attain the objectives Public Authority in question.

9.7.2 Imprest and Advance not recovered from Ex-employees Shs.79,657,529

Some staff members National Social Security Fund and Tanzania Postal Bank to whom staff loans, advance and imprest were extended had terminated their employment with their employer leaving outstanding imprest and advance behind. To illustrate the point, examples of cases of outstanding balances in some of the ex-staff members' accounts, as at the 31st March, 2008 are cited hereunder;-

S/n	Entity	Details	Amount Shs.
1.	NSSF	Imprest, advance and staff Loan	54,350,499
2.	TPB	Imprest and staff advance	25,307,030
Total			**79,657,529**

In the absence of follow up the Tanzania Postal Bank and national Social Security Fund will not be able to recover the outstanding ex-staff loans.

9.7.3 Long Outstanding Rent from Ex-Tenants at NSSF Shs.1,133,446,161

Our examination of rent revealed balances outstanding from ex-tenants. No evidence of follow up to recover the balances from ex-tenants was availed for verification. A total balance of Shs.1,133,446,161 remained dormant for more than a year

The circumstance may be an indication of laxity by the management to collect rent from ex-tenant thus affects the liquidity of NSSF.

9.8 Weaknesses in Management of BOT Loans for Refinancing Facility

In order to promote agriculture and production for export, the Government had established a facility in which qualifying local companies could obtain business loans with appointed commercial banks under the Guarantee of the Government. The Bank of Tanzania (BOT) was managing the guarantee scheme for the Government. Later, the Government issued Treasury Special Bonds to suit the same purpose.

Presently, there are six companies (four in flower export, one in vegetable export and one in animal husbandry and general Agriculture export) benefiting from this facility. However, we noted the following major anomalies regarding the management of the facility on the part of the Bank and which poses risk to the Bank on its discharge of fiduciary duty over the facility.

Execution of Agency Agreements between the Bank and appointed commercial banks which stipulate terms of operations, responsibilities and risk and reward sharing between the Bank and appointed commercial banks are delayed. Specifically, the Agency Agreement between the Bank and Tanzania Investment Bank (TIB) was signed in May 2008 while TIB started operating the facility since 2006. In the intervening period there was no any written agreement on terms between the parties.

We also found that despite the fact that participating commercial bank are managing the facility under the guarantee of the Bank i.e. with no risk of non-recovery, the Bank has not instituted any effective monitoring mechanism. For example, presently BOT lacks comprehensive records of assets/properties; neither does it have/receive periodical monitoring information such as financial statements of performance/reports of the beneficiaries.

9.9 Un-recovered Loans and Advances from Customers at Tanzania Postal Bank's

Tanzania Postal Bank recovery of loans and advances during the year under review continued to be unsatisfactory, as some customers were still not repaying their dues in compliance to their loan agreements. We noted that large amounts remained unsettled beyond the expiry dates. This signifies that some of the borrowers were not settling their loan installment amounts due as per loans agreements. This state of affairs was also evidenced by the fact that by 31st December, 2007, provision for impairment of loans and advances stood at Ths.647, 760,329 and bad debts amounting to Tshs. 1,777,846,427 were written off during the year under audit.

Although efforts were being made by the bank management to recover overdue debts by use of courts of law, and auctioneers to dispose the mortgage property, still there was no progress on recovery of overdue debts particularly, from customers with business loans. Under the circumstances the bank's funds are tied up in long outstanding loans and advances hence weakening the Bank's working capital to meet its operations. We give below examples of over due business loans to substantiate our finding:

Name of Borrower	Contract Date	Principle Loan	Expiry Date	Balance at 31.12.2007
Business Loans		Shs.		Shs.
Metro Julius Reuben Mbiduka	28.09.2005	13,887,717	28.10.2007	4,757,541
Susan Ernest Kisanji	16.12.2003	17,468,926	16.12.2005	4,398,461
Valerian Faustin Tesha	04.08.2006	8,000,000	04.09.2007	4,946,449
Pili Hamisi Mwamba	27.08.2004	7,000,000	27.08.2005	4,589,764
EM Trucking Co.Ltd	16.08.2005	30,000,000	16.11.2005	9,420,598
Rochoice Engineering Works Ltd	31.12.2003	41,206,954	28.09.2006	18,293,575
Thomas Mjewa Osward	15.10.2003	6,086,332	15.04.2005	3,874,425
Jonat Hussein Msuya	17.08.2005	10,000,000	17.08.2007	6,814,780
Aisha Leonard Mhina	16.09.2005	10,000,000	16.09.2007	3,753,150
Laurential Michael Mvungi	31.08.2005	10,000,000	31.08.2007	4,330,356
Medson Andrea Sanga	31.01.2002	15,125,000	08.02.2004	5,803,546
Isaka Juma Mseme	11.03.2004	14,427,778	11.03.2006	3,790,040
Malongoza Hesaya Godson	30.06.2003	8,200,000	30.12.2004	5,762,608
Makala Idi Makala	30.06.2003	8,100,000	30.12.2004	7,729,464
Samweli Frank Samweli	30.06.2003	11,200,000	30.12.2005	8,470,460
Nicolaus Wilson Mushi	29.09.2003	8,462,671	29.09.2005	5,792,068

This list is not exhau

This list in not exhaustive but just taken to substantiate the audit observation.

9.10 Suspected Forgeries by TPB Staff

Balance of suspected forgeries committed by the Bank's staff included under sundry receivables has increased from Shs.95,748,037 as at 31st December, 2006 to Shs. 152,724,256 as 31st December, 2007. We were informed that the Bank lodged insurance claim of Shs.95,748,037 with the Insurance Company for suspected forgeries committed by TPB Staff during the previous years, and additional claim amounting to Shs.26,340,000 was lodged with the insurers during the year under review.

Further, we observed that, in March, 2008 the insurers confirmed refund of Shs.20,203,837 and 70 percent of this amount i.e Shs.14,142,686 was paid by cheque No. 171519, dated 19.03.2008. The Bank also recovered Shs.5,000,000 from Dafrosa Mushi terminal benefits in March, 2008. By the time we finalized our audit in March 2008 insurance claim for suspected forgeries by TPB staff amounting to TZS. 30,636,219 was yet to be lodged with the bank's Insurance Company and the amount to be refunded by the insurers out of the pending claim of TZS.96,884,200 was yet to be established.

Furthermore, we noted that, exhaustive age analysis and detailed list of staff responsible for the forgery was not prepared and availed to us for our verification. Also, no provision for bad debts was made in the accounts in respect of the above balance. We could not, therefore, satisfy ourselves as to the authenticity, collectability and correctness of the above balance.

9.11 Investments Management

Investment as for other areas with challenges is very key and needs smart strategies to undertake if at all one is to get the profit or achieve the intended objective there from. Review of the various investments undertaken by the Public corporations revealed, a number of anomalies noted as presented hereunder:-

9.11.1 Inadequate Efforts Dedicated in Monitoring the Gas Product Sharing Agreement with Pan African Energy (T) Company Limited

Review of various product sharing agreements (PSAs) entered between the Government and TPDC on one hand

and various gas producing companies such as Songas Tanzania Limited and PanAfrican Energy (T) Company Limited on the other hand revealed that within the contract there is a clause which required a producing company to recover 75% of its cost from the sale of gas before the profit is shared between the parties. PanAfrican Energy (T) Company Limited has been recovering its cost by 75% before sharing the remaining profit. In order to be certain of the costs incurred by the Company, TPDC has to satisfy itself with the genuineness of the claimed costs by undertaking its own audit of the costs incurred by the Company (Article 21.2 of the PSA between the Government, TPDC and PAE).

The Corporation's Internal Audit Unit has been assigned to undertake the exercise of verifying the costs incurred by the Company and to accomplish this task the Unit utilizes the expertise of staff from other directorates of the Corporation. We observed that the Unit has not yet completed the exercise and as such the Company is recovering its costs on unverified expenditure figure. With the circumstance the Government seems to be out of control of the company's costs which is important base for profit sharing between the parties.

9.11.2 New Investment in Songas Limited TANESCO Shs. 5 billion

According to the Audited Financial Statements of the Songas Ltd. for the year ended 31 December, 2007 the Company recorded after tax loss of USD 4,935,000. In addition, total liabilities exceeded total assets by USD 3,478,000 which indicates that the company's ability to continue as a going concern is doubtful. However, revenue generated by TANESCO is being retained by Songas Limited for future investment. The total amount retained up to 31 December 2007 was Shs 5 billion.

In light of the financial problems facing Songas Limited, the amount so held may be in a risk of recoverability and instead of holding such cash by Songas, TANESCO could have invested the amount in other viable investments for profit or interest.

9.11.3 Unrecorded Investment Properties owned by National Development Corporation

We noted that the investment properties which were granted to the National Development Corporation in the years 1967 to 1970 were not included in the schedule of investment properties and also no rent income had been collected from these properties, although the Corporation hold the title deeds for these properties. The properties are as follows.

- Plot No. 529 Msasani Peninsula Title number 186216/57
- Plot No. 528 Msasani Peninsula Title number 186216/58
- Plot No. 523 Msasani Peninsula Title number 186216/47

Lack of the records in respect to these investment properties implies a risk for unnoticed loss of these properties

9.11.4 Non Economic and Commercially Viable Investment in loans Advances at NSSF

Section 62 of the National Social Security Fund Act no 28 of 1997 empowers the Board to invest the funds in any viable investments having regard to the economic and commercial viability. The review of lending contracts found that the loans that have been advanced to various companies proved to be not economically and commercially viable as required by the above quoted section. Further Para 5.4 of the Investment Policy of the fund (2007), requires an exit in non performing class of investments. However, the following list of loans evidences the loans that have proved inefficiency without any decision being made in this class of investments.

S/N	Borrower	Anomalies
1.	Kilimanjaro Bazaar - **TShs 105 M** at 31% p.a (1990,1991,1992)	The borrower won the case after NSSF sued for default and thereafter NSSF was instructed to pay Tshs 600 Millions. NSSF appealed on 27/2/2007 and until April 2008 the hearing was yet to start.
2.	Mbowe Hotels Limited - **Tshs 15 M** at 31% p.a and 12% p.a (1994,1999)	The borrower defaulted and the Fund was forced to opt for litigations which have not yet realized the success.
3.	Emunio Tanzania Limited- **USD 1.86 M** at 8% p.a USD (2004)	The borrower failed to pay and it was latter found that the company is in process of restructuring and negotiation with the strategic investor to enable further equity some of which will be used to repay NSSF loan.
4.	Ubungo Plaza Limited (UPL) - **Tshs 1,284.2 M** at 10% p.a (2004)	The schedule of repayment was letter changed to take into account the financial position which now will repay loan to March 2010
5.	Kagera Sugar Company Limited- **Tshs 12 Billions** at 10% p.a (2004,2005)	The Borrower has failed to service its loan as a result the interest has accumulated to Tshs 5,624.29 Millions as at 30th May 2008. The Government proposed and the lender agreed to waive the accrued interest by 55% and the balance capitalised
6.	General Tyre East Africa – **USD 10 M** at 6% p.a (2005)	Default notice has been sent to borrower
7.	Continental Ventures(T) Limited – **USD 3.5 Millions** (2005)	Borrower has failed to service its obligations
8.	Katani limited- **USD**	Borrower has failed to service his

	3.7 Millions (2006)	loan
9.	Kiwira Coal & Power Company Limited – **Tshs USD 7 M** (2007)	Failed to repay loan as per agreement

The management does not observe the above quoted law and regulation

9.11.5 Investments in Ordinary Shares with no Earnings- NSSF Tshs. 62,785,093,300

Audit review of investments revealed that the Fund has investments in a number of companies in the form of ordinary shares and no evidence of projections for dividends to be received in the near future from those companies. The background has revealed that no dividend was ever received from those companies. Generally, the investments in the companies in question were found to be un-economical. The companies concerned are tabulated below:-

Name of Company	Balance 30/6/08-TZS	Remarks
Tanzania Oxygen Ltd	13,200,000	No dividend declared
Tanzania Housing Bank	495,280,000	Under Liquidation
1st Adili Bank Corp Ltd	3,152,024,742	The fate is unknown
CDC Mbeya Cement	1,152,024,742	No dividend declared
Ubungo Plaza	9,817,038,702	No dividend declared
TANRE Share	1,000,000,000	No dividend declared
HEPZ (Quality Group) Share	47,156,025,113	No dividend declared
PPL Pension Properties	3,500,000	No dividend declared
	62,789,093,299	

These few examples of the weaknesses in NSSF investments need to be taken with special weight. This is due to the fact that if you analyse the loans that have been advanced to various parties, most of them have proved to be non economical but attracting lawsuits which keeps the Fund's management busy. To secure the members funds, NSSF should review its investment procedures and the investment department ensure that funds are used efficiently rather than being tied up in uneconomical investments.

