



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)

ANNUAL GENERAL REPORT OF THE CONTROLLER

AND

AUDITOR GENERAL

*On the Audit of Public Authorities and Other
Bodies for the financial year 2009/2010*

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**

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Auditor General,
Samora Avenue/Ohio Street,
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DAR ES SALAAM
31st March, 2011

H. E. 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 Public Authorities and
Other Bodies for the Financial year 2009/2010**

Pursuant to Article 143 of the Constitution of the United Republic of Tanzania of 1977 (as amended in 2005), I hereby submit to you my fourth Annual General Report on the Audit of Public Authorities and Other Bodies as defined in Section three (3) of the Public Audit Act No. 11 of 2008.

This report includes audit reports of Public Authorities and Other Bodies for the financial periods ended 30th September, 2009 31st December 2009 and 30th June 2010.

I submit,

A handwritten signature in black ink, appearing to read 'L. Utouh'.

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 as amended from time to time and amplified 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 highest 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 a 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 an efficient, economic and effective manner. |

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List of Abbreviations/Acronyms

AFROSAI-E	African Organisation of Supreme Audit Institutions- English Speaking Countries
AFROSAI	African Organization of Supreme Audit Institutions
ATCL	Air Tanzania Company Limited
AU	African Union
BET	Board of External Trade
BoD	Board of Directors
CAG	Controller and Auditor General
CARMATEC	Centre for Agricultural Mechanizations and Rural Technology
CBT	Coffee Board of Tanzania
CCB	Customer Care Billing System
CCC	Consumer Consultative Council
CDA	Capital Development Authority
CEO	Chief Executive Officer
CHC	Consolidated Holdings Corporation
COASCO	Cooperative Audit and Supervision Corporation
CPA -PP	Certified Public Accountants in Public Practice
DUWASA	Dodoma Urban Water Supply and Sewerage Authority
EAC	East African Community
EWURA	Energy and Water Regulatory Authority
HESLB	High Education Students Loans Board
HRM	Human Resource Management
IAS	International Accounting Standards

ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAs	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards of Supreme Audit institutions
KUWASA	Kigoma/Ujiji Urban Water Supply and Sewerage Authority
LAPF	Local Authorities Provident Fund
LGAs	Local Government Authorities
LPO	Local Purchase Order
MDAs	Ministries Departments and Agencies
MPRU	Marine Parks Reserve Unit
MPs	Members of Parliament
MTB	Ministerial Tender Board
MTUWASA	Mtwara Urban Water Supply and Sewerage Authority
MUHAS	Muhimbili University and Allied Sciences
MUWASA	Musoma Urban Water Supply and Sewerage Authority
MWAUWASA	Mwanza Urban Water Supply and Sewerage Authority
NAO	National Audit Office
NAOT	National Audit Office of Tanzania
NARCO	National Ranching Company
NBAA	National Board of Accountants and Auditors
NBC	National Bank of Commerce

NCAA	Ngorongoro Conservation Area Authority
NDC	National Development Corporation
NEMC	National Environment Management Council
NIDA	National Identification Authority
NSSF	National Social Security Fund
OPRAS	Open Performance Appraisal System
PA&OBs	Public Authorities and Other Bodies
PAA	Public Audit Act 2008
PAYE	Pay As You Earn
PMU	Procurement Management Unit
POAC	Parastatal Organisations Accounts Committee
POPSM	President Office-Public Service Management
PPA	Public Procurement Act 2004
PPE	Property Plant and Equipment
PPF	Parastatal Pensions Fund
PPRA	Public Procurement Regulatory Authority
PPSRC	Presidential Public Sector Reform Commission
PSPF	Public Service Pension Fund
RAHCO	Railway Assets Holding Corporation
SADC	Southern Africa Development Cooperation
SADCPAC	Southern Africa Development cooperation Parliamentary Accounts Committee
SCOPO	Standing Committee of Parastatal Organisations
SHUWASA	Shinyanga Urban Water Supply and Sewerage Authority

SIDA	Swedish International Development Cooperation Agency
SIDO	Small Industries Development Organisation
SNAO	Swedish National Audit Office
STAMICO	State Mining Corporation
SUMATRA	Surface and Marine Transport Regulatory Authority
TAFORI	Tanzania Forestry Research Institute
TANAPA	Tanzania National Parks
TANESCO	Tanzania Electricity Supply Company Ltd.
TB	Tender Board
TBA	Tanzania Building Agency
TBC	Tanzania Broadcasting Corporation
TCAA	Tanzania Civil Aviation Authority
TCRA	Tanzania Communication Regulatory Authority
TCU	Tanzania Commission for Universities
TFNC	Tanzania Food and Nutrition Centre
TIC	Tanzania Investment Centre
TIRA	Tanzania Insurance Regulatory Authority
TIRDO	Tanzania Industrial Research and Development Organisation
TPA	Tanzania Ports Authority
TPC	Tanzania Posts Corporation
TPCC	Tanzania Portland Cement Company
TPDC	Tanzania Petroleum Development Corporation
TR	Treasury Registrar
TRL	Tanzania Railways Limited

TSN	Tanzania Standard Newspapers
TTCL	Tanzania Telecommunication Corporation Limited
TUWASA	Tabora Urban Water Supply and Sewerage Authority
UDA	Usafiri Dar es Salaam
UDOM	University of Dodoma
URT	United Republic of Tanzania
USD	United States Dollar
UTT	Unit Trust of Tanzania

ACKNOWLEDGEMENT

I am obliged to extend my gratitude to His Excellency Dr. Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania, for always drawing attention to, and laying emphasis on this general report.

My appreciation goes to the Honorable Speaker of the Parliament of the United Republic of Tanzania, Chairpersons and Honorable members of Parliamentary Oversight Committees and the whole Parliament for their commitment in the deliberations of my reports.

I equally wish to express my gratitude to the Boards of Directors, Chief Executive Officers and all employees of the audited Public Authorities and Other Bodies for the cooperation extended to my audit teams during our audit work in their entities.

I would also like to thank the Government Printer for expediting the printing of this report and therefore making it possible to be submitted to the President of the United Republic of Tanzania on the statutory due date.

Further, I wish to express my deepest gratitude to the Development Partners who have been supporting NAOT especially the Public Financial Management Reform Programme (PFMRP) under the Coordination of the World Bank, the Swedish National Audit Office (SNAO), the Government of Sweden through the Swedish International Development Agency (SIDA) and all other well wishers who have contributed immensely towards the modernization of the office.

Furthermore, I wish to thank all the private auditing firms that have been working with NAOT in the audits of Public Authorities and Other Bodies on my behalf.

Finally, with much appreciation I would like to thank the members of staff of the National Audit Office. Their commitment and dedication in the fulfillment of this task has been very inspirational to me. I urge the staff of the National Audit Office to uphold the same team spirit they have demonstrated in all their future endeavors so that we could raise higher the banner of the office in providing efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

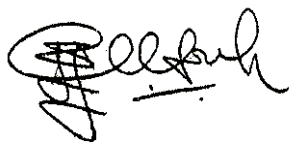
FOREWORD

I am pleased to present the 4th annual general report on the audit of Public Authorities and Other Bodies for the year ended 30th June, 2010. This report presents a compiled version of individual reports on the audit of Public Authorities and Other Bodies. The report highlights pertinent issues that impede the efficiency of Public Authorities and Other Bodies in discharging their established objectives.

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 from the performance of Public Authorities and Other Bodies during the year 2009/2010. In the era of increased need for accountability, transparency and good governance, informed decisions are very vital. To this end therefore, I have prepared this report to ensure that decision makers in the country are served with relevant, up-to-date information 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 and Sect.34 of the Public Audit Act No. 11 of 2008.

To ensure that the 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 the 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 NAOT is a member.