9.11.6 Debt Swap Agreement between the NIC and Government-Shs 4,428,674,047

The Government had in previous years provided loans to the Corporation in order to meet its urgent obligations. The outstanding loan balance as at the beginning of the year was Shs.4,428,674,047.

At its 185th Board meeting held on 10th July, 2007, it was reported that the Government was intending to use the loan of Shs.4.4 billion it had given to NIC in 2005 to acquire the Insurance Training Centre at Mikocheni at its Market value of Shs.2,873,118,900 and that the Government would write off remaining debt of Shs.1,555,555,146.

A Debt Swap Agreement was signed in November, 2007 between the then Ministry of Finance and NIC whereby the Government acquired the Training Centre at a value of Shs.2,873,118,900 and according to the Agreement the loan balance of Shs. 1,555,555,146 was to remain.

However, in accordance with management representation, an agreement (said to be executed soon) has been reached with the Government to offset the loan against a revalued figure of Shs.4,015,000,000 for the Training Centre. Consequently, the amount of the loan has been offset with Shs.4,015,000,000 to arrive at a new loan balance of Shs. 413,674,047. Although the said new agreement has not been executed and availed as supporting evidence, the new information has been booked in the accounts which is contrary to book keeping norms.

9.12 Questionable transfer of Liabilities for M/s Meditech NSSF Loan to M/s Emunio Tanzania Limited

The Fund had extended a loan of Shs.1,525,368,425 to M/s Meditech on 30th April, 2003 and the agreed due date for repayment was December, 2004. We were notified that the loan was subsequently rescheduled for repayment to commence from 30th June, 2006. Agreement to substantiate this later development was yet to be availed for our verification.

Further, current correspondences made by the Fund regarding the loan, was observed to have been made with M/s Emunio Tanzania Limited as the borrower. Legality for change of loan liability from M/s Meditech Ltd to M/s Emunio Tanzania Ltd could not be substantiated as no documentary support was availed in this regard.

This unexplained transfer of liabilities from M/s Meditech to M/s Emunio Tanzania Limited who is among the list of defaulters and in arrangement of changing ownership (refer a para on NSSF-non economic and commercially viable investment in loans advances) raises the alarm of alert regarding the whole transaction and foreseeable loss.

9.13 Questionable Transaction in NIC- UK Lloyds Bank Account No. 0954286-USD 75,213 for Tanzania Postal Bank

Audit observed a debit entry amounting to US$. 75,213 effected in the above mentioned account on 24th August, 2007 and the same had been reflected in the bank reconciliation statement as wrong debit by bank. It was further noted that the transaction was effected by the bank on the strength of instructions allegedly signed by the Corporation's Managing Director and the Director of Finance and Administration on 24th August, 2007.

Management disowned the instructions claimed by the bank vide its letter to the bank dated 7th November, 2007 which expressed that NIC had never sent any instruction to that effect and that it held the bank fully responsible for the loss and thereby demanded immediate refund to the Corporation's bank account.

The management made vigorous efforts to recover the money and in July, 2008 (during the course of this audit), a bank statement was received from Lloyds bank showing a credit of USD 78,825.96 in the bank account. No details were obtained from the bank with respect to this credit but it would seem that the stolen money has been returned basing on the recent bank statement.

Although the transaction seemed to be fraudulent (by virtue of forgery); no evidence was available to indicate that the management had reported the matter to appropriate authorities for investigation and appropriate action.

9.14 Weaknesses noted in implementing the agency agreement between Tanzania Postal Bank and Tanzania Postal Corporation

(i) Tanzania Posts Corporation Excess Deposits

Other receivables stated in the accounts for the year under review at Shs.6,538,475,000 included Tanzania Posts Corporation Excess Deposits amount of Shs.1,534,283,000 analyzed as follows:-

Account No.	**Account Description**	**31.12.2007 Shs.**	31.12.2006 Shs.
190420001	TPC Excess Deposits (Current Balance)	**1,410,112,574**	1,361,063,193
190420004	TPC Excess Old Balance	**124,170,395**	98,054,641
	Total	**1,534,282,969**	1,459,117,834

Tanzania Posts Corporation is an agent of Tanzania Postal Bank, the former being charged with the responsibility of collecting deposits from the Bank's customers and disbursing withdrawals alike. Tanzania Posts Corporation is supposed to remit the excess deposits over withdrawals to the Bank's regional collection accounts within two weeks from the transaction date.

We however, noted that, the balance due from Tanzania Posts Corporation as at the year end was on the high side indicating that the Corporation had not been remitting the excess deposits as per agency agreement. The above data, also shows that TPC Excess Deposits balance increased by Shs.75,165,135 from Shs.1,459,117,834 as at 31.12.2006 to Shs.1,534,282,969 as at 31.12.2007, an indication that efforts made by the bank's management to have the money remitted by Tanzania Posts Corporation have so far not been effective. Furthermore, age analysis to support the same balance was not available for our verification. The non-recovery of TPC Excess Deposits decreased the Bank's liquidity and thus forced the Bank into unnecessary financial constraints.

(ii)Fraudulent Withdrawals by Tanzania Posts Corporation Staff

We observed that fraudulent withdrawals by Tanzania Posts Corporation staff increased from Shs.44,947,400 in 2006, to Shs. 47,443,500 in 2007. The above balance includes an amount of Shs.3,666,600 which has remained in dispute with TPC since the year 2002 and remaining balance of Shs.43,776,900 has not yet been reconciled with TPC or TPC has not confirmed the same. No provision for bad and doubtful debts has been made in the accounts in respect of the fraudulent withdrawals amount despite the balances not being confirmed to be recoverable and part of it being in dispute for over five years.

In view of the foregoing we could not establish the correctness and recoverability of the fraudulent withdrawals by TPC staff amounting to Shs. 47,443,500 reflected in the accounts for the year under audit.

CHAPTER TEN

HUMAN RESOURCE MANAGEMENT

10.0 Introduction

Results of various audits showed that some of the Public Authorities have weaknesses in effective management of human resources. In several instances, it was noted that recruitments are not done in a transparent manner and in accordance with public sector standing procedures. It was also noted that, most organizations have problems in keeping vital staff records. Apart from not having staff database; review of employees personal files revealed that basic particulars such as employment letters, confirmations and promotions are not filed.

Other serious problems include, shortage of key staff, Lack of employment contracts, meritocratic principles not adhered to during recruitment, misallocation of staff and non payment of statutory deductions.

The effects of these weaknesses include high staff turnover, low working moral and ultimate low productivity.

Briefs of these problems are given in the following paragraphs.

10.1 Records keeping systems

The review of personal files in public authorities noted some weaknesses which needs immediate corrective measures. Important records such as employment contracts, copies of academic certificates, marriage and birth certificates and letters of appointment are missing from the respective personal files. Other important records include, promotions, transfers, academic and professional certificates, salary increments and performance appraisal forms.

While those records are essential for promotions and proper remuneration as well as settlement of terminal benefits; Human Resource Managers have given little weight on ensuring completeness of employees' records and data base.

The table below is a list of Public Authorities lacking adequate staff records.

S/No	Entity	Details
1.	TANAPA	Out of 75 employees files that were reviewed, only 10 files had complete records which agreed to payroll details
2.	ISW	Records relating to employment of part time lecturers such as their qualification and terms of payment were missing from personal files
3.	NSSF	Test checks of personal files both open and confidential revealed several weaknesses regarding documentation and record keeping. The following particulars were missing in the personal files: • recruitment and selection procedures • pre-employment medical examination certificates • Academic certificates • referee reports • transfers and promotions • terminations • performance management • grievances • training/development activities

10.2 Staff performance appraisal

A number of Public Authorities have demonstrated significant weakness in the performance appraisal of employees. The appraising system helps the management to monitor progress of employees and make recommendations on various matters relating to training, promotions, transfers or termination. The appraising system is made yearly and it is openly made through filling a well designed form in which the employee and employer has to agree on the recommendations.

Five Public Authorities did not appraise their employees. Therefore, there are no bases for approving training, promotions, transfers or termination of employees. Such decisions are therefore made on ad hoc basis and therefore overshadowed by subjectivity. This situation is injurious, primarily to staff working morale and finally the corporate productivity. Nevertheless, other organizations though appraised their staff; the process was incomplete and did not follow the open appraisal approach.

The table below is a list of Public Authorities with staff appraisal problems:

S/No	Auditee	Weakness
1.	TANAPA	Confidential or closed appraisal system was used instead of the recommended Open Performance Review and Appraisal System (OPRAS)
2.	ISW	• Employees' performance appraisals are not done yearly • Supervisors do not put recommendations • Signatures and date are not inserted. •
3.	TBC	Open appraisal system for employees is not done.
4.	NSSF	Appraisal performance for the year 2008 was not conducted.
5.	TPA	Staff on bar scales were not appraised

10.3 Weak management of employment contracts

According to provisions of section 15 of Employment and Labor Act No. 6 of 2004; employers are required to prepare and provide employees written contracts which should include the following information upon recruitment.

- name, age, permanent address and sex of the employee,
- place of recruitment,
- job description,
- date of commencement,
- form and duration of contract,
- place of work,
- hours of work,
- remuneration and method of calculation, and details of any benefits or payments in-kind.

However, during the year under review some of the Public Authorities were found to have no employment contracts with their employees. In addition, for other organizations the employee-employer contracts are incomplete. These lapses have negative results to such organizations in any case of legal matters.

S/No	Auditee	Weakness observed
1.	**TPA**	During the financial year ended 30th June 2008 TPA recruited 127 staff for the contract periods of less than six (6) and three (3) years. However, all new contracts were not supported with written document from concerned employees (as required by internal directives) explaining their intention to continue with employment. This contradicts with Part B of the staff regulation manual.
2.	**TBC**	TBC appointed one senior officer (management level) since December 2006

		without employment contract contrary to Sect. 7.7 of TBC Staff Regulations Manual which clearly states that "no appointment shall be effective unless the offer of appointment has been duly accepted and signed by the employee".
3.	**DAWASCO**	Review of the sampled personal file at Dar es Salaam Water Sewerage Corporation did not find contract agreement in a personnel file of one officer employed on contract terms.

10.4 Shortage of staff in Public Authorities

As a part of audit procedures I reviewed some organization staffing of different Public Authorities and noted serious problem of inadequate staffing. Inadequate staffing may hinder attainment of corporate goals since a good mix of skills and abilities may not be possible. In addition, segregation of duties and staff rotation which are necessary attributes of internal controls system may not be exercised effectively.

Some of the Public Authorities which are suffering from shortage of key staff are shown below.

Public Authority	**Department**	**Remarks/**
National Institute of Productivity	Administra-tion	The posts for Director of Human Resources and Administration (DHRA) & Director of Management Consultancy (DMC) are vacant.
Tanzania National Parks	Administra-tion	Post for Logistic Manager, Real Estate Manager, Transport Officer, Insurance Officer, Terminal Benefits Manager, Internal Auditors and Accountant are vacant.
NSSF-(Regional	Accounts	The section is manned by only

office Geita)		one staff who receive contributions, prepare cheques, and banking of revenues. He is also responsible for preparation of vouchers, posting of all books of accounts and preparation of monthly financial reports as well as being first signatory of all bank accounts,
UDSM (Institute of Journalism and Mass Communication)	Accounts	The account section is manned by one person who handles all accounts functions.
Mzumbe University- (Mbeya compus)	Accounts	There are only two members of staff in the section, who performs all accounting functions at the campus.
TEMDO	-Design and Technology -DG's office -Accounts	Posts for DG and Head of Design and Technology department are vacant. The organization has not employed any professional accountant.

10.5 Transfer of former DHRA with Aspects of Demotion at NSSF

The audit tests conducted on the human resources management revealed the following anomalies in respect of the transfer of staff.

- The Board of Trustees at its meeting held on 22/2/2005 approved the management recommendations to transfer the then Director of Human Resources and Administration to Kilimanjaro offices as the Chief Manager. According to section 3.2.2 of staff regulations, the appointing authority is the Board of Trustees and therefore it would not be reasonable for the management to recommend for transfer of the Director to a lower rank, status and pay which is a demotion as per definitions of the staff regulations

- The transfer letter included a probationary provision for a period of six months after which “the Director may be” confirmed and that the salary would have remained “personal to himself”, this means that the chief manager would have continued to receive a salary of a director and be in probation as a new employment

- Despite the complaints by the former Director on the injustice done to him via letters dated 28/6/05, 22/7/05 and 29/7/05, the Director General wrote to the complainant that he considered the matter closed without provision of any solution to the complaints. Further, via letter NSSF/C/PF/778/103, the Director General threatened the complainant for the disciplinary action if he would have repeated the similar instances. No clear explanation was give justify the intention of the Director General to do so.

- Further, management communicated Salary scale status to the then DHRA through fax by stating that “when the fund’s salary structure reviews were made in July 2005 you were no more a director and hence your salary could not be pegged retrospectively”. This sentence seems to be a contradiction to the original letter of the transfer dated 22/2/05.

- On Wednesday 8/3/06 the complainant wrote to the chair of the Board of trustees but the chairperson did not respond until 15/8/07 i.e 18 Months letter despite reminders of 11/9/06 and 12/6/07. On the response, the chairperson confirmed some weakness in the transfer and on salary case the chairperson showed an indicator of limited information. The circumstance implies that the management is doing injustice to its staff. We of opnion that NSSF Board of Trustees should intervene on the matter and provide satisfactory information for audit scruitininy.

10.6 Employment of DHRA without required qualifications

After demotion the former DHRA as demonstrated in the preceding paragraph, the Board of Trustee on its 33rd meeting held in July 2005 appointed a new Director of Human Resources and Administration for the term of service of three years without considering the requirement of fund's manual on necessary qualifications which requires any person holding the post of Director to have necessary academic qualifications of a Master's degree or equivalent qualifications and desired field experience of at least 7 years. Audit scrutiny revealed that the new Director holds only BA-degree which could not be substantiated because review of personal files both open and confidential found no academic certificates and employment procedures in respect of the person holding the post of the Director of Human Resources and Administration. The circumsntance implies mismanagement of the posts of Directors. We are of opinion that Board of Trustees should review its earlier decision of recruiting the current DHRA as ascertain of her qualifications and competence to job. Further, it should take initiatives to ensure the post of the Director of Human Resources and Administration is occupied by competent person with relevant academic qualifications.

10.7 Non compliance with recruitment procedures/rules

It was noted that some appointments or new recruitments did not follow the outlined procedures. The weaknesses revealed include, recruitment of people who have not attained the required academic qualifications and experience, recruitments not advertised, employing without interviewing and recruiting over aged officers. It is obvious that with such biases, which are against recruitment regulations, an organization cannot get honest employees with the required skills, experience and competency. High staff turnover was an obvious outcome of the biased employments. These weaknesses were found to be common in NSSF, TSN and TPA.

10.8 Accumulation of annual leave beyond 60 days at NSSF

As part of internal control, staffs are required to take annual leave. However, M/S NSSF had nine instances of officers who have leave accumulations ranging from 84 to 117 days contrary to Part 6.5.1 (g) of its staff regulations which states clearly that "under no circumstances will accumulation of leave beyond 60….." days.

10.9 Misallocation of Human Resource- NSSF

Review of 'human resource recruitment posting and job rotation' revealed that allocation of duties does not distinguish personnel professional qualifications. For instance, a qualified internal auditor is holding a position of Senior Security Officer. Seven (7) instances of this nature were identified. The inconsistency accounts for low working morale along with high labor turnover.

10.10 Statutory deductions not remitted to the relevant authorities

Statutory deductions such as PAYE, PPF, VAT, SDL and SACCOS contributions were not remitted to the respective authorities contrary to the requirements enshrined in the respective statutes. Where deductions are effected, remittances are not made in full deadlines for submissions are not observed. The organizations suffer hefty penalties which can be avoided. As at 30th June 2008, M/s TPC had outstanding deductions of Shs. 1,503,492,491 where as M/s TANESCO did not assess and deduct Skills and Development Levy (SDL). This matter was raised in my previous report but no serious action has been taken to rectify the problem.

CHAPTER ELEVEN

CORPORATE GOVERNANCE

11.0 Introduction

Good Corporate Governance makes it mandatory for public organizations to institute sound policies towards proper management of resource. In achieving this fundamental goal, organizations need to institute a series of aspect that shall enable them to exercise effective controls that for elimination of wastes fortified by fraud, negligence, embezzlements and sloppy performance.

Organizations therefore, have to design organization setup that supports transparency and sound internal control system. Therefore, organization structures should also facilitate checks and balances; for instance, formulation of Internal Audit Unit, Tender Committee, Procurement Management Unit, Audit Committee as well as ensuring there is independent audit every financial year.

Moreover, organizations are required to have Codes of Ethics, Clientele Service Charter, Corporate Plans, Annual Budgets as well as an apex (Governing Board) for the strategic decisions.

The cardinal objective of good governance therefore is for organizations to be fully accountable and meet stakeholder's expectations both economically and socially.

This chapter therefore highlights the weaknesses noted in relation to corporate governance issues that were found to be material.

11.0 Review of functioning of Internal Audit Units and Board of Directors

11.1.1 Internal Audit Units

S/N	Entity	Anomalies Noted
1.	TCRA	Not established the internal audit unit and no evidence to suggest that the financial controls and procurement processes at the Authority were reviewed The Authority engaged TAC Associates on 16 February 2008 to carry out internal audit function at a contract price of TZS 13,200,000 for the financial year 2007/2008 but no internal audit reports were provided to us for review.
2.	TBC	Not established the internal audit unit
3.	MUWASA	Not established the internal audit unit
4.	TUWSA	Not established the internal audit unit
5.	NEEC	Internal audit has not been functional during the year.
6.	DIB	Not established the internal audit unit
7.	BUWASA	Not established the internal audit unit
8.	LUWASA	Not established the internal audit unit
9.	TUWSA	Not established the internal audit unit
10.	TSN	Not established the internal audit unit
11.	BOT	The Governor of the Bank, who is the chief executive officer, is the chairman of the Governing Board. Also, three deputy governors are members of the governing board (and in accordance with Section 9(2) of the Bank of Tanzania Act, 2006 one of them is the deputy chairman). The management comprises 44% of total membership.
12.	Kariakoo Market Corporation	The Board of Directors was dissolved in 2000 for grounds of inefficiency; therefore it operates under Advisory Board appointed by

		Dar es Salaam City Council since then. The Advisory Board comprises more of heads of departments of the City Council without specific duration of membership and tenure of the Board. The practice is not aligned with the Kariakoo Market Corporation Act 1974
13.	BET	Board of Directors continued to remain in office even after its tenure expired on 29th March, 2007 and a new board was appointed on 8 January 2009 a delay of almost two years. Delays in appointing new Board of Directors resulted into illegitimate Board to convene four meetings.
14.	COSOTA	Delays in appointing new Board of Directors, hence strategic decisions are not taken.
15.	NACTE	Tenure of the Governing Council expired on September 18th, 2007 but new appointments delayed till July 2008 therefore the corporate business went without being regulated. Internal Audit Unit is manned by one person, only, the Chief Internal Auditor (CIA) who is also involved in the day-to-day pre-audit of payments, thus undermining his independence. CIA is a member of the Tender Board; consequently he cannot question any irregularities that may arise in due course.
16.	NSSF	A member of the Board of Trustees provides legal services to the Fund through his firm C. K. Kariwa Co. & Advocates. During the year Shs. 20,880,000 was paid to his company for

		handling legal suit against two ex-employees of NSSF. There if an obvious conflicting interests and the possibility of lobbing for the contact and influencing the contact amount cannot be ruled out.

In some organizations, internal auditors' takes part in pre-auditing of payments; hence they are part of the authorization process. Examples, TPA and BOT, also there are cases where internal auditors are tender board members thus impairing their independence as a result of conflicting interests.

11.1.2 Review of Governing Boards

Unregulated remunerations of Board of Directors

The Boards of Directors have an upper hand over the Chief Executive Officers owing to the powers conferred to these supreme organs to enable them discharge the supervisory role. Given the fact that members of the Board are the policy makers with powers of firing including setting their own remunerations; it is obvious that they would prefer more to less and the managements of the public organizations may not reject their proposals.

Recalling the past, the defunct Standing Committee of PA&oBs Organizations (SCOPO) among other duties was s responsible for approving director's fees and other benefits. Therefore, the concept of checks and balances prevailed and transparency was eminent.

Results of review of Director's remuneration show that there is asymmetry across the organization countrywide. Allowances paid to the directors including, sitting allowances, transport, director's fees and other allowances varies from one organization to another depending on the liquidity or profitability of an organization. In most cases, rates payable to the directors are on the high side compared to the current national economy. In my estimation, some benefits allocated to Board members are excessive.

11.1.3 Lack of Accountability for the Boards of Directors

During the PA&oBs accountability conference which took place on 23rd -24th January, 2009 to look on the performance of five infrastructural corporations being TPA, TANESCO, TPDC, DAWASCO and ATCL, it became apparent that the performance for the Board of Directors has been questionable and there was no clear means for measuring their efforts. These directors have been serving the boards until the tenure expires and they are re appointed for other tenure while on the other hand the performance of the entity is deteriorating time to time.

It is my view and the resolutions of the PA&oBs accountability conference in this respect that:-

- There is a need to empower the Board of Directors to appoint the Executive Directors of the corporations instead of the President doing so. The president should be left with the responsibility of appointing the Chairpersons of the Board.

- The Government should enter into the performance contract with governing Boards of the corporations and set the pre determined deliverables during the tenure which will be made public after which will be evaluated and determine the re appointment of the Board. In this regard the Board should also sign the performance contract with the chief Executive Officer who also will sign the contracts downwards.

11.2 Weaknesses noted from the review of Audit Committees

S/N	Entity	Anomalies noted
1.	TBC	Met only once during 2007/08
2.	CDA	Audit committee not having a person with accounting background
3.	NEMC	Audit committee met only twice during the year instead of at least 4 times as per PFR, 32
4.	MUWSA	Met only once during 2007/08
5.	BUWASA	No audit committee
6.	Inst. of adult education	No audit committee
7.	LUWASA	No audit committee
8.	Mwl. Nyerere memorial Academy	The Audit Committee is made up of members of the management team and thus cannot independently perform the functions entrusted to the Audit Committee effectively
9.	MWAUWASA	No audit committee
10.	ISW	No audit committee
11.	TPDC	Audit committee met twice
12.	IAA	No audit committee
13.	DIB	No audit committee
14.	DIT	No audit committee
15.	MUWSA	Met only once during 2007/08
16.	TUWASA	The Chief Executive Officer of the Authority, who by virtue of his position is the Secretary of the Board, is also the Secretary of the Authority's Audit Committee which in turn reports to the Board.
17.	NCTE	No audit committee

11.3 Parliamentarians serving as Directors in various Boards of Public Authorities for the year ended 30th June, 2008

The notion of separation of powers and functions among the three pillars, that is the Executive, Judiciary and Parliament is to promote checks and balances. Contrary to this concept of separation of powers it was noted that Boards of directors for public corporations include members of Parliament who constitute between 17 to 56% of the total number of Board Members. In this respect, the oversight role of the parliament is impaired thus jeopardize the spirit of good governance.

In view of the above weakness, a PA&oBs Accountability Conference held on 23rd -24th January, 2009 made a call for the Government to ensure Members of Parliament are not appointed Board members in Public Authorities.

The table below shows the level of MPs participation in different Boards of Directors.