It is worth noting that, while there is a key role for oversight organs to play in overseeing compliance with the laws, regulations and procedures in public entities, ultimately, the responsibility for the maintenance of a compliant financial reporting framework lies with Boards of Directors and in particular each Chief Executive Officer of the PA&OBs. However, I have to commend the role played by his Excellency the President of the United Republic of Tanzania, Dr. Jakaya Mrisho Kikwete and his entire Government, the Parastatal Organisation Accounts Committee (POAC), the Parliament at large and the Development Partners especially the World Bank 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

31st March, 2011

EXECUTIVE SUMMARY

i. Introduction

This General Report is issued in accordance with the requirements of Article 143 of the Constitution of the United Republic of Tanzania of 1977(as revised in 2005) and Section 34 of the Public Audit Act, 2008. The report covers the financial years ending 30th September, 2009; 31st December, 2009 and 30th June, 2010. This executive summary highlights specific issues detailed in this report which needs the attention of the Government, Parliament, Boards of Directors and respective management to ensure efficient functioning of PA&OBs.

The issues highlighted include: audit opinion, implementation of the prior year's CAG recommendations, revenue and expenditure management, procurement and contract management, assets management, human resources management, corporate governance, performance of privatized entities, information communication technology and results of special audit as follows:-

ii. Audit Opinion

As of 25th February 2011, I have managed to conclude the audits of 122 (71.7%) individual audit reports of Public Authorities and Other Bodies out of 170 PA&OB which are subject to my ambit of audit. Out of the concluded audit reports, 92 PA&OBs were issued with unqualified audit opinion representing 75.4%, while 12 were issued with unqualified audit opinion with emphasis of matters

representing 9.8%. On the other hand, 10 Public Authorities representing 8.2% were issued with qualified opinion, 7 Public Authorities representing 5.8% were issued with qualified opinion with matters of emphasis. 1 Public authority representing 0.8% was issued with Disclaimer of opinion. During the year under audit, no audited PA&OBs was issued with an adverse opinion.

iii. **Implementation of CAG's Recommendations**

I appreciate for the responses received from the Paymaster General regarding the previous year's audit recommendations. Generally the responses given are not adequate because little effort and attention has been given to the raised recommendations towards their implementation. Responses given are few and do not show intense commitment by the Government to fully implement and resolve them. Most of the recommendations are still outstanding and few are under implementation process. I am of the view that serious steps and measures should be taken by the Government to ensure that all previous recommendations are appropriately implemented for better performance of our Public Authorities and Other Bodies.

iv. **Revenue and Expenditure Management**

The review of Revenue Management among PA&OBs has noted several weaknesses including inefficiencies in debts collection which has been a major weakness in PA&OBs, examples are water leakages, incorrect billing to customers and loss of generated power which have been major source of loss of revenue in water bodies and in TANESCO respectively. The non disclosure of revenue and income collected as per the requirement of accounting standards which might pave room for fraudulent activities is another area of concern. On expenditure, we have noted weaknesses in internal control systems over payments, lack of supporting documents in payments, non retirement of

imprests and weak budgetary controls. These are detailed under chapter five of this report.

v. Procurement and Contracts Management

On procurement and contracts management, we wish to recognize efforts made by the Public Procurement Regulatory Authority (PPRA) in capacity building programmes which have significantly contributed in enhancing Procuring entities to be more compliant with the requirements of the Public Procurement Act No. 21 of 2004 together with its related Regulations of 2005. However, some PA&OBs still do not comply fully with the requirements of the Public Procurement laws in approving tenders, functioning of procurement management units, appointment of evaluation and goods inspection and acceptance committees. Conflict of interests in procurement process is still a major concern as well as weaknesses in contracts management.

vi. Delay in Execution of the National Identification Project

The Cabinet approved the Action Plan for the implementation of the National Identification Project in 2007 whereby its preparation was planned to start in July, 2008 to December, 2009. The Ministerial Tender Board (MTB) of the Ministry of Home Affairs approved the tender on 20th September, 2008 and the National Identification Authority (NIDA) signed the contract with M/s Gotham International Ltd on 13th January, 2010 for provision of Management Consultancy Services for the establishment of a National Identification System, based on SMART CARD Technology. The total contract price was USD 9,000,000 and the duration of the contracts is five years commencing on 14th January 2010.

The Project has taken a period of more than one year from the date of the Ministerial Tender Board approval for the consultancy work and the signing of the Contract. This delay inevitably has an adverse impact on the achievement of the objectives of the Programme activities. I am of the

view that management should exert more efforts to speed up the National Identification Project for the benefit of Tanzania citizens.

vii. **Assets Management**

Assets management is a key function to ensure PA&OBs efficiently meet their objectives. Our audit has noted that some of the PA&OBs are still making investments in non-performing portfolios. These kinds of investments would appear to be mishandling of public funds which would eventually lead to losses of the funds which would otherwise have been made available for other development activities. Another major problem is the lack of evidence of legal ownership of properties and equipments. These are detailed under Chapter seven. Another problem is the interpretation and implementation of International Accounting Standards in regards to depreciation and amortisation of assets. Para 33 of the International Accounting Standard No.8 requires the use of reasonable estimates since it is an essential part of the preparation of financial statements and does not undermine their reliability. Some of the PA&OBs have been making unreasonable and unreliable useful life of their PPE and intangible assets.

viii. **Human Resource Management**

Human resource is a driver of other resources and therefore, it needs a special attention. On Human Resource Management, we noted non updating of staff records, lack of employment contracts for some staff, recruitment without adhering to public sector standing orders, procedures, lack of training and/or development programmes, weakness in staff performance appraisal systems and delayed submission of statutory deductions. Details of the anomalies and recommendation thereon have been detailed in chapter eight of this report.

ix. Corporate Governance

Corporate governance is yet another challenge which affects the performance of public entities. Among others is the issue of corporate governance set up in our PA&OBs. Lack of visible powers of the boards of directors and a clear separation of powers between the Parliament, Government, Boards and management of public entities has indeed affected them in realization of their objectives. Despite the recent cases facing our public corporations such as NCAA and CBT which are by any standard related with the failure of corporate governance structures, the Government has invested little efforts in implementing the recommendations we made on governance structures. It is now high time that the Parliament pushes for implementation of the recommendations and enacts a law on principles of corporate governance in the public entities which will push for compliance with best principles of corporate governance. Chapter nine of this report contains more details.

x. Apparent Conflict of Interest of MPs being Members in the Boards of Directors of Public Authorities and Other Bodies

As recommended in the previous reports and since Parliament is the highest representative organ of the people charged with the responsibility of scrutinizing the performance (oversight role) of Parastatals Organizations through the POAC, and in order to avoid conflict of interest, members of Parliament should not be members of Boards of Directors of Public Authorities and Other Bodies. It is against the best practice and this practice is not applicable in any Regional Group in which Tanzania is a member eg. EAC, SADCOPAC, SADC, AFROSAI-E and AU.

xi. Board of Directors Overriding Management Functions

When the Board of Directors overrides management functions, it derails their oversight role in monitoring management functions. Among other functions of the Board

of Directors includes: formulation of policy on all matters affecting the entity, makes plans, sets up appropriate organizational structures and ensures that the entity is financially stable. Conflict of interest will automatically reduce Management's morale in the performance of their duties and responsibilities according to the objectives set which might lead to non achievement of the Organizational goals.

xii. **Non Compliance with the Government Regulations on Directors' Fees**

Under the best practice, Directors fees for PA&OBs are set by shareholders in this case the Treasury Registrar. Furthermore, directors' fees are not expected to be performance based since it could lead to creative accounting. Controlling the Director fees will bring about fairness, consistency and equity in the management of the PA&OBs. The determination of Directors' fees and other associatel fringe benefits should not solely be left in the hands of the Board of Directors themselves as it has been in some PA&OBs. Boards of Directors at this juncture could play the advisory role of maximizing revenue and minimizing expenditures in Public Authorities and not otherwise.

xiii. **Non Compliance with the Treasury Registrar's Circular**
The Ministry of Finance issued the Treasury Circular No.8 that requires Public Sector Organizations and Public Authorities to contribute 10% of their gross revenue from their normal business activities to the Treasury. Some of the Public Authorities and Other Bodies did not comply with the Circular. This practice has been noted in two Public Authorities while one of them through Extraordinary Board Meeting decided that contribution to the Treasury would be 10% of the Authority's surplus fund instead of Authority's annual gross revenue which is contrary to TR circular. Even though the TR circular should be binding to the PA&OBs, as

auditor I have reservation on the merits of using gross revenue as the bases of PA&OBs contributing to the Governments coffers.