S/N	Entity	Total members	Number of MPs	Non MPs	% of MPs
1.	Tanzania Cotton Board (TCB)	9	5	4	56
2.	Tanzania Fertilizer Company Limited (TFC)	7	2	5	29
3.	Cashewnut Board of Tanzania	9	3	6	33
4.	Ngorongoro Conservation Area Authority	14	5	9	36
5.	TCRA	6	1	5	17
6.	TCAA	5	1	4	20
7.	Mzumbe University	17	3	14	18
8.	National Museum	11	3	8	27
9.	Tanzania Tea Board	8	3	5	38
10.	Consolidated Holding	5	2	3	40

	Corporation				
11.	Sugar Board of Tanzania	8	2	6	25
12.	Tanzania Gaming Board	6	2	4	33
13.	Marine services Limited	6	2	4	33

In addition, three instances were noted in that, two senior government employees and one from the private sector are board members in several organizations as shown below.

Since the role of Board Members needs devotion in terms of mental and time, it is unlikely for such members to contribute effectively towards the wellbeing of the corporations they are serving.

S/N	Board Member	Entity
1.	P/Secretary	UDSM, DAWASCO, Mzumbe University, NSSF,NBMM
2.	Senior Govt employee	CHC, Reli Assets Holding, NIC, TPDC,UDSM,MNH
3.	Private	ARU,NCCA,BET,PPF

The multiple appointments flout requirements of Section 12 of Public Corporations Act, 1992. For control purposes, every proposed appointment of board member should have been forwarded to the Treasury Registrar as required by Section 12(2) of the above Act.

11.4 External influence/interference

Decision making in Public Authorities is categorised into two. First, is a managerial decision making, also referred to as operational decisions relating to the day-to-day activities. The second level are is strategic decision making or commonly known as corporate decisions which are made by the apex body of any organization. Since the public authorities are autonomous entities, the apex body for corporate decisions is the governing board.

Nevertheless, other organizations, such as regulatory bodies, parent ministries etc, may advise but should not make final decisions to an autonomous entity whether strategic or operational

However, instances were noted whereby government authorities influenced TANAPA on both operational and strategic decisions. The overriding decisions involved payments of large amounts of money and contracting without following tender procedures.

11.5 Treasury Registrar's Responsibilities in directing the Authorities

As provided in the Treasury Registrar Ordinance Cap. 418 and Sect. 6 of the Public Corporations Act No. 16 of 1983 the Treasury Registrar functions in relation to Public Corporations includes:-

- To keep or cause to be kept under permanent review the business and affairs of all persons and bodies of person in respect of which the Treasury Registrar holds any property or any interest in the property;
- To render advice to the Government relating to the establishment of public or statutory corporations, and the vesting of any business or property in any such organizations;
- To review the financial performance of public and statutory corporations with a view to recommending measures aimed at amalgamation, disestablishment or improvement of their performance;
- To ensure that unless the appointment is by virtue of office ensure that no person shall be appointed to be a member of more than three Boards of Directors at the same time.

11.6 Lack of legal framework Governing establishment of Audit Committees in the Public Authorities

The audit of various public Authorities revealed that there have been various standards in establishing the audit committees. The Public Finance Act, 2001 section 30 refers to the establishment of the committees in the Ministries, Departments, Agencies or Region. This authority does not cover the establishment of the Committees in the Public Authorities hence the authorities not bound to comply.

Also the composition stated in section 31 of PFA, 2001 states the members of the committees to be the senior members of the entities mentioned above while some Corporations establishes the committees as a committee of the governing board which is a best practice. It is however noted that some other corporations opt to establish the committees in line with the PFA, 2001 hence double standard in evaluating the entities.

With this observation, the Treasury registrar should give the guidance to the Public Authorities on the best way of establishing and functioning of the committees in order to create harmonized controls in the entities.

CHAPTER TWELVE

RESULTS OF PRIVATIZATION

12.0 Introduction

In the early 1990s the Government decided to disengage itself from commercial running of its PA&oBs through the process of privatization. The Government decided to engage itself on the regulatory roles, leaving commercial activities in hands of the private sector. Such a decision was attributed to several reasons including under performance of the entities owned entirely by the Government. Not all Public Authorities were privatized as some were specified for privatization only later to be de-specified. The Government has instituted a restructuring process to reverse the de-specified PA&oB into full operations.

The privatization of PA&oBs in the country commenced way back 1993. The Presidential Public Sector Reform Commission (PSRC) was vested with powers of coordinating and supervising the privatisation process. However, the Commission's operations officially ceased on 31st December 2007 after completing the divesture of a substantial number of the specified PA&oBs. The left stock of 34 PA&oBs which were at different stages of privatization were transferred to the Consolidated Holding Corporation effectively from 1st January 2008.

On the same date ie 1st January 2008, the Consolidated Holding Corporation was vested with the responsibility of discharging the functions of SIMU 2000 Ltd. The uncompleted tasks left by SIMU 2000 among others included managing and disposing of the non core assets of the former TTCL and take over the pension liabilities of non contributory pension scheme of former employees of the East Africa Posts and Telecommunications and take over any pending Court proceedings instituted by or against TTCL.

Prior to that, CHC had also inherited the activities of the former Loans and Advances Realization Trust (LART) and Air Tanzania Holding Corporation (ATHCO).

This chapter highlights important matters extracted from the annual reports of Consolidated Holding Corporation, Presidential Public Sector Reform Commission and SIMU 2000 Ltd and the Statement of Public Investments prepared by the Treasury Registrar as at 30th June 2008.

12.1 Status of Public Authorities and other Bodies

As at the date of preparing this report, 164 active PA&oBs had been identified. In addition to 43 PA&oBs have either ceased to operate or have been privatised with the Government maintaining minority shareholding. A review of the Treasury Registrar's statement for the year ended 30th June 2008 of the 43 PA&oBs revealed that twelve(12) PA&oBs are under privatisation process, fourteen (14) are not operating, twelve (12) are under liquidation, four (4) are under restructuring and one (1) is undergoing winding up process. Generally the Government has investments worth TZS.246,666,172,379. In summary, Public Authorities and other Bodies that are undergoing various legal processes are as shown in the table below:

S/N	Status of Public Entities	Entity No	Total Investment Shs
1.	PA&oBs under privatization process	12	91,900,617,960
2.	PA&oBs not operating	14	85,905,745,060
3.	PA&oBs under liquidation process	12	10,691,271,115
4.	PA&oBs under restructuring process	4	70,675,136,552
5.	PA&oBs undergoing wound up process	1	(12,506,598,308)
Total		**43**	**246,666,172,379**

12.1.1 Public Authorities and other Bodies under privatization process

According to the Treasury Registrar's report and the CHC Annual Report, twelve (12) Public Authorities and other Bodies are undergoing privatization process. Our review of the aforementioned statement revealed that government invested a total of Shs. 91,900,617,960 being paid up share capital and other investments to the PA&oBs that are under privatization process. The following are the Public Authorities and other Bodies that are undergoing privatization process:

S/N	Name Of The PA&oBs	Audited Accounts Date	Total Shs	Gvt. Owner-ship %	Remarks
1.	Air Tanzania Corporation Limited	30-Jun 2008	18,034,359,000	100	Privatization in process
2.	General Tyre East Africa	30 Jun 05	(8,942,000,000)	74	Specified for sale
3.	Songwe Water Company				Not in the TR Statement but in the CHC report
4.	Mikumi Wildlife Logdes	30-Jun 96	1	100	Under privitisation
5.	Morogoro Leather Goods				Not in the TR Statement but in the CHC report
6.	Kitara Holding ground				Not in the TR Statement but in the CHC report

7.	BP (T) Ltd	31 Dec 07	48,566,000,000	50	Sales of the Govt. shares in the Joint venture with BP
8.	NBC (T) ltd	31 Dec 07	32,370,000,000	30	Sales of the Govt. shares in the Joint venture with NBC(T) Ltd.
9.	Datel Tanzania Limited	31-Dec-05	-323,000	35	Joint Venture (privatisation process).
10.	Usafiri Dar-Es-Salaam (UDA)	30-Jun-06	846,631,959	49	To be Privatized
11.	Teleshop Co. Limited	31-Dec-02	50,950,000	49	Not operating. Under privatization at CHC
12.	Tembo Chip Board Ltd	31-Dec-02	975,000,000	80	To be privatized. Sale agreement signed. Deal not yet concluded
Total			**91,900,617,960**		

The respective management of the PA&oBs should speed up the process of the restructuring in order to avoid liquidation.

12.1.2 Public Authorities and other Bodies not operating

According to the Treasury Registrar’s statement, fourteen (14) Public Authorities and other bodies were noted to have been not operating. Our review of the Treasury Registrar’s statement revealed Government had invested

Shs.85,905,745,060 being paid up share capital and other investments. The concerned Public Authorities and other Bodies that have ceased to operate are as follows:

S/N	Name of the PA&oBs	Audited Accounts Date	Total Shs	Gvt. Owner-ship %	Remarks
1.	Kisarawe Brick Factory (KIBRICO)	31.12.2003	-144,065,000	30	Not operating. Govt minority shares Sale in process.
2.	Kilima-njaro Machine Tools	31-Dec-89	-652,989,944	100	Not operating. Transferred to NDC to be used for development of export Processing Zone.
3.	SIMU 2000 Ltd	31-Dec-06	43,346,350	100	Ceased to exist legally on 30/6/06, transferred to CHC May, 2007.
4.	Loans Advances Realiza-tion Trust (LART)	30-Jun-06	1,575,250,000	100	Ceased to exist legally on 30/6/06, transferred to CHC May, 2007.
5.	Mikumi Wildlife Lodges	30-Jun-96	1	100	Not operating.
6.	MMT – Mang'ula	31-Dec-87	191,355,469	100	Not operating. Privatized by PSRC. The process of handing over to the new investor (St. Mary International Schools) is in progress
7.	National Milling	30-Jun-94	14,511,600	100	Not operating. Placed under

	Corporation				PSRC for privatization.
8.	Nyanza Glass Works	30-Jun-00	7,710,570,174	100	Not operating. Handed over to NDC by PSRC in March 2007.
9.	PEHCOL	30-Jun-00	4,601,072,024	100	Not operating. Placed under PSRC for asset sale
10.	Public Sector Reform Commission (PSRC)	31 Dec 2007	69,716,733,159	100	Ceased to operate on 31st Dec. 2007 and, its activities transferred to CHC
11.	Tanzania Automobile Manufacturing Company (TAMCO)	31-Dec-99	2,532,882,162	100	Not operating. Transferred to NDC to be used for development of export Processing Zone.
13.	Tanzania Fishing Company (TAFICO)	30-Jun-94	266,129,065	100	Not operating. Under privatization.
14.	TeleShop Co. Limited	31-Dec-02	50,950,000	49	Not operating. Under privatization at PSRC
Total			**85,905,745,060**		

Government should put more efforts to either ensure the above Public Authorities resume operations or are sold to private investors.

12.1.3 Public Authorities and other Bodies under liquidation process

Our review of the Treasury Registrar's statement revealed that some PA&oBs are undergoing liquidation process. These are PA&oBs that can not settle their short and long term liabilities without selling their non current assets. According to the Treasury Registrar's statement a total potential of paid up share capital and other Government investments in these PA&oBs was Shs.10,691,261,115. Public Authorities which are undergoing liquidation process are as follows:

S/N	Name of The PA&oBs	Audited Accounts Date	Total Gvt. investment Shs	Gvt. Owner-ship %
1.	Basuto Farm	30-Sep-02	644,449,423	100
2.	BHESCO	30-Jun-01	104,285,208	100
3	Gidagamowd	30-Sep-98	239,723,885	100
4.	Imara Wood Products	31-Dec-91	194,300,000	100
5.	Kiltimbers Co Ltd	31-Dec-90	69,093,720	100
6.	Mulbadaw Farm	30-Sep-98	902,699,681	100
7.	Murjanda Farm	30-Sep-98	461,940,530	100
8.	National Shipping Co. Ltd	30-Jun-99	6,320,069,245	100
9.	Setchet Company	30-Sep-00	1,010,576,396	100
10	Tanga -RTC	30-Jun-01	126,152,332	100
11	Tanzania Elimu Supplies	30-Jun-94	347,400,197	100
12.	Tanzania Motor Services Company (TMSC)	30-Sept-98	270,570,498	100
Total			**10,691,261,115**	

12.1.4 Public Authorities and other Bodies under restructuring process

Restructuring is the process of recapitalising the business after being incapable of meeting short and long term liabilities. This is a good method of rescuing an entity from being liquidated. According to the Treasury Registrar's annual statement of Government investments, four (4) Public Authorities and other Bodies which are undergoing restructuring process had a paid up share capital and other Government investments amounting to Shs. 70,675,136,552. Public Authorities and other Bodies which are undergoing restructuring process are shown below:

S/N	Name of The PA&oBs	Audited Accounts Date	Total Gvt. investment Shs	Gvt. Owner-ship %	Remarks
1.	National Insurance Corp.	31 Dec 2007	55,448,880,000	100	Under Restructuring
2.	State Mining Corporation	31 Dec 2007	297,658,671	100	to be an Executive Agency
3.	Tanzania Cotton Lint & Seed Board	30-Jun-06	9,069,370,881	100	Undergoing restructuring /To be a Regulatory Body
4.	Tanzania Postal Bank	31-Dec-06	5,859,227,000	45.3	To be restructured
Total			**70,675,136,552**		

The Government should speed up the process of restructuring PA&oBs in question.