- xiv **Performance of Privatized and Non Privatized Entities**
The objective of privatizing some of the PA&OBs is to ensure that the entities efficiently meet their objectives and minimize losses. According to the Treasury Registrar's Statement of Government Investment and Public Interest in PA&OBs as at 30th June, 2010, outstanding liabilities in terms of guarantees granted by the Government stood at Shs.451 billion. Revenue collected by Treasury Registrar in respect of dividends, loan repayments and other proceeds decreased by Shs.42.5 billion from Shs.84.1 billion for the year ended 30th June, 2009 to Shs.40.6 billion in the year under review. Outstanding loans balance decreased by 21 billion being Shs.478.0 billion in the year 2009 to Shs.456.8 billion in 2010. Local Government investments increased by Shs.1.6 trillion, being a rise from Shs.6.1 trillion as at 30th June, 2009 to Shs.7.7 trillion in the year under review. Foreign investment decreased by Shs.27 billion, from Shs.140.5 billion as at 30th June, 2009 to Shs.113.6 billion at the end of the year under review. More on the performance of the privatized entities are covered under chapter ten of the report.
- xv **Under Capitalization of PA&OBs**
Undercapitalization has been a very serious problem in developing countries like Tanzania, which has a substantial number of Parastatals underperforming due to lack of capital. There is a need for the Government to intervene in this problem facing Parastatals by finding various sources of funds to inject into the non performing entities to ensure they perform in the provision of services as expected. The government in this aspect has a great responsibility to establish various sources of funds to inject in the underperforming public entities to ensure smooth operation

of the activities and therefore, ensure better provision of services to the general public.

xvi Public Enterprises Specified for Privatisation

Most of the Specified Public Enterprises taken over from the Presidential Public Sector Reform Commission (PSRC) by Consolidated Holding Corporation (CHC) were still specified up to the time of writing this general report of the PA&OBs. Once Public Enterprises are specified for privatizations they are limited from business expansion since they can neither prepare and implement strategic plan nor be allowed to do any investment. Also, employees of the specified PA&OBs would not have the morale of discharging their responsibilities in due diligence due to the uncertainty of the status of their employer. Wear and tear of assets owned by the specified PA&OBs is normally on the higher side since repair and replacement of the assets might not be possible due to shortage of funds.

The Government should consider either to speed up the process of privatization of the 34 specified Public enterprises which were taken over from PSRC by CHC in order to avoid further deterioration of the assets owned by the PA&OBs or dispecify them and inject sufficient capital in these public enterprises.

xvii Information and Communication Technology

To cope with the current changes in technology, PA&OBs have been heavily investing in ICT to improve their performance. Review of ICT systems has revealed that most of the public entities lack ICT steering committees, ICT strategies, documentation of ICT procedures, ICT policies, disaster recovery programs and process systems which exposes the said entities into risk of failing to recover data and other important information in case of any disaster. Some entities are yet to computerize their accounting functions to enhance efficiency. More details are in chapter eleven of the report.

xviii **Special Audit**

During the year under review, we conducted one special audit on financial misappropriation and fraudulent conducts at the National Development Corporation (NDC). We observed that there was no formal variation order raised detailing all the relevant additional works in terms of quantities or price escalation to support the extra payment of Shs.24 million for physical identification and verification of NDC assets from the supplier. Further, cheque No. 806118 and No. 806113 amounting to Shs.12 million and Shs. 23 million respectively were fraudulently cashed over the counter by a Senior Official of the Corporation on 26/2/2010.

We however, wish to draw the attention that these fraudulent acts were noted by management and reported to the Board of Directors whereby appropriate actions have already been taken against the employees involved in the incidence.

xix **Concluding Remark**

The role of auditors is to make professional recommendations on the best ways of improving operations, management of resources and reporting. To make audit add value on the performance of audited entities, implementation of auditor's recommendations is of paramount importance. It is therefore, important that every organ related with recommendations made in this report to take steps in addressing the anomalies pointed out which will thereafter, bring about improved performance of Public Authorities and Other Bodies.

CHAPTER ONE

BACKGROUND 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 as amended from time to time. Public audit in Tanzania is emphasized under the Public Audit Act No. 11 of 2008 and under Sect.44 (2) of the Public Procurement Act No.21 of 2004.

Sub Article (5) of Article 143 of the Constitution of the URT requires the Controller and Auditor General to audit all Public Authorities and other Bodies at least once in every financial year. Moreover, Section 33 of the Public Audit Act No. 11 of 2008 empowers 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 account of any body that the CAG may be required to audit.

In understanding the legal framework governing the audit of Public Authorities and Other Bodies, one has to take into consideration the fact that a number of Public Authorities are required to operate under the accrual basis of accounting system which will necessitate these authorities to be IFRSs or IPSASs 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 and Other Bodies.

1.1 Reporting and Audit Mandate of CAG

1.1.1 Reporting Mandate of CAG

Article 143 (4) of the Constitution of the URT of 1977 as amended from time to time requires the Controller and Auditor General to submit the CAG's annual reports to the President of the URT by 31st March each year. 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 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 a copy of 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. The CAG report regarding PA&OBs is primarily discussed by POAC.

1.1.2 Audit Mandate

The Controller and Auditor General is mandated to conduct both financial and performance audits of all Public Authorities and other Bodies as per Sections 30 and 32 of the Public Audit Act No.11 of 2008. Section 12 of the same Act empowers the Controller and Auditor General to make recommendations for the purpose of:-

- Preventing or minimizing 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 auditable areas covered by an audit. Audit scope includes, 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 an independent opinion on the financial statements of the Public Authorities and Other Bodies for the financial year ended 30th June 2010. Specifically, it covers audited accounts of the periods ended, 30th September 2009, 31st December 2009 and 30th June 2010. It also, covers outstanding and unimplemented audit recommendations made in previous years' audit reports.

The audit covers 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 of these entities. The audit is carried out based on risk and materiality, therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to me.

1.2.2 Applicable Auditing Standards

The National Audit Office (NAO) is a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI) and the African Organisation of Supreme Audit Institutions of English speaking Countries

(AFROSAI-E). We therefore, apply in our audit procedures, the International Standards of Supreme Audit Institutions (ISSAI) 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 of ensuring that there is proper public accountability, financial discipline and transparency within the United Republic of Tanzania. Furthermore, NAO has a unique responsibility of issuing 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. We wish to underline that the presentation of financial statements shall be conducted in such a way that one avoid the question of conflicts of interest surface as one can not oversee what he has been responsible for. Further, the issue of conflict of interest is also relevant for the members of POAC who are also members of PA&OBs Boards who shall exercise oversight function on a Board where he is a member.

The International Financial Reporting Standard (IFRS 1) and International Accounting Standards (IAS 1) specify 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 (NBAA) and endorsed by the Government that effective from July 2004 reporting entities in Tanzania shall embrace the International

Financial Reporting Standards while auditing will be conducted in accordance with International Standards on Auditing (ISA), and standards and guidelines issued from time to time by the National Board of Accountants and Auditors.

The preparation and submission of Public Authorities accounts is a legal requirement as per individual Public Authorities enabling Acts, the Companies Act of 2002 and the PAA of 2008.

Public Authorities annual reports provide information which assists 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 and transparency 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, internal controls refers to the actions taken to achieve a specific objective (e.g. how to ensure that payments to suppliers and service providers for valid goods and services are rendered). Checking of compliance with internal controls is the role of an internal auditor which means the weaknesses in the functioning of the internal audit unit, equally means the weaknesses in operationalisation of the internal controls.

1.5 Responsibilities of the Treasury Registrar

The Treasury Registrar Ordinance Cap 418 and Sect. 6 of the Public Corporations Act No. 16 of 1992 in relation to functions of Public Corporations, states 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 Organization of Audit Work

The report provides a summary of the final results of the audit exercise, which was carried out by NAO and those audit carried out by private audit firms registered with NAOT on behalf of the CAG. In order for my Office to effectively handle this task of auditing all Public Authorities in the country, I decided to use the constitutional powers vested on me 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 outsourced audits were subjected to the quality review process of NAOT.

During the year under review, NAOT worked hand in hand with 47 private audit firms registered/short listed with NAOT and registered with the National Board of Accountants and Auditors (NBAA) as Certified Public Accountants in Public Practice (CPA-PP) as shown in Appendix I of this report.

1.7 Submission of Financial Statements to CAG for Audit

Section 31 of the Public Audit Act No.11 of 2008 requires Public Authorities and 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.

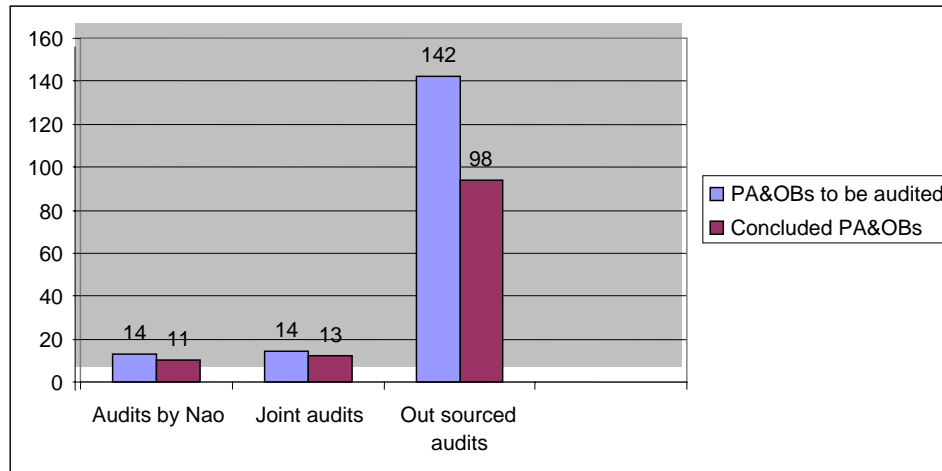
- 1.8 Outsourcing of Audit Work to Eligible Private Audit Firms
- Sub-Section 5 of Section 33 of the Public Audit Act No. 11 of 2008, empowers the CAG to authorize any person or body eligible to be appointed as an auditor under the Auditors and Accountants (Registration) Act No. 33 of 1972 as amended in 1995 to conduct the audit of Public Authorities and Other Bodies on behalf of the CAG and issue a report to him 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 secrets 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 this period of reporting of the audit process, a total of 122 Public Authorities and Other Bodies were successfully completed and the audits were done under the following arrangements:

Table 1: Allocation of Audit Assignments of PA&OB

S/n	Details	No of PA's	%
1.	Public Authorities wholly audited by NAOT	11	9.0
2.	Public Authorities jointly audited by NAO and private audit firms	13	10.7
3.	Public Authorities whose audits were wholly outsourced to private audit firms by NAO	98	80.3
Total		122	100

The above information can be presented in a histogram as follows:

Figure 1: Allocation of Audit Assignments of PA&OBs



The small percentage (9%) of PA&OBs wholly audited by the CAG is an indication of how serious under staffing the CAG's office is subjected to. The CAG needs greater capacity in both the number of staff and knowledge, and skills in order to be able to handle the huge and very challenging tasks ahead.

The full list of the private audit firms which had business dealings with the CAG in the year of audit is shown as Appendix I to this report.

CHAPTER TWO

BASIS AND TYPES OF AUDIT OPINION

2.0 Introduction

Audit opinion is an expression of a view by an auditor 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 (ISAs), the objective of an audit of financial statements is to enable the auditor to express an independent opinion as to whether the financial statements are prepared in all material respects, are in accordance with applicable financial reporting framework. This is undertaken to enhance the degree of confidence of the users of the financial statements. In conducting an audit, the overall objective of the auditor is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to report on the financial statements in accordance with the auditor's findings.

The statutory requirement for the audit of financial statements in the Public Sector in the country is enshrined under Article 143 (2) (c) of the Constitution of the United Republic of Tanzania as amplified under Section 34 (1) of the Public Audit Act No.11 of 2008 which states that “on receipt of accounts prescribed in relevant laws, the Controller and Auditor General shall cause the accounts to be audited and shall within a period of nine months after the end of the year to which the accounts relate, express a professional opinion, in respect of each account and the results of the audit”.

2.1 Types of Audit Opinion Expressed

2.1.1 *Unqualified Opinion:* An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

2.1.2 *Unqualified Opinion with Matters of Emphasis-* An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements.

2.1.3 *Qualified Opinion*—A qualified opinion is expressed when there is material misstatement in the financial statements and the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

2.1.4 *Qualified Opinion with Emphasis of Matter*— A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. An emphasis of matter paragraph also modifies the auditors by reporting matters other than those affecting the financial statements.

2.1.5 Disclaimer of Opinion—A disclaimer of opinion is expressed when the possible effect of a limitation of scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

2.1.6 Adverse Opinion—An adverse opinion is expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

2.2 Status of the Audit of PA&OBs

This annual general report will cover individual audit reports of 170 Public Authorities and Other Bodies as compared to the 166 PA&OBs reported in my last year general report. The increased number is due to the inclusion of National Identification Authority, Sumatra CCC, Arusha Technical College and Kahama Urban Water and Sewage Authority in the list of the CAG PA&OBs.

During the period ended 30th June 2010, Chief Executive Officers from 167 Public Authorities and Other Bodies submitted to my office their financial statements for audit purposes of which 103 audits were concluded, 19 audits were awaiting adoption by the respective Boards of Directors, 15 Audits were under quality review process, 30 audits were in progress and 3 Public Authorities have not submitted their financial statements for audit. In summary, the above information is shown in the table below as follows:

Table 2: Status of the Audits

S/N	Category of the Entity	No of entities	Audits concluded		At Quality Review Stage	Audits in Progress	F/S not Submitted
			Adopted by BoD	Awaiting board's Adoption			
1.	Financial Institutions including Pension Funds and Insurance companies,	16	14	1	-	1	-
2	Manufacturing and production organizations	18	9	4	3	-	2
3.	Regulatory Bodies, Councils, Commissions and Authorities.	56	33	10	5	8	-
4.	Training, Research and Higher Learning Institutions.	36	20	1	3	12	
5.	Public service/utilities organizations.	44	27	3	4	9	1
Total		170	103	19	15	30	3
			122				

The status of the audit of Public Authorities and Other Bodies as at 25th February 2011 is shown in Appendix III.

2.3 Opinion Issued to Public Authorities

As of 25th February 2011, I have managed to conclude 122 (71.7%) individual audit reports of Public Authorities and Other Bodies out of the existing 170 PA&OBs which are subject to my ambit of audit under the category of Public Authorities and Other Bodies. Out of the concluded audits, 92 PA&OBs were issued with unqualified audit opinions representing 75.4%, while 12 were issued with unqualified audit opinion with emphasis of matters representing 9.8% and 10 Public Authorities representing 8.2% were issued with qualified opinion, 7 Public Authorities representing 5.8% were issued with qualified opinion with matters of emphasis. 1 Public Authority representing 0.8% was issued

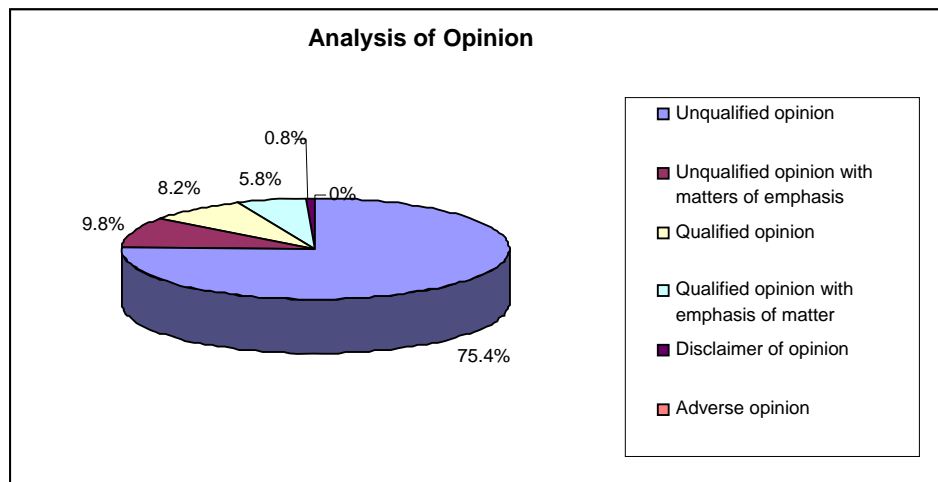
with a Disclaimer of opinion. During the year under audit, no audited PA&OBs was issued with an adverse opinion. Detailed audit opinions are shown as Appendix II of this report.