12.1.5 Public Authority undergoing winding up process

Our review of the Treasury Registrar's statement of Government investment noted that the Tanzania Hotels Investment Co. Ltd (TAHI) can not settle its short and long term liabilities and is subject to windup process. The Tanzania Hotels Investment Co. Ltd (TAHI) owned 100% by the Government operates under negative investment of Shs. 12,506,598,308 according to the annual Treasury Registrar's statement of investment. All subsidiary companies have already been divested under the Consolidated Holding Company.

12.2 PA&oBs Sector Reform Commission (PSRC)

12.2.1. Outstanding Debtors and Prepayments-Shs. 7,424,072,923

The PSRC outstanding debtors as at 31.12.2007 was Shs.7,424,072,923, the debt circularisation was done to the selected sample of 27 debtors to confirm their balances as at 31st December, 2007 whereby only nine (9) debtors responded.

However, four (4) of the 9 debtors disagreed with their balances on the ground that the Commission records overstates their balances. The total amount claimed to be overstated was Shs.2, 498, 518, 19. This implies that the balance of the debtors reported may be impaired.

12.2.2 Buyers' deposits not accounted for Shs.6,746,157,339

Included in the balance sheet of the PSRC as at 31 December 2007, were buyers' deposits for divested PA&oBs and sales of non-core assets amounting to Tshs.8,448,452,794 from 316 depositors. Tests of details regarding 211 depositors with Tshs.7,203,502,344 resulted into Shs.6,632,693,934 in favour of 208 buyers being accounted for as creditors instead of treating the deposits as cash collections and without indicating their corresponding revenue generated from those buyers. The schedule below provides a summary of buyers' deposits:

Category of Depositors	No. of depositors	Deposited amount (Tshs)
Fully paid purchase consideration	129	2,367,402,616
Contract price not shown	8	2,398,400,000
Over-due debtors	62	1,396,580,301
Paid over and above the contract price	9	12,966,017
Waiting government approval	3	570,808,410

Inappropriate accounting for buyers' deposits resulted into overstatement of PSRC creditors and understatement of revenues from divestiture proceeds. The misrepresentation might result into fraudulent misstatement.

Either, there were no appropriate adjustments made to recognise the revenue earned especially for those depositors who have fully settled the purchase consideration and those who have over paid.

12.2.3 Privatisation cost not supported by contracts Shs.1,248,681,919

Review of the transactions for privatisation expenses incurred during the period under review revealed some payments whose contract documents and or payment vouchers were missing. The missing documents were not made available to audit hence eligibility of the expenditure incurred could not be established.

12.3 Post privatization Monitoring and Evaluation

According to the performance annual report released by CHC for the year ended 31st December 2008, the divesture of six (6) PA&oBss was concluded. The privatization of public entities has been completed successful, but post privatization results of those entities has remained a major question today, however, the Consolidated Holding Corporation has managed to establish the Post Privatization Monitoring and Evaluation Policy. This will provide a direction towards the monitoring and evaluation process of the privatized assets, as the policy will facilitate the determination and analysis of the post privatization impact and performance indicators for every asset that has been divestured.

In the implementation of the formed policy, CHC planned to evaluate 40 Privatized Entities, however, it has managed to evaluate only 20 up to 31st December 2008.

CHAPTER THIRTEEN

RESULTS OF SPECIAL AUDITS

13.0 Introduction

The Public Finance Act No. 6 of 2001 (revised 2004) as amended by the Public Audit Act, No. 11 of 2008 Section 36(1) empowers the Controller and Auditor General to carry out special audits**.** The Act clearly stipulates that where at any time it appears to the Controller and Auditor General desirable that any matter relating to public monies or public property should be drawn to the attention of the National Assembly without undue delay, he shall prepare special report relating to such matter and submit the report to the President. It is in this respect the Office of the Controller and Auditor General conducted three special audits on Energy and Water Utilities Regulatory Authority (EWURA), Higher Education Students Loans Board (HESLB) and Moshi Urban Water and Sewerage Authority (MUWSA) during the year 2007/2008. Due to the late completion of the special audit in respect of HESLB, the report could not feature in this year's general report.

13.1 Special Audit on EWURA

The Controller and Auditor General received a letter from the Government on allegations of possible mis-use of public resources at EWURA. The Controller and Auditor General was requested to conduct a special audit to establish the truth of the matter. The Controller and Auditor General agreed to conduct the special audit investigation.

The findings of this special audit were as follows:-

13.1.1 Deficiencies in Regulations to Guide Operations of the Authority

We noted that the Authority uses the project implementation document prepared by the consultants M/s. Deloitte Touch Tohmatsu Emerging Markets Ltd which facilitated its establishment as the basis of financial, staff rules and regulations to guide its day to day operations. This document has a number of deficiencies and is outdated. Despite of the discrepancies, the document is generally used as a one stop reference document for all financial matters, staff and other operational regulations, while these were to be kept separately. The document was meant to guide only the process of establishing the Authority, thereafter separate operational manuals/regulations were supposed to have been prepared and approved by the Board of Directors to guide the day- to-day operations of the Authority.

13.1.2 Overseas training, study tours and conference arrangements not properly executed

The Authority uses a Training Manual compiled by M/s Deloitte Touch Tohmatsu Emerging Markets Ltd in association with LeBoef, Lamb, Greene, and MacRae National Economics Research Associates which provides a framework for all training issues required by a regulator. A review of this manual was made to establish the extent to which the Authority consistently applied it in the operation of the training and study tour activities. The manual requires, inter alia that the training and study tour programmes to be undertaken both in overseas, as well as locally.

In addition, the Training Manual requires the Authority to refine the proposed training programme based on the Training Needs Assessment for its employees; however the Authority conducted all its training activities without doing the required Training Needs Assessment.

Furthermore, the manual requires the Authority to use the training of the trainers' approach, whereby few staff/board members could be trained and subsequently use the knowledge to train others, so that training costs could be declining overtime. Since no trainers are created from the existing training arrangement, the Authority will continue to incurre higher costs on training.

- **Role of the Board of Directors and the Minister on the approvals of the Authority's budget and its supplementary budget**

  The role of the Board of Directors and the Minister on the approvals of the Authority's budget and its supplementary budget is ambiguous. Section 49 (1) and (2) of the EWURA Act, of 2001 (revised 2002) requires the budget of the Authority to be compiled and sent to the Minister for Water and Irrigation for information. This implies that since the original budget is sent to the Minister for information, any reallocation or supplementary budget should also be sent to the Minister for information. Contrary to the above law, reallocation or supplementary budget made during the year was not submitted to the Minster of Water and Irrigation for information.

  In line with the good intention of making the Authority autonomous and an efficient world class institution, the board's role regarding approval of the budget should be clarified in the light of the foregoing circumstances and the principle of good governance.

13.1.3 Payment of Per Diem in Arrears Retrospectively - Shs. 62,760,288

A sum of Shs.62,760,288 was paid to various Authority's staff/ board members during the month of December 2007 as per diems in arrears. The arrears were the result of a revision of per diem base currency from USD to Euro where a request was made to the Minister to approve the rate change retrospectively on 29th June 2007. The approval was granted by the Minister for Water and Irrigation on 19th November 2007 to be effective retrospectively from July 2007 so that per diem could be paid as arrears up to November 2007. We consider that this was inconsistent with the principle of highest thrift insisted in public spending because:

- per diems were for official trips therefore since the beneficiaries were already back from their respective trips, there was no justification at all of paying the difference of per diems retrospectively.

- EWURA being a public institution is bound by circulars issued by the Permanent Secretary Public Service Management and Treasury Registrar. Therefore, one wonders whether the approval given by the Minister to revise the per diem base currency from US dollar to Euro was proper given the fact that this responsibility of revising per diem for official trips is conferred to the PS-Public Service Management.

13.1.5 Low Fines Imposed on Fuel Adulteration

During the year 2007/2008 a sample of 237 of petrol/diesel drawn from different petrol stations and depots were collected for testing. Out of the 237 samples tested, 138 samples being 58% were found to contain impurities (adulterated). We noted that fuel adulteration is influenced by various factors some of which are:

- Kerosene is less taxed and also enjoys exemption of Shs 400 per litre which makes it attractive for unscrupulous dealers to take advantage of enrinching themselves through evasion of tax by mixing the resultant cheap kerosene with petrol/diesel.

- The significantly low and maximum fines imposed on defaulting dealers which is Shs 1,000,000 and Shs 3,000,000 respectively per day for delay in settling the fine after service of the notice of default.

We are of the opinion that given the current situation of the economy, the fine charged appears to be low and does not discourage perpetrators of fuel adulteration as evidenced by fuel adulteration which is very high (i.e. above 50%).

Furthermore, Section 42 (1) of the EWURA Act of 2001 (revised 2002) empowers the Authority to impose a fine not exceeding three million Shillings or subject to imprisonment for a term not exceeding five years or both to any person convicted of adulteration. However, the Authority appears to be too lenient to defaulters to impose the higher punishment. The fines being charged encourage adulteration practice as demonstrated in the proceding paragraph.

If a petrol dealer takes 39,000 litres of kerosene and mixes with 61,000 litres of diesel which gives 100,000 litres of adulterated diesel, the sell of which results to a net gain of TShs. 15,600,000 (i.e. Shs. 400 gain from exemption X 39,000 number of contaminated diesel litres) in case the dealer is not caught by EWURA's officials. However, if the dealer is caught by EWURA's officials, the fine charged is TShs. 3,000,000 which will reduce only 19% of the total gain by unscrupulous dealer. In other words, the unscrupulous dealer will still end up with a net gain of TShs.12,600,000 (i.e.TShs.15,600,000 - TShs.3,000,000)

In such circumstances, fuel adulteration will continue unless EWURA takes strong measures including confiscation of the adultered fuel followed by imposing the maximum punishment which is both fine and imprisonment.

13.1.6 Payment of Per Diem and Accommodation Shs.171,175,219.03

We noted that Authority paid per diem and accommodation to its staff and Board members amounting to Shs. 171,175,219, when on official trips outside the country. The per diem paid is intended to cover full cost which is boarding and lodging costs.

Management claimed that the current rates of per diem paid of Euro.300 for other staff and Euro.350 for Board members are over and above the accommodation costs as approved by the Ministry for Water and Irrigation.

However, the letter requesting for approval of revision of per diem's rates from US$.300 to Euro.300 for other staff and from US $.350 to Euro.350 for the members of the board did not specify that the rates of per diem were over and above the accommodation costs.

Our interview with the Deputy Permanent Secretary - Ministry of Water and Irrigation confirmed that the Ministry approved the rates of per diem on the understanding that they covered full cost as conventionally known across the public sector.

In this case, the whole amount paid as an accommodation cost appears to be a double payment.

13.2 Special Audit on MUWSA

The Controller and Auditor General received a request to carry out special audit at Moshi Urban Water Supply and Sewerage Authority (MUWSA) Supplies vide letter with Ref. MUWSA/MU/5/VOL.III/194 dated 9th July, 2008 on the Supplies and Stores Section for the purpose of establishing the extent of loss of materials in stores perpetrated during the year ended 30th June 2008. Terms of Reference (TOR) of the assignment included among others investigating loss of Stores worth Shs. 98,957,618 and theft of gate valves.