Table 3: Analysis of Opinion Issued to PA&OBs

PA & OBs	Unqualified opinion	Unqualified opinion with matters of emphasis	Qualified opinion	Qualified opinion with emphasis of matter	Disclaimer of opinion	adverse opinion
122	92	12	10	7	1	0
100%	75.4 %	9.8%	8.2%	5.8%	0.8%	0%

The above analysis can be presented in a pie chart as shown below:

Figure 2: Opinion Issued to Public Authorities



CHAPTER THREE

SUMMARY OF OUTSTANDING AUDIT RECOMMENDATIONS

3.0 Introduction

This chapter summarises the outstanding recommendations from the previous year's General Audit Report on Public Authority and Other Bodies which were either partly implemented or not implemented at all as at the time of preparing this report. These recommendations require further attention and action of the Parliament, Public Organization Accounts Committee, Government, Board of Directors and Chief Executive Officers of the respective PA&OBs.

3.1 Responses on the Previous Year's Audit Report (2007/2008)

I have received Government responses to my previous General Report via the Permanent Secretary and Paymaster General's letter with Ref. No. EB/AG/392/04/11/VOL.II/13 dated 27th July, 2010. However, there are major outstanding recommendations that require further attention and action of the Government, Parliament, Public Organization Accounts Committee, Boards of Directors and Chief Executive Officers in relation to the General report for the financial year ended 30th June 2008 and 30th June, 2009.

In my previous annual general reports on the audit of PA&OBs for the year ended 30th June, 2008, 15 recommendations were issued for implementation. However, up to the time of writing this report all 15 recommendations have not been fully implemented.

Below is a summary of the outstanding recommendations for the year ended 30th June, 2008 which need to be addressed by the Government, so as to achieve better performance of the PA&OBs.

Table 4: Outstanding Recommendations 2007/2008

S/N	RECOMMENDATIONS
1.	TANESCO management should justify the payment of USD 4,865,000 paid to M/s Dowans in respect of charter aircraft.
2.	The Treasury Registrar (Shareholder) should ensure that the under capitalized PA&OBs are provided with adequate working capital.
3.	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
4.	With the abolition of SCOPO, the Treasury Registrar should assume greater responsibilities of rendering effective supervision of the PA&OB. I strongly once again recommend that Treasury Registrar's Office be set up in line with the requirements of the Treasury Registrar Ordinance Cap. 418
5.	Corporate Governance: 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 i.e. those in which the Government has controlling and non controlling interest.
6.	TANESCO Management should ensure that it implements its generation capacity additional program and build the required transmission.
7.	The Government should enter into performance contracts with Boards of Directors of PA&OBs 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 contracts with Chief Executive Officers who will also sign performance contracts with their subordinates. By doing so, it will greatly improve the performance of our PA&OB in the long run.
8.	The Government should consider splitting TPDC into two entities, one that is responsible for commercial activities and the other one that is responsible for awarding licenses, undertaking inspections and doing more regulatory work.
9.	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.
10.	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 of them being appointed through Presidential appointments. The President should be left with the responsibility of appointing Chairpersons of the Board of Directors.
11.	Since Parliament is the highest representative organ of the people charged with the responsibility of scrutinizing the performance of Parastatal Organizations (oversight) through POAC, and in order to avoid conflict of interest over the oversight role, the Parastatals Accountability conference held on 23 -24 January 2009 resolved that members of Parliament should not be members of Boards of Directors of public entities for which they

S/N	RECOMMENDATIONS
	have oversight role.
12.	Global Economic crisis 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.
13	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 should be monitored so that additional revenue collections are ploughed back to development activities.
14.	Human Resources management 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.
15.	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. Also, Tanzania Region should immediately confirm its acceptance of and adhere to the Yamoussoukro decision that Tanzania is legally bound to comply with as recommended by the Parastatals Accountability conference held on 23 -24 January 2009.

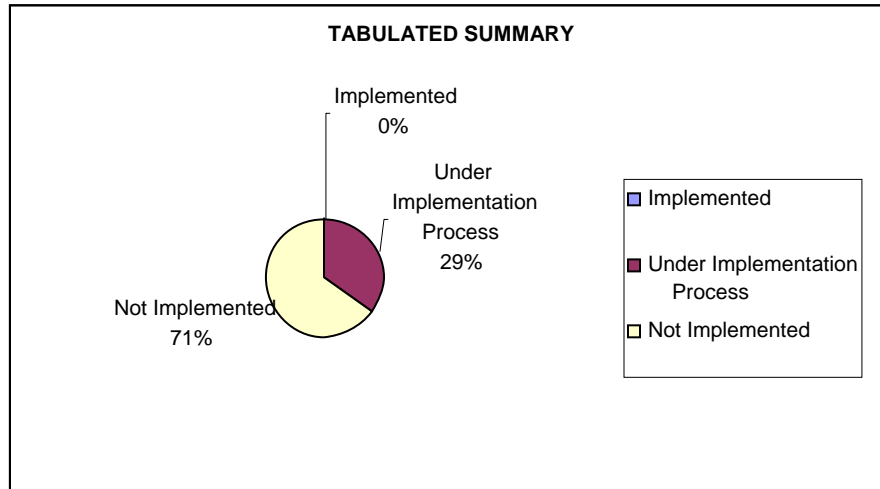
Below is a summary of the outstanding recommendations for the year ended 30th June, 2009 which need to be addressed by the Government, the Parliament, Boards of Directors and Chief Executive Officers so as to achieve better performance of the PA&OBs.

Table 5: Summary of Implementation of the Outstanding Recommendations for the Year Ended 30th June 2009

S/N	Status	No. of Recommendations	Percentage %
1.	Fully Implemented	0	0
2.	Under Implementation Process	5	29%
3.	Not Implemented	12	71%
	Total	17	100/%

Implementation of previous year 2008/2009 audit recommendations can be shown in a pie chart as follows:-

Figure 3: Implementation Status of audit recommendation for 2008/2009



3.2 Responses on Previous Years Audit Report (2008/2009)

In my previous annual general report on the audit of PA&OBs for the year ended 30th June 2009, 17 recommendations were issued for implementation. However, up to the time of writing this report 5 recommendations were responded to by the Government (The Paymaster General) and are under implementation process.

Table 6: Status of Outstanding Recommendations 2008/2009

S/N	RECOMMENDATIONS	IMPLEMENTATION STATUS
1.	<p>A Need for Establishment of the Treasury Registrar's Office in Accordance with the Treasury Registrar Ordinance Cap.418</p> <p>If implementation of this Ordinance is found not feasible, then the Government should establish a strong and effective Regulatory Authority which will be responsible for regulating the performance and operations of the 166 PA&OBs with a total equity amounting to Shs.6.1 trillion in order to enhance accountability and transparency for better service delivery to the public.</p>	Under implementation Process.
2.	<p>Apparent conflict of interest of MPs being members in the Boards of Directors of Public Authorities and Other Bodies</p> <p>As recommended in the previous CAG's report and since Parliament is the highest representative organ of the people charged with the responsibility of scrutinizing the performance (oversight role) of Parastatals Organizations through the POAC, and in order to avoid conflict of interest, members of Parliament should not be members of Boards of Directors of Public Authorities and Other Bodies. It is the best practice and this practice is not applicable in any Regional Grouping in which Tanzania is a member eg. EAC, SADCOPAC, SADC, AFROSAI-E, AU etc.</p>	Not implemented
3.	<p>Appointment of the Members of Boards of Directors and Chief Executive Officers</p> <p>The best practice should have been for the Chief Executive Officers to be appointed by the Board of Directors instead of being appointed by the President. The President should be left with the responsibility of appointing Chairpersons of the Boards of Directors while the appointment of Chief Executive Officers of such PA&OBs should be the responsibility of the Boards of Directors.</p>	Under implementation Process.