From the special audit one key finding came up as summarized below:

13.2.1 Loss of stores item worth Shs.98,957,617

A review of stock balances was carried out on the selected items as per the Terms of Reference (TOR), to determine whether the stores balances determined as a result of stock taking exercise as at 30th June, 2008 agrees with the audited opening stock balance as at 1st July, 2007. A review of ledger balances against physical count made has revealed a discrepancies of Shs.98,957,617 which was mainly contributed by weak internal controls over the Authority's stock records.

CHAPTER FOURTEEN

CONCLUSIONS AND RECOMMENDATIONS

The audit findings presented in the previous chapters give me reasons to draw the following conclusions and recommendations.

14.1 General Overview

This chapter deals with conclusions and recommendations on the key audit findings which need the attention and action of the Government, Board of Directors and management of the respective Public Authorities and other Bodies. These recommendations come from the mandate given to me under Section 34 of the Public Finance Act No. 6 of 2001 (revised 2004) and as ammended by Section 12 of the Public Audit Act No. 11 of 2008 for the purpose of preventing or minimizing unproductive expenditure of public moneys, maximizing the collection of public revenues; and averting loss by negligence, carelessness, theft, dishonesty, fraud or corruption relating to public resources for the purpose of better service delivery to the public.

Having reviewed and concluded the audit of the financial statements of the PA&oBs for the periods ended 30th September, 2007, 31st December 2007 and 30th June 2008 respectively using the powers vested to me, I would like to make general conclusions and recommendations pertaining to the audit of Public Authorities and Other Bodies as follows:-

14.2 Follow up of the previous year's audit recommendations

There were significant matters reported in my previous year's audit report which were either partly implemented or not implemented at all as highlighted in Chapter three of this report.

Recommendation

- The Government, Board of Directors and the Chief Executive Officers of the respective Public Authorities should exert more efforts to ensure that the outstanding previous audit matters are timely implemented to bring efficiency in the operations of the PA&oB thereby contribute in enabling the county to attain the National Millennium Development Goals.

14.3 Revenue and Expenditure management

14.3.1 Revenue management

Our review of the revenue management has revealed that some Public Authorities have weak revenue management systems which lead to untimely billing of customers, late collection of revenue, lack of accuracy and completeness of revenue data and lack of security over cash collections.

Recommendation

- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that revenues are timely billed to customers, collected, and accurately recorded in the books of account to ensure completeness of revenue collection and improve security over cash collections to avoid any loophole for misappropriation of public funds.

14.3.2 Expenditure management

On the other hand, our review of the expenditure management has revealed that some Public Authorities have weak expenditure management systems which lead to some of the payments being made without proper authorization and some not adequately supported by relevant documents.

Recommendation

- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that payments are properly authorized and adequately supported by relevant documents as this will significantly improve expenditure management mechanism of Public Authorities.

In addition, our general conclusions and recommendations are underpinned by the following elaborated specific examples:-

(i) Tanzania Electrical Supply Company (TANESCO)

- A sum of USD 4,865,000 was paid to M/S Dowans (contractor) in respect of charter aircraft charges for the three shipments of electric power generation equipment, consumables and accessories to Dar es Salaam without proper authority and provision in the contract agreement.

Recommendation

TANESCO management should justify the payment of USD 4,865,000 paid to M/s Dowans in respect of charter aircraft charges for the three shipments of electric power generation equipment, consumables and accessories to Dar es Salaam without proper authority and provision in the contract agreement.

(ii) Bank Of Tanzania

The Bank of Tanzania paid a sum of Shs.7.3 billion to an Insurance Broker in respect of Insurance Premiums of BOT Headquarter Buildings project without sufficient and appropriate supporting documents.

Recommendation

BOT Management should investigate the circumstances in which a sum of Tshs. 7.3 billion was paid to an Insurance Broker in respect of Insurance Premiums of BOT Headquarter Buildings project without sufficient and appropriate supporting documents, with a view of fixing responsibilities to parties involved and prevent recurrence in the future.

(iii) Tanzania Ports Authority

Our review on cargo handling for Inward and Outward warfage revenue at Lake Ports and loss of potential revenue from private Jetties revealed that cargo supplied through Lake Ports are not being measured accordingly, in case of large cargo only part of it is measured as a sample to represent the whole consignment and filling of forms used to determine the weight of shipped cargo was not complete.

Furthermore, there is potential loss of revenue from private Jetties at Lake Ports because there are several activities with substantial revenue potential which are not charged and collected at South and North Port in Mwanza and Nansio.

Recommendations

- TPA management at Mwanza and Nansio should ensure that the potential loss of the revenue accruing from private Jetties at Lake Ports are charged and collected at South and North Port in Mwanza and Nansio.
- TPA management at Headquarters Dar es Salaam should ensure that all sources of revenue are identified and revenue due is collected intact.

14.4 Review of internal control systems

Our review of the Internal Control Systems in place revealed that some Public Authorities have weak Internal Control Systems which lead to anomalies as explained below:-

- Mishandling of cancelled cheques as they could be used by unscrupulous people to effect unauthorized payments.

- No monthly bank reconciliations are being done. This increases the risk of failure to detect errors and unusual cash transactions on time. Also, irregularities in the bank statements and cash book may go unnoticed.

Recommendations

- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that effective Internal Control Systems are in place and being instituted.
- The Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that all cancelled cheques are handled with due care to avoid misuse by unscrupulous people and the same should be preserved for audit verification.

14.5 Performance review

Our review of performance of Public Authorities and other Bodies revealed that there are many and diverse challenges facing the performance of Public Authorities. Some of the identified major challenges are:-

Bureaucracy in executing policy guidance, legal advice by responsible authorities, lack of capacity and independence of the office of the Treasury Registrar which is still operating under the Ministry of Finance and Economic Affairs contrary to the Treasury Registrar Ordinance Cap…. which established it, lack of entrepreneurial organizational culture, lack of competent management and professionalism, also lack of capacity of Sectoral Ministries to monitor and evaluate the performance of PA&oBs under their jurisdiction.

Recommendations

- Board of Directors and the Chief Executive Officers of the respective Public Authorities should ensure that they institute an entrepreneurial organization culture, competent management and professionalism.

- Sectoral Ministries should build internal capacity to enable them to monitor and evaluate the performance of PA&oBs under their jurisdiction.

- With abolition of SCOPO, the Treasury Registrar should assume greater responsibilities of rendering effective supervision of the PA&oB. With the current set up of the Treasury Registrar Office, it will not be possible to achieve this goal. I strongly once again recommend that the Treasury Registrar's Office be set up in line with the requirement of the Treasury Registrar's Ordinance.

- Attorney General's Chamber should strengthen its contracting and negotiations skills for better management of contracts.

- The Minister responsible for good governance should ensure that Good Corporate Governance in PA&oBs reflect transparency, accountability and integrity at all levels.

- The Treasury Registrar (Shareholder) should ensure that the under capitalized PA&oBs are provided with adequate working capital.

- The respective Water Authorities should identify all potential customers to whom meters should be installed with a view of maximizing revenue accruing from water sales.

- The Bank of Tanzania should develop a policy and procedures manual dealing with Money Laundering and Terrorist financing monitoring.

- Tanzania Broadcasting Corporation Management should ensure that Broadcasting Commercial Orders (BCOs) are raised for all advertisements made and no advertisement should be aired without raising Broadcasting Commercial Orders.

- TPA management should adhere to clause 7.4.2 (2) of the Lease Agreement and continue pressing the Government to have the TICTS Lease Agreement terminated on the basis of poor performance in order to allow for another operator to takeover the job for better performance.

14.6 Compliance with procurement legislation

- The procuring entities should follow and demonstrate best practice in procurement of goods, services and works, in order to achieve value for money. In addition, the Chief Executive Officers should seek continuous improvements in the setting up of procurement systems to achieve efficiency, economy and effectiveness within their entities.

- The Public Procurement Regulatory Authority (PPRA) should conduct a special Investigation at the Tanzania Telecommunication Regulatory Authority (TCRA) in respect of a tender for organization review, job evaluation, and job grading which was initially advertised on 16, 17 and 20 August 2007 and awarded on 28/1/2008 contrary to the recommendation of the Evaluation Committee.

- The Public Procurement Regulatory Authority (PPRA) should check whether transparency and procurement procedures were followed by NSSF management during the evaluation and award of a tender for procurement of security services.

- The Public Procurement Regulatory Authority (PPRA) should conduct a special Investigation at the Tanzania Broadcasting Corporation in respect of two tenders for upgrading of Radio Studios at New BH Building, PRT and Scoop News Studio at TVT Mikocheni (for GBP 53,212 and supply of internet service (for Tshs.172,000,000) awarded to P Squared Limited of UK and WiA Company Limited respectively.

- The Tanzania Ports Authority Management should commission an investigation on the award in favour of a joint venture between M/s Tangerm LTD of Dar es Salaam and M/s Techno Combine Construction LTD on the construction of a container staking yard at ex-TANESCO for Shs.4,165,666,875.

14.7 Contract Management

The common practice includes weak and vague contracts, breaching of contracts and absence of contracts. Given the outcomes of the review of some legal contracts that were entered into by Public Authorities and other Bodies the following recommendations are drawn:-

Recommednation

- TANESCO management should immediately review the Songas project cost to establish the correct amount which should be paid.
- Bank of Tanzania management should review the existing contract for the extension of BOT Headquarters building work to ascertain whether it is still valid and that the Bank is safeguarded from contract risks. The review should also involve terms and conditions with sub-contractors and consulting engineers. Maximum contract price and completion timetable should be agreed with the Contractor. Since the Bank will continue to have major contractor such as Estate management and IT, it should consider developing Project Management Methodology as well as develop a programme aiming to build the Bank's internal capacity to manage major contracts.
- Bank of Tanzania management should institute a competent independent investigation on the transactions of Insurance for Construction of Head

Office building at BoT and take appropriate cause of action including recovery of the premiums.

- The Board of Trustees of the National Social Security Fund (NSSF) should confirm whether value for money was attainment during implementation of Oracle e-business suite Applications and Core Fund Management System project by commission an investigation on the project.
- The Board of Trustees at NSSF should initiate an investigation on all irregularities surrounding the transaction for disposal of Executive Apartments at ADA Estate Kinondoni area with a view to establish its propriety. The corrective measures should thereafter be taken for the Fund failure to institute the signed agreement accordingly.
- Management and Board of Trustees of NSSF should confirm that value for money was realized on disposal of the Club Oasis properties or otherwise commission an independent investigation to confirm the genuineness of the whole transaction.

14.8 Assets Management

The Ministry of Finance and Economic Affairs should be fully supported by the Government to set up a special unit that will be responsible for investment appraisal of public sector investments above a specified threshold. There is need for such a body considering the current situation where negative returns are being earned on GoT investments. Once a project has been appraised and found viable, GoT needs to prioritize funding for projects with the most attractive returns.

14.9 Corporate Governance

Good Corporate Governance makes it mandatory for PA&oB to institute sound policies towards proper management of resources. In achieving this fundamental goal, organizations need to institute a series of aspects that shall enable them to exercise effective controls for elimination of wastes fortified by fraud, negligence, embezzlements and sloppy performance. Organizations therefore, have to design organization setup that supports transparency and sound internal control system. Moreover, organizations are required to have Codes of Ethics, Clientele Service Charter, Corporate Plans, Annual Budgets as well as an apex (Governing Board) for the strategic decisions.

We noted cases where various higher government authorities influence TANAPA operations and strategic decisions. For instance, TANAPA received instructions from the Ministry of Natural Resources and Tourism to enter into contract with CNN without following public procurement procedures. It was not clear to auditors the extent to which the Board of Trustees and TANAPA management were involved in this major strategic decision apart from abiding to the instructions from the parent ministry. Furthermore, we have failed to establish the source of mandate that the Ministry has over TANAPA in as far as its corporate governance is concerned.

Recommendations

- The Ministry of Natural Resources and Tourism should not impose issues on TANAPA without involving TANAPA management and Treasury Registrar who is the custodian of all Public entities. In addition, TANAPA in procuring works, goods and services, should endeavour to be complaint to the requirements of the Procurement Act No 21 of 2004 together with its related Regulations.

- Hon. Speaker should consider expanding the role of the POAC to rename it as the Public Investments Committee and expand its mandate to cover all public enterprises. Also, to expand its mandate, there is a need to continue strengthening the Committee so that it is able to discharge its responsibilities more effectively.