4.	<p>Boards of Directors and Accountability</p> <p>As recommended in my previous report, the Boards of Directors of PA&OBs should be accountable to the Government for the results of their performance; likewise management of Public Authorities should also be accountable to the Board of Directors for results. The results of which the Board of Directors and Management of PA&OBs are accountable for should be made public.</p>	Not Implemented.
5.	<p>A Need for the Establishment of a Public Investment Fund</p> <p>It is not a secret that Public Entities in Tanzania are currently characterized with a number of problems mainly of under capitalization which is vital to the successful operations of the PA&OBs.</p> <p>The Government should establish the Public Investment Fund in order to be able to meet these challenges. Dividends realized and donor support received in this direction may also be deposited in this Fund to enhance its liquidity. Such funds should not be used to finance recurrent expenditure rather would best be utilized to finance capital expenditure such as new investments, increasing capital structures and extending bridging finances to the existing PA&OBs.</p>	Not Implemented.
6.	<p>Permanent and Pensionable Vis-a-Vis Contract Employment of staff in PA&OBs</p> <p>There is a need for the Government through the Ministry of Finance and Economic Affairs and the President's Office - Public Service Management (POPSM) to be involved in the approval of change of employment terms of members of staff of PA&OBs from permanent and pensionable terms to contract terms.</p>	Not Implemented.
7.	<p>Delays in Appointing New Board of Directors of PA&OBs</p> <p>The Government and the relevant appointing authorities should ensure that Boards of Directors are timely appointed once the tenure of the office lapses since there are some consequences for delaying in the appointing of Board of Directors of Public Authorities and Other Bodies.</p>	Under implementation Process.

	<p>collection of revenue, lack of accuracy and complete revenue data and lack of security over cash collections. On the other hand, evaluation of expenditure of PA&OBs 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.</p> <p>The Board of Directors and Chief Executive Officers of the respective Public Authorities should ensure that effective systems of revenues and expenditures management are in place in order to avoid misuse of taxpayer's moneys.</p>	
12.	<p>Procurement and Contracts management The Procurement Professional Body (Procurement, Supplies and Technician Board) should speed up professionalisation of the procurement cadre, enhancing coordination with training institutions to align their curricular to meet the requirements of the market, and to enhance training and compliance monitoring.</p> <p>The Board of Directors and Chief Executive Officers of PA&OBs should fully comply with the provisions of the PPA of 2004 and its Regulations of 2005 and should ensure proper contract management is applied; including use of complete and correct contract documents, correctly specifying rate of liquidated damages and contracts should be witnessed</p>	Not Implemented.
13.	<p>Assets Management Government, Boards of Directors and Chief Executive Officers of Public Authorities and Other Bodies should ensure that investments are made in companies which are performing. Further, Boards of Directors of Public Authorities and Other Bodies should ensure that legal ownership of their plants, property and equipment are obtained.</p>	Not Implemented.
14.	<p>Human Resources Management Public Authorities and Other Bodies should provide cash incentives and let the employees pay for the services they are enjoying as any other customers instead of offering discounted</p>	Not Implemented.

	<p>bills or free service like electricity, water etc as an incentive to employees. Staff performance appraisal systems should also be enhanced to assist in the attainment of the organization's strategic objectives. Statutory contributions and other deductions should also timely be remitted to all relevant Authorities in full as stipulated in the respective governing laws.</p> <p>On the other hand, human resource is the key asset of any organization; therefore the Chief Executive Officers of Public Authorities and Other Bodies should ensure that human resource management is given high priority and attention to assist in the attainment of the strategic corporate goals.</p>	
15.	<p>Information and Communication Technology Management of Public Authorities should establish the ICT units responsible for development and maintenance of computer information systems and ensure that ICT policies are developed and used for effective management of the same within the organizations. Also, PA&OBs should have well structured disaster recovery plans and strategies to ensure that computer hardware and software are properly covered during business disruption events.</p>	Not Implemented.
16.	<p>Results of the Special Audits Conducted at TANESCO</p> <p>The Board of Directors of TANESCO should comply with the Public Procurement Act No. 21 of 2004 and its related Regulations of 2005 and ensure Value for Money is obtained when overseeing daily undertakings of the Company.</p>	Not Implemented.
17.	<p>Performance Review of the Existing and Privatized Public Entities</p> <p>The Government should ensure that the liabilities of PA&OBs whose repayments are due but not being serviced are recovered from the beneficiaries to avoid the Government from paying the loans and the revenue in arrears is collected without further delay.</p> <p>The Consolidated Holdings Corporation should make a close follow up to ensure that, the privatized entities are working as per the sales agreements and take appropriate action on those entities operating without taking into account the term of sale.</p>	Under Implementation Process.

3.2 Concluding Remark

I appreciate for the responses received from the Paymaster General regarding the previous year's audit recommendations. Generally the responses given are not adequate because little effort and attention has been given to the raised recommendations towards their implementation. Responses given are few and do not show intense commitment by the Government to fully implement and resolve them. Most of the recommendations are still outstanding and few are under implementation process. I am of the view that serious steps and measures should be taken by the Government to ensure that all previous recommendations are appropriately implemented for better performance of our Public Authorities and Other Bodies.

CHAPTER FOUR

SIGNIFICANT AUDIT MATTERS NOT REPORTED IN THE PREVIOUS YEAR'S GENERAL REPORT

4.0 Introduction

According to Section 31 of the Public Audit Act, 2008, every Public Authority or body is required to submit its financial statements to the Controller and Auditor General for audit within three months after the end of the financial year to which the accounts relate. Since there has been a considerable non compliance with this provision among the Public Authorities and Other Bodies, some of the audits have been going beyond the reporting period causing failure on the part of the CAG to report the same in the current year. It is important to understand that Public Authorities, whose audits have not been completed on the statutory due dates and therefore not captured in the current year's general report, will be included in the forthcoming annual general report.

During the period of writing the last year's report which was submitted to the President towards the end of March, 2010, only 51 Public Authorities managed to meet the reporting time frame while the remaining 115 could not comply due to various reasons including late submission of financial statements, corporate governance, shortfalls like inexistence of Board of Directors to adopt the financial statements due to lapse of tenure, difficulties of the auditees to respond to audit queries and others.

This chapter, therefore, highlights significant matters considered worth reporting which relate to the previous year's audit for some of the audited Public Authorities and Other Bodies for the financial year ended 30th June 2009 which were not included in the previous year's General Report issued on 26th March 2010.

4.1 Outstanding Debtors Shs.2,313,315,766 at TSN

Tanzania Standard Newspaper has a credit policy in force that demands for collection of all debts within 30 days from the invoice date, otherwise, all outstanding debt amounts should be charged with a monthly interest of 1%, termination of the credit facilities and, if necessary, legal actions should be taken against long outstanding debts. However, we noted outstanding debtors of Shs.2,313,315,766.24 as at 31st December, 2008 being long over due debts for more than 30 days and there is no any action taken as per the TSN's credit policy in force.

4.2 Potential Non Recoverability of Members Funds at NSSF

Our review of the NSSF investments in loans revealed non compliance with contractual terms, hence casting doubt as to their recoverability. Quite a number of loans were issued and as of now they are not being serviced which indicates that there were no thorough analysis before granting the loans. Because of the irrecoverability of the loans, the management has started providing some as bad debts ready for write off. The loans include the following:-

a) Kiwira Coal and Power Ltd

Principal Loan issued to M/s Kiwira Coal and Power Ltd. by the National Social Security Fund amounting to Shs.9.009 billion of which the repayment period expired on 8th January, 2008. The Fund issued a demand notice to the borrower. The Borrower requested for an extension of payment period because the syndication arrangement was yet to be completed. At its 44th meeting held on the 17th November, 2008, the Board of Trustees approved an extension of payment period up to 31 December 2008. To date no payment has been made by the borrower. As a result, interest on the loan has accumulated to Shs.2.689 billion. The total loan as at 30th June, 2009 stood at Shs.11.698 billion.

b) General Tyre East Africa

Principal loan amounting to USD 10 million was advanced to M/s General Tyre East Africa in 2005 and the first interest payment was supposed to be made in December 2005 while the principal repayment was supposed to be made in November, 2007. The loan has 85% government guarantee to cover for the principal amount. On 4/7/8/2008 the Fund wrote to the Government to call for the guarantee. The remaining balance will be recovered by the proceeds from the sale of the pledged security. As at 30th June 2009 the loan amount stood at Shs. 6.576 billion. A reminder letter was sent to the Ministry of Finance and Economic Affairs on December 15th 2008. On April 24th 2009 the Ministry wrote to NSSF requesting the Fund to be patient while the government finalizes liquidation process. In order to know the current value of the collateral, the Fund, vide letter with Ref. No. NSSF/LA/F.507/08/2004/VOL.II/164 dated 10/07/09 requested Arusha Municipal Valuer to carry out valuation of the property offered as security against the loan. Interest of Shs.3.461billion was provided for as bad debts in full.

c) MediTech Industrial Co

The Fund issued loan amounting to USD 1.45 million to M/s MediTech Industrial company for manufacturing syringes. The company failed to meet its loan servicing obligation when due. To solve the problem, the company entered into a joint venture with investors from Denmark M/s Emunio Tanzania limited who agreed to inject Euros 1.8 million. On 29th January 2007, the borrower approached the Fund with a request for capitalization of interest up to 31st December 2007 and extension of repayment of the loan for two years. The request was approved by the Board of Trustees at its 44th meeting and interest of USD 74,645 was paid. The loan was restructured and was supposed to be fully repaid by year 2011 instead of 2009. Due to lack of working capital, the company has not started full commercial production. Therefore, it once again failed to fulfill its loan obligation. On 8th of May 2009 the Fund issued Default Notice. The Notice expired on the 8th of

August 2009. The total amount outstanding was Shs.2.653 billion as at the 30th June, 2009.

d) Kilimanjaro Bazaar

e) The principal loaned amounting to Shs.105 million was issued in three installments to M/ Kilimanjaro Bazaar between 1990 and 1992. By February 1999, the accumulated sum was Shs.788,752,431. Since the borrower had failed to meet its obligation, in February 1999 the borrower was taken to court. The Fund filed a case which sought to liquidate the loan by attaching security that was offered against the loan. The borrower had however won the case and NSSF was instructed to pay defamation of Shs. 600 million. The Fund appealed against the decision of the High Court - Moshi and the ruling has been given on the preliminary objection raised by Kilimanjaro in favour of NSSF. Hearing of the appeal was made on the 27th of May 2009. The judgment day is being awaited. The total amount outstanding is Shs. 850 million. The principal and interest amount provided for were provided as doubtful debt in full.

f) Mbowe Hotels

The loan amounting to Shs.15 million was advanced to M/s Mbowe Hotel in 1990. The borrower failed to service the loan resulting in accumulation of interest to Shs.229.898 million by June 2001. The Fund instituted legal action against the borrower. Although the Fund won the case, the borrower failed to repay the loans as instructed by the Court. Subsequently in December 2006 and January 2007 the borrower paid a total of Shs.55 million. Therefore, the outstanding amount is Shs.174.898 million. At the 14th Special Board meeting held on 21/07/2001, the Board of Trustees approved suspension of growth of interest on this loan with effect from 30th June 2001. The interest amount as at 30th June 2009 was Shs.174.898 million and was provided as bad debt in full.

g) Continental Ventures

Principal loan amounting to USD 3.5 million was advanced in 2005 to M/s Continental Ventures. This loan was supposed to be guaranteed by the Government by 85% of the principal loan amount. However, to date, the guarantee has not been granted despite of assurances from the Minister of Finance. The borrower has closed down production activities. Despite several follow ups, the borrower has not paid the interest and principal amount. The Fund has called for the guarantee basing on the commitment letters from the Government. The Fund has already sent a Default Notice. The Notice expired on 26th June 2008. The Fund is now in the process of selling the assets. This loan of USD 3.5 million was provided as bad debt for in full.

4.3 Unpaid (Stolen) Stipend Costs to Tanzanian Students in Algeria (Euros 10,137.55)

We noted that USD 12,539.32 (Euro 9,154.05) disbursed to Tanzanian students studying in Algeria via the Tanzania Embassy in France in April 2009 to cover stipend costs to five students was not paid to the recipients.

The amount was transferred by the Embassy of Tanzania in France to Account No.0163300019/68 of Rweikiza Rugeyamba Erasto by then a leader of the Association of Tanzanian Students in Algeria for the sole purpose of distributing the amounts to the intended students. Rweikaza Rugeyamba Erasto swindled the whole amount leaving the beneficiaries living a miserable life.

Moreover, Rweikiza took the advantage of being entrusted with the student's funds by forging the original documents sent to him from the Tanzanian Embassy in France by making another payment list in which he indicated lesser amounts sent to the students by the Board. In February 2009 the Board disbursed USD35,644.11 (€27,897.36) equivalent to Shs.46,872,000 but the culprit made another

list short of € 70.25 to each student and took the differences amounting to € 983.50. However, Rweikiza was discontinued from studies and has been deported to Tanzania and the case was brought to the attention of the police and investigation is still in progress.

4.4 Disbursement of Loan Fund to Overseas Continuing Students Without Progress Academic Reports

Audit in India, Russia and China revealed that all continuing students are being paid tuition fees and accommodation funds without their academic progress results having been reviewed by the Board. It was not made clear the basis that HESLB uses to disburse overseas loan funds to students who might have been expelled due to various reasons like poor performance in academics or due to other reasons that students may decide to abscond their studies. In China, Magimila Shamoro Ahmad the student of Tianjian Medical University absconded studies after the receipt of direct deposit from HESLB of Shs.12,468,280.

4.5 Outstanding Loans to Students of Shs.80,957,774,609

From 1994 to June 2009 HESLB paid a total of Shs.433,254,461,262 to students in various universities within and outside the country out of which Shs.80,957,774,609 being the principal loan due for repayment to HESLB by the students who have already completed their studies as shown below:-

Table 7: Outstanding Loans to Students

Particulars	June 2008		June 2009	
	No. of Students.	Amount in Tsh.	No. of Students.	Amount in Tsh.
Cumulative Disbursement	55,687	294,160,780,167	58,798	433,254,461,262
Principal Loans due for repayment	48,378	51,103,685,914	56,801	80,957,774,609
Installments Due	48,378	5,110,368,591	48,378	15,331,105,774

By the end of June 2009 HESLB was supposed to have collected a total of Shs.15,331,105,774.20 being payment by installments from the students, but as at 30th June 2009 HESLB had recovered only Shs.2,180,372,449. However, recovery of the outstanding loans has been slow and may result to non recovery.

4.6 Anomalies in the Management of Property, Plant and Equipments at TANAPA

We noted that TANAPA has in its asset category of Property, Plant and Equipment (PPE) assets worth Shs.62,205,701,870 as at 30th June 2009. However, there were some recorded anomalies on the management of the assets as follows:-

- i. Although the PPE worth Shs.16,436,329,926 (excluding buildings, roads and land developments) were physically verified as at 30/06/2009 but the results were not reconciled with the register for assets.
- ii. Landed properties at Fort Ikoma at Serengeti National Park, had no title deed.
- iii. There were some assets acquired from the Wildlife division and placed at Mkomazi National Park without being valued and recognized in the books of accounts.

4.7 Inappropriate Reporting of Inventory at Medical Stores Department (MSD) of Shs.98,401,640

We observed that MSD reported inventory balance amounting to Shs.39,093,592,953 in its financial statements. Out of this balance, Shs.98,401,640 is a balance of the account called Inters Zone Transfers accumulated for some years. However, the figure represents, no item of inventory and hence overstatement of inventory balance of Shs.98,401,640.

4.8 Concluding Remark

The above reported issues are some of those which were supposed to have been included in last year's report but were not reported due to incompleteness of the audits. We would like, however, to note on the fact that reporting out of the timelines limits the usefulness of the information reported. We would therefore request the Government through the Treasury Registrar to take stringent actions to Public Authorities that fail to submit financial statements on time.

CHAPTER FIVE

REVENUE AND EXPENDITURE MANAGEMENT

5.0 Introduction

This chapter deals with revenue and expenditure management in Public Authorities and Other Bodies reported in the respective management letters for the years ended 30th September 2009, 31st December, 2009, and 30th June, 2010. During the audit of Public Authorities, various issues were raised in respect of revenue and expenditure of these authorities. However, for the purpose of reporting in this annual general report, we have decided to divide this chapter into two major parts. The first part is on revenue management and the second part is on expenditure management as elaborated in the following paragraphs.