- The Government should enter into performance contract with Boards of Directors of PA&oB and set the pre determined deliverables to be achieved during its tenure which will be made public. In this regard, Boards of Directors should also sign performance contract with Chief Executive Officers who will also sign performance contracts with their subordinates.

- The Boards of Directors of PA&oBs should hold senior management of Public Authorities more accountable for results. The results that senior management are accountable for should be made public. In this connection, there is a need to consider the practice of having CEO's appointed through the Board of Directors instead for them being appointed through Presidential Appointments. The President should be left with the responsibility of appointing Chairperson of the Boards of Directors.

- Since Parliament is the highest representative organ of the people charged with the responsibility of scrutinizing the performance of Parastatal Organizations through POAC, and in order to avoid conflict of interest, the Parastatals accountability conference held on 23 -24 January 2009 recommended that members of Parliament should not be members of Boards of Directors of public entities.

- Considering the fact that my report for 2007 had stated that the extension of the TICTS contract was improper, the concession be rebid from 2010 onward, at the end of the period specified in the original contract. TPA should continue with its vision to transform itself into a land port in accordance with the plans specified in its Strategic

Plan and in accordance with its legal mandate as specified in the Port Act, 2004.

- TANESCO Management should ensure that it implements its generation capacity addition program within the timeline indicated and also to build the required transmission network to shift this power to the required load centers.

- The Government should consider splitting TPDC into two entities, one that is responsible for commercial activities and a second one that is responsible for awarding licenses, undertaking inspections and doing more regulatory work. In short term, TPDC needs financial support (which could be a share of the subventions earned from existing gas contracts) to enable it to discharge its responsibilities.

- Dar es Salaam Water and Sewerage Corporation (DAWASCO) investments should be fast tracked, and groundwater resources be used to meet the water needs of the larger unserved parts of Dar es Salaam. Also, the water tariffs should be reviewed to enable DAWASCO to meet its operating costs, and that those tariffs should be adjusted in line with inflation.

- Tanzania National Roads Agency (TANROADS) should ensure that it takes urgent steps to better understand why road contract costs in Tanzania are significantly higher than other parts of the region and what needs to be done to reduce these costs and the super normal profits that some contractors may be earning.

- Air Tanzania Corporation Limited (ATCL) should ensure that any decision taken regarding the current Joint venture negotiations taking place to be based upon the interests of consumers. If citizens are to receive reliable and affordable services, civil aviation in Tanzania needs to be liberalized. Also, Tanzania Region should immediately confirm its acceptance of and adhere to the Yamoussoukro decision that Tanzania is legally bound to comply with.

- Energy and Water Utilities Regulatory Authority Board of Directors should concentrate in developing the capacity of the EWURA secretariat so that it is able to render better services. Also, a strong working relationship among employees, EWURA management and the Board of Directors is essential for each to fulfill his/her responsibilities leading to improvement of EWURA operations. Improved performance of EWURA will depend on strong vision driven Board of Directors and highly committed and motivated EWURA Management and staff.

14.10 Human Resource Management

Review of Human Resource Management has revealed weaknesses in some Public Authorities and other Bodies such as lack of regulatory authority regulating the activities of the PA&oBs as SCOPO used to do before its dissolution, lack of proper maintenance of employees' records, recruitment of personnel without using competitive and transparent procedures, employment of unqualified personnel, absence of staff performance appraisal systems, under staffing, and misallocation of professional staff to job not equivalent to their qualifications.

Recommendations

- The Government should establish a strong regulatory Authority which will be responsible for regulating the performance and operations of the Public Authorities and other Bodies to enhance accountability and transparency for better service delivery to the public.

- Given the shortfall reported, Boards of Directors of Public Authorities should strengthen the Human Resource Departments and ensure that staff records are properly maintained, recruitments and selection of employees should be done on transparency and competitive ground to allow PA&oBs to obtain best candidates.

- Chief Executive Officers of PA&oBs should enhance staff performance appraisal systems to assist in the attainment of the organization's strategic objectives.

- The Boards of Trustees of NSSF should review its earlier decision of transferring the former Director of Human Resources the current Director of Human Resource and Administration (DHRA) and recruitment of the new DHRA as to my opinion the whole process lacks transparency.

- The Chief Executive Officers of Public Authorities should timely submit all statutory and other deductions to relevant Authorities in full as stipulated in the respective governing laws.

- Human resource is the key asset of the organization, therefore the Chief Executive officers of the Public Authorities and other Bodies should ensure that human resource management is give high priority and attention to assist the attainment of the strategic corporate goals.

14.11 Results of Special Audits

In the course of the special audit, nothing came to our attention to indicate outright theft of cash at EWURA. However, there are some problems in management of EWURA and oversight capacity building programmes (training, study tours and conferences) which among others includes:

- There is an ambiguity in the roles of the Board of Directors and that of the Minister responsible on the approvals of the Authority's budget and its supplementary provisions.
- Board of Directors and staff involved in overseas travel were paid twice vide payment of per diem and accommodation at the same time.
- The Authority is not doing much to control the problem of fuel adulteration.
- Fuel adulteration malpractices facilitate tax evasion.

Recommendations

Some of the recommendations made includes:-

- All Board members and EWURA staff paid the stipulated sum of should be made to refund the excess payment.
- Study tour, training and conference trips should be properly planned and funds should be carried only after confirming that they will be used.
- Study tours should only be made when it is necessary and that Value for Money will be attained.
- A list of Fuel adulters should be submitted to TRA for the recovery of revenue lost through exemption of kerosene that was later misused for adulteration.

14.12 Global Financial Crisis

The world is currently experiencing a global financial crisis which has hit some of the big economies in the world including the USA. This crisis has come straight after the food and fuel price shock in year 2008, and currently the financial crisis could also significantly set back the fight against eradicating of poverty in Tanzania.

Although the crisis is yet to be felt much in Tanzania, it is just a matter of time, before Tanzania will be hard hit by this crisis. This is because; our economy depends on the economies of other countries. For example, the financial support we have been receiving from development partners may be on a downward trend in the years to come and our business dealings with other countries will also be affected.

Furthermore, as the global financial crisis bites deeper in the world's economies the demand for our exports and other services like tourism will slump and therefore affect the Country's cash inflows.
These signs of economic challenges require coordinated action at the national level. We need to start taking measures and be prepared for these challenges.

Recommendations
Tanzania government and its entities should:

- Mobilize internal financial resources – improvement in revenue collections in non- tax revenue is required, curbing tax loopholes in evading tax revenue especially on fuel, tax exemptions and the like, expanding the tax base, and improving tax systems to enhance compliance.
- Institute expenditure controls – the government should streamline its expenditure pattern to avoid unnecessary expenditures such as those already taken on purchase of luxurious motor vehicles and minimization of seminar expenses. Also, recurrent expenditure trend can be monitored so that additional revenue collections are ploughed back to development activities.
- Better use of our natural resources – the use of our natural resources should get the outmost attention so as to get the maximum value from natural resources.
- Cease opportunities – The government can explore areas that we have an added advantage and work on such opportunities for the betterment of our economy. Such areas as improving harbour services to attract more use of it by our neighbours, constructing dams for irrigation activities and improving sea fishing.

14.13 Risk management

Risk is the possibility of an organization's operations to be affected by various factors such as technology, economy, political, financial, social and operational and is expressed in terms of likelihood of occurrence and impact to the government and its entities.

On the other hand, risk management is a systematic process of identifying, analyzing, evaluating and taking the corrective measures against their occurrence and impact. It consists of a systematic process of assessing and then dealing with risks. This process entails consideration of the context, followed by identification, analysis, evaluation, and treatment of risks.

The government and its entities are exposed to both internal and external risks which need to be identified and mitigated. Therefore effective strategic plans and systems need to be developed to enhance increased knowledge and understanding of key risk exposures.

Recommendations

The government and the entities under its jurisdiction should forthwith embrace the concept of risk management. Institutions should develop strategic risk assessments; and organize high profile training events on risk management as important initiatives required to promote a wider understanding of sound risk management and how it should be applied. In doing so, the following should be dealt with:

- risk management policies and the benefits of effective risk management should be clearly communicated to all staff,
- Chief Executive Officers need to own, support, promote and lead on risk management concept,
- the department's culture should support well thought through risk taking and innovation,
- risk management should be fully embedded in the management processes of government and its entities,
- the management of risks should be closely linked to the achievement of objectives,
- the risks associated with working in other organisations should be assessed and managed; and
- involve monitoring, review, and can usefully encompass a dialogue with stakeholders along the way.

ANNEXURES

Annexure I

Trend of audit opinion issued to PA&oBs for the past three years

Regulatory Bodies				
S/N	**Entity name**	**2007/08**	**2006/07**	**2005/06**
1.	Architects & Quantity Surveyors Registration Board	Unqualified	Unqualified	Unqualified
2.	Board of External Trade(BET)	Unqualified with Emphasis of Matter	Unqualified	Unqualified
3.	Cashewnut Board of Tanzania	Unqualified	Unqualified	Unqualified
4.	Deposit Insurance Board	Unqualified	Unqualified	Unqualified
5.	Energy and Water Regulatory Authority (EWURA)	Unqualified	Unqualified	*Not in operation*
6.	Engineers Registration Board (ERB)	Unqualified	Unqualified	Unqualified
7.	Gaming Board of Tanzania	Unqualified	Unqualified	Unqualified
8.	National Board of Accountants and Auditor (NBAA)	Unqualified	Unqualified	Unqualified
9.	National Board of Materials Managements (NBMM).	Unqualified	Unqualified	Unqualified
10.	Presidential Parastatal Sector Reform Commission (PSRC)	Qualified (six moths accounts Dec. 2007)	Unqualified	Unqualified
11.	Public Procurement Regulatory Authority (PPRA)	Unqualified	Unqualified	*Not in operation*
12.	Sugar Board of Tanzania	Unqualified	Unqualified	Unqualified
13.	Tanzania Commission	Unqualified	Unqualified	Unqualified

	for Universities			
14.	Tanzania Communication Regulatory Authority (TCRA)	Qualified	Unqualified	Unqualified
15.	Tanzania Cotton Board	Unqualified	Unqualified	Unqualified
16.	Tanzania Tea Board	Unqualified	Qualified	Qualified
17.	Tanzania Tobacco Board (TTB)	Unqualified	Unqualified	Unqualified
18.	Tanzania Tourist Board	Unqualified	Unqualified	Unqualified
19.	Tanzania Pyrethrum Board	Unqualified	Unqualified	Unqualified

Public Parastatal				
S/N	**Entity name**	**2007/08**	**2006/07**	**2005/06**
1.	Muhimbili National Hospital	Unqualified	Unqualified	Qualified
2.	National Development Corporation (NDC)	Unqualified	Unqualified	Unqualified
3.	Tanzania Port Authority (TPA)	Unqualified	Unqualified	Unqualified
4.	National Health Insurance Fund (NHIF)	Unqualified	Unqualified	Unqualified
5.	National Insurance Corporation (NIC)	Unqualified with Emphasis of Matter	Qualified	Qualified
6.	National Social Security Fund (NSSF)	Unqualified Opinion with Emphasis of matter	Unqualified	Unqualified
7.	Ngorongoro Conservative Area Authority (NCAA)	Unqualified	Unqualified	Unqualified
8.	Parastatal Pension Fund (PPF)	Unqualified	Unqualified	Unqualified
9.	SIMU 2000 LIMITED	Unqualified	Unqualified	Unqualified
10.	State Mining Corporation (STAMICO)	Unqualified	Unqualified	Unqualified

11.	Tanzania Electricity Supply Company Limited (TANESCO)	Unqualified	Disclaimer	Unqualified
12.	Tanzania Industrial Research and Development Organisation (TIRDO)	Unqualified	Unqualified	Unqualified
13.	Tanzania National Parks (TANAPA)	Qualified	Unqualified	Unqualified
14.	Tanzania Engineering and Manufacturing Design Organisation (TEMDO)	Unqualified	Unqualified	Unqualified
15.	Tanzania Fertilizer Company Ltd	Unqualified	Unqualified	Unqualified
16.	Tanzania Investment Bank Limited (TIB)	Unqualified	Unqualified	Unqualified
17.	Tanzania Petroleum Development Corporation (TPDC)	Unqualified	Unqualified	Unqualified
18.	Tanzania Post Corporation	Qualified	Qualified	Qualified
19.	Tanzania Postal Bank	Unqualified	Unqualified	Unqualified
20.	Reli Assets Holding Company	Unqualified	Unqualified	Unqualified
21.	Twiga Bancorp Limited	Unqualified	Unqualified	
22.	Tanzania Railways Corporation	Unqualified	*Unqualified*	Emphasis of Matter
23.	Tanzania Brodcasting Corporation	Qualified	Qualified	Not in operation
24.	Bank of Tanzania	Unqualified Opinion with Emphasis of matter	Unqualified Opinion with Emphasis of matter	Unqualified Opinion with Emphasis of matter
25.	Marine Service Company	Qualified	Qualified	Qualified
26.	National Ranching Company (NARCO)	Unqualified	Unqualified	Unqualified
27.	Small Industry Development Organisation	Unqualified	Unqualified	Unqualified

28.	Government Employees Provident Fund	Qualified	Unqualified	Unqualified
29.	Consolidated Holding Co. CHC	Unqualified	Unqualified	Unqualified
30.	NHC/PPF/IPS Co. Ltd	Unqualified	Unqualified	Unqualified
31.	Ubungo Plaza Co. Ltd	Unqualified	Unqualified	Unqualified

Government Institutions				
S/N	**Entity name**	**2007/08**	**2006/07**	**2005/06**
1.	Arusha International Conference Centre (AICC)	Unqualified	Unqualified	Unqualified
2.	Capital Market and Security Authority	Unqualified	Unqualified	Unqualified
3.	National Institute for Productivity	Unqualified	Unqualified	Unqualified
4.	Tanzania Civil Aviation Authority	Qualified	Unqualified	Unqualified
5.	National Council for Technical Education (NACTE)	Unqualified	Unqualified	Unqualified
6.	National Economic Empowerment Council-(NEEC)	Unqualified	Unqualified	Unqualified
7.	National Environment Management Council (NEMC)	Unqualified	Unqualified	Unqualified
8.	National Museum of Tanzania	Unqualified	Unqualified	Unqualified
9.	National Sugar Institute	Unqualified	Unqualified	Unqualified
10.	Tanzania Education Authority (TEA)	Unqualified	Unqualified	Unqualified
11.	Tanzania Standard Newspaper (TSN)	Qualified	Unqualified	Unqualified
12.	Unit Trust of Tanzania (UTT)	Unqualified	Unqualified	Unqualified
13.	Vocational Education and Training Authority	Unqualified	Unqualified	Unqualified
14.	Twiga Bancorp	Unqualified	Unqualified	Unqualified
15.	Tanzania Tea Small	Unqualified	Qualified	Unqualified

	Holders Development Agency			
16.	Dar es Salaam Stock Exchange (DSE)	*Unqualified*	*Unqualified*	Unqualified
17.	Tanzania Bureau of Standards (TBS)	Unqualified	Unqualified	Unqualified
18.	Tanzania Institute of Education	Unqualified	Unqualified	Unqualified
19.	Tanzania Library Services	Unqualified	Unqualified	Unqualified
20.	Fair Competition Commission	Unqualified	Unqualified	Not in operation
21.	National Examination Council	Unqualified	Unqualified	Unqualified
22.	Tanzania Investment Centre	Unqualified	Unqualified	Unqualified
23.	National Sports Council	Unqualified	Unqualified	Unqualified

S/N	Entity name	2007/08	2006/07	2005/06
1.	Ardhi University	Unqualified	Unqualified	Unqualified
2.	Dar es Salaam Institute of Technology (DIT)	Unqualified	Unqualified	Unqualified
3.	Dar es Salaam Maritime Institute (DMI)	Unqualified	Unqualified	Unqualified
4.	Institute of Accountancy Arusha	Qualified	Unqualified	Unqualified
5.	Institute of Adult Education	Unqualified	Unqualified	Unqualified
6.	Institute of Finance Management (IFM)	Unqualified	Unqualified	Unqualified
7.	Muhimbili University College of Health Science (MUCHS)	*Qualified*	Qualified	Qualified
8.	Mwalimu Nyerere Memorial Academy	Unqualified	Unqualified	Unqualified

9.	Mzumbe University	Unqualified	Unqualified	Unqualified
10.	University of Dar es Salaam	*Qualified*	Qualified	Unqualified
11.	Institute of Social Work	Unqualified	Unqualified	Unqualified
12.	Sokoine University of Agriculture (SUA)	Unqualified	Unqualified	Unqualified

Water Bodies				
S/N	**Entity name**	**2007/08**	**2006/07**	**2005/06**
1.	Arusha Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
2.	Dar es Salaam Water Supply and Sewerage Corporation (DAWASCO)	Qualified	Qualified	Unqualified
3.	Singida Urban Water Supply and Sewerage Authority	Unqualified	Qualified	Qualified
4.	Dodoma Urban Water Supply and Sewerage Authority	Qualified	Unqualified	Unqualified
5.	Iringa Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
6.	Lindi Urban Water Supply and Sewerage Authority	Qualified	Unqualified	Qualified
7.	Mbeya Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
8.	Moshi Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
9.	Musoma Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Adverse
10.	Mwanza Urban Water Supply and Sewerage	Unqualified	Unqualified	Unqualified

	Authority			
11.	Shinyanga Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
12.	Tabora Urban Water Supply and Sewerage Authority	Unqualified with Emphasis of matter Opinion	Unqualified	Unqualified
13.	Tanga Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
14.	Bukoba Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
15.	Sumbawanga Urban Water Supply and Sewerage Authority	Unqualified	Unqualified	Unqualified
16.	Babati Urban Water Supply and Sewerage Authority	Unqualified	Qualified	Unqualified

Annexure 2

Audits Public Authorities in progress as at 7th March, 2009

Higher learning institutions and colleges				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	College of Business Education	30.06.2008	TAC Associates	Exit Meeting Awaited
2.	Moshi University College of Co-op. and Business Studies	30.06.2008	TAC Associates	Field work in progress
3.	Open University of Tanzania (OUT)	30.06.2008	TAC Associates	Field work in Progress
4.	Dodoma University	30.06.2008	TAC Associates	Exit meeting awaited
5.	National Institute of Transport	30.06.2008	TAC Associates	Field work in progress
6.	Institute of Rural Development Planning	30.06.2008	TAC Associates	Report writing stage
7.	Rufiji Basin Development Authority (RUBADA	30.06.2008	OREFCO	Field work in progress
8.	Dar es Salaam University College of Education	30.06.2008	Global Accountancy	Field work in progress
9.	Tanzania School of Journalism (TSJ)	30.06.2008	Global Accountancy	Field work in progress

Regulatory Bodies				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Higher Education Students Loans Board	30.06.2008	National Audit Office	Report writing stage
2.	Surface and Marine Transport	30.06.2007	TAC Associates	Report writing stage

	Regulatory Authority			
3.	Tanzania Coffee Board	30.06.2007	Shayo and Co	Field work in progress

Government institution				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Tanzania Fisheries Research Institute	30.06.2007	TAC Associates	Draft Accounts Received / Awaiting Mobilisation Fees
2.	Tanzania Food and Nutrition Centre	30.06.2008	TAC Associates	Draft Accounts Received / Awaiting Mobilisation Fees
3.	Tanzania Forestry Research Institute	30.06.2007	TAC Associates	Audit under finalization / Awaiting for information
4.	Muhimbili Orthopaedic Institute	30.06.2008	Ernst &Young	Audit report to be Submitted on Monday 23rd Febr.2009
5.	Insurance supervisory Department	30.06.2008	National Audit Office	Field work
6.	Tanzania Cotton Lint. and Seed institute	30.06.2008	National Audit Office	Field work
7.	Joint Finance Commission	30.06.2008	National Audit Office	Field work
8.	Tanzania	30.06.2008	TAC	Draft Accounts

	Wildlife Research Institute (TAWIRI)		Associates	Received / Awaiting Mobilisation Fees
9.	Tanzania Commission for Science & Technology	30.06.2008	National Audit Office	Field work
10.	National Land and Planning Commission (NLPC)	30.06.2008	National Audit Office	Field work
11.	Cooperate Society of Tanzania	30.06.2008	National Audit Office	Report writing stage
12.	Dar es Salaam Stock Exchange	30.06.2008	TAC Associates	Draft Accounts Received / Awaiting Mobilisation Fees
13.	Kibaha Education Authority	30.06.2008	ATEKAY	Final stage of issuing audit report
14.	Marine Park Institute	30.06.2008	National Audit Office	Field work

Public Parastatals				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Tanzania Industrial Research and Development Organisation	30.06.2008	TAC Associates	Draft Accounts Received / Awaiting Mobilisation Fees
2.	Shirika la Usafiri Dar es Salaam (UDA)	30.06.2008	TAC Associates	Field work in Progress

3.	Kariakoo Market Corporation	30.06.2008	TAC Associates	Field work in progress
4.	National Housing Corporation	30.06.2008	PWC	In correspondence
5.	Cooperative Audit & Supervision Corporation	30.06.2008	TAC Associates	Draft Accounts Received / Awaiting Mobilization Fees
6.	Medical Store Department (MSD)	30.06.2008	DCDM	Report writing stage
7.	Tanzania Telecommunication Company		PWC	Field work in progress
8.	Public Sector Pension Fund PSPF	30.06.2008	PWC	Field work in progress
9.	Air Tanzania Corporation Ltd	30.06.2008	PWC	Field work in progress
10.	Tanzania Atomic Energy	30.06.2008	Y.H. Malundo	Field work in progress

Water Bodies				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Dar es Salaam Water Supply and Sewerage Authority (DAWASA)	30.06.2008	PWC	Field work in progress
2.	Mtwara Urban Water Supply and Sewerage Authority	30.06.2008	TAC Associates	Report in progress

3.	Kigoma/Ujiji Urban water Suppy and Sewerage Authority	30.06.2008	National Audit Office	Field work in progress
4.	Makambako Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	Field work in progress
5.	Mbinga Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	Field work in progress
6.	Njombe Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	Field work in progress
7.	Songea Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	Final stage of issuing audit report
8.	Morogoro Urban water Supply and Sewerage Authority	30.06.2008	ATEKAY	Final stage of issuing audit report

Annexure 3

Accounts of Public Authorities not submitted for audits as at 28th Feb.2009

Water Bodies				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Kyela Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	No draft financial statements from client
2.	Mpanda Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	No draft financial statements from client
3.	Tukuyu Urban Water Supply and Sewerage Authority	30.06.2008	National Audit Office	No draft financial statements from client
4.	National Radiation Corporation	30.06.2008	National Audit Office	No draft financial statements from client
5.	Korogwe Water Supply Authority	30.06.2008	National Audit Office	No draft financial statements from client

Higher learning institutions and Colleges				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Mkwawa University College of Education	30.06.2008	Haron & Co	No draft financial statements from client
2.	Tanzania Institute of Accountancy	30.06.2008	National Audit Office	No draft financial statements from client
3.	Mbeya Institute of Science and Technology	30.06.2008	National Audit Office	No draft financial statements from client

Regulatory Bodies				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	Contractors Registration Board	30.06.2008	TAC Associates	No draft financial statements from client
2.	National Construction Council (NCC)	30.06.2008		No draft financial statements from client
3.	Tanzania Sisal Board	30.06.2008	National Audit Office	No draft financial statements from client

Parastatals				
S/n	**Name of the Entity**	**Year end**	**Auditor**	**Remarks**
1.	National Radiation Corporation	30.06.2008		No draft financial statements from client

Government Institutions

S/n	Name of the Entity	Year end	Auditor	Remarks
1.	Tropical Pesticides Research Institute	30.06.2007	TAC Associates	Accounts in the process of being finalized.
2.	Tropical Pesticides Research Institute	30.06.2008	TAC Associates	Accounts in the process of being finalized.
3.	Tanzania Forest Research Institute (TAFORI)	30.06.2008	COASCO	No draft financial statements from client
4.	National Institute of Medical Research	30.06.2008	TAC Associates	No draft financial statements from client
5.	National Arts Council	30.06.2008	National Audit Office	No draft financial statements from client
6.	CARMATEC	30.06.2008	Amas Associates	No draft financial statements from client
7.	National Bureau of Statistics (NBS)	30.06.2008	National Audit Office	No draft financial statements from client