5.1 Revenue Management

Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Revenue is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. Revenue is recognized in the accounting periods in which the services are rendered. It is therefore the concern of management in Public Authorities to ensure that revenue is raised and accounted for as per the laid down procedures and rules.

The following are general observations emanating from the assessment made on the revenue management in Public Authorities and Other Bodies for the years ended 30th September 2009, 31st December, 2009, and 30th June, 2010.

5.1.1 Inefficiency in Debts Collection

Debt collection has been a major problem in Public Authorities and Other Bodies leading to financial difficulties in the particular entities. Inefficiency in debt collection amounting to Shs.52.2 billions from customers has been evidenced in various Public Authorities resulting to non performance of various functions of the particular Authorities. The uncollected debts if collected would have been used to the activities of the entities but lies in the hands of customers for more than the average collection period. Analysis of the prevailing debts is as shown in the table below:-

Table 8: Uncollected Debts in Public Authorities:-

S/N	Auditee Name	Amount (Shs)	Description
1.	Tabora Urban Water Supply and Sewerage Authority (TUWASA)	1,156,446,994	Uncollected water bills from customers
2.	Cashewnut Board of Tanzania	281,963,000	Uncollected debts from Cashewnut Customers
3.	Contractors Registration Board (CRB)	1,158,922,000	Contractor's registration fees outstanding for a period of more than one year.
4.	Reli Asset Holding Company Ltd (RAHCO)	36,645,021,073	Long outstanding receivables
5.	Shinyanga Urban Water Supply and Sewerage Authority (SHUWASA)	260,826,959	Uncollected water bills from customers.
6.	Small Industries Development Organization(SIDO)	176,315,435 111,860,000	●Uncollected Hire Purchase debtors. ● Uncollected rental income from tenants who occupies SIDO premises without Contracts.
7.	Tanzania Ports Authority (TPA)	362,995,415	Long outstanding receivable from the Government for TPA's Plot allocated to the Ministry of Foreign Affairs.
8.	Tanzania Standards News Papers (TSN)	2,048,861,365	Long outstanding Debts.

9.	Capital Development Authority(CDA)	315,992,145	Long outstanding Receivables.
10.	Capital Development Authority (CDA)	1,238,713,648	Revenue not collected due to non collection of rent and non completion of projects within the agreed time frame.
11.	National Board of Accountants and Auditors (NBAA)	161,000,000	Outstanding debts for more than three years.
12.	National Development Corporation (NDC)	44,073,650	The Corporation has been unable to collect rent from its tenants occupying leased premises in Mwanza amounting to Shs.8,623,650 and Comprint International Limited occupying the former TAMCO (Industrial Property in Kibaha with outstanding balance amounting to Shs.35,450,000.
13.	Tanga Urban Water Supply and Sewerage Authority (TAWASA)	661,492,503 37,069,000	<ul style="list-style-type: none"> ●Uncollected amounts billed to customers. ● Other Outstanding Receivables for more that two years.
14.	Tanzania Library Service Board	6,037,252	Uncollected rent from one tenant whose contract was not availed.
15.	Tanzania Post Corportion (TPC)	5,805,930,427	Trade and Other Receivables uncollected by the corporation.
16.	Ubungu Plaza Ltd	396,698,849	Rent due for more than six months but not collected.
17.	National Social Security Fund(NSSF)	-	<p>NSSF delayed the raising of invoices to customers to remind them to pay their rental charges as per their contracts.</p> <p>The delays in raising invoices vary from three months to five years.</p>
18.	Tanzania Broadcasting Corporation (TBC)	1,329,910,817.22	Outstanding balances due from customers
Total		52,200,130,532.10	

5.1.2 Water Leakage Management and Incorrect Billing to Customers

Water leakages and incorrect billing has been a common phenomena prevailing in all water bodies in the country. This situation has triggered loss of revenue which would have been earned from water loss and consequently leading to low expansion, unable to meet the increasing water demand and high dependence on external borrowings, aids and grants by the water bodies.

Audit of Urban Water Supply and Sewerage Authorities revealed that massive quantities of water are lost due to water leakages, overflows, illegal connections, incorrect billing rates, water theft and fault of water meters. However there is a target set by Energy and Water Utilities Regulatory Authority (EWURA) enforcing that quantity of water loss should not exceed 27% of the total production.

Water Bodies prone to these inefficiency of water management are Mwanza Urban Water Supply and Sewerage Authority (MWAUWASA) which lost a total of Shs.23,017,800 by under billing customers, Dodoma Urban Water Supply and Sewerage Authority whose total water waste was 4,273,467 m³ against total production of 9,916,911 m³, Shinyanga Urban Water Supply and Sewerage Authority (SHUWASA) which recorded a loss of 856,687 m³ and Singida Urban Water Supply and Sewerage Authority (SUWASA) with a 549,731 cubic meters of water loss before consumption. These are unacceptable situations which need immediate action and intervention of the Government.

5.1.3 Delays in Disbursing Funds from the Treasury

The need for Public Authorities and Other Bodies receiving funds as per the approved budget is essential in facilitating the implementation of planned activities. Audit of revenue during the year observed considerable delays upon releasing funds on time from the Treasury to Public Authorities and Other Bodies as per approved budget. Such practice has led to non execution of planned activities in

time due to lack of funds which were already approved in the respective budgets of Public Authorities and Other Bodies. This has been one of the challenges facing the Higher Education Students Loans Board (HESLB). The Board has not been able to disburse student's funds in time as required because the funds are released from the Treasury in peace meals impeding the board to disburse student's funds in time. This circumstance has been a major cause of riots and demonstration by students in various universities condemning the boards for failure to release student's loans in time.

Tabulated below is an analysis of the cash flow plan for the HESLB for every quarter and the amounts received from the Treasury in respect of every quarter from Years 2008/2009, 2009/2010 and 2010 to January 2011, showing inconsistencies and the short release of student's loanable funds from the Treasury.

Year 2008/2009

Quarter/Period	Amount Received in Shs.	Amount Expected in Shs	Difference Over/(Under)	Remarks
July-Sept 2008	28,741,975,047	54,071,593,911	(25,329,618,864)	Under
Oct - Dec 2008	31,883,024,953	31,644,634,649	238,390,304	Over
January -March 2009	37,100,000,000	20,803,968,591	16,296,031,409	Over
April - June 2009	41,375,000,000	10,479,802,848	30,895,197,152	Over
Total	139,100,000,000	116,999,999,999	22,100,000,001	Over

Year 2009/2010

Quarter/Period	Amount Received in Shs.	Amount Expected in Shs	Difference Over/(Under)	Remarks
July-Sept 2009	67,543,758,418	46,452,711,486	21,091,046,932	Over
Oct - Dec 2009	11,000,000,000	55,141,046,995	(44,141,046,995)	Under
January -March 2010	47,000,000,000	95,755,180,394	(48,755,180,394)	Under
April - June 2009	-	70,805,200,000	(70,805,200,000)	Under
Total	125,543,758,418	268,154,138,875	(142,610,380,457)	under

Year 2010/2011

Quarter/Period	Amount Received in Shs.	Amount Expected in Shs	Difference Over/(Under)	Remarks
Oct - Dec 2009	86,096,000,000	24,362,836,750	61,733,163,250	Over
July-Sept 2010	2,000,000,000	96,819,570,224	(94,819,570,224)	Under
January 2011	30,000,000,000	63,831,988,031	(33,831,988,031)	Under
-	0	0	-	Under
Total	118,096,000,000	185,014,395,005	(66,918,395,005)	Under

Note that in the periods of shortfall or where release of funds was delayed by the Treasury, it is when the problems between the Board and students occurred. To minimize the student's riots and demonstrations which might have negative impact in the students performance in studies in our Higher Learning Institutions, the Treasury should devise a more effective procedure of releasing funds to the HESLB as when the funds are needed most by the students.

5.1.4. Inadequate Disclosure of Income and Other Revenue Accounting Anomalies

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue and expenses that relate to the same transaction or other event are recognized simultaneously. However, revenue cannot be recognized when the expenses cannot be measured reliably.

There was no adequate disclosure of revenue raised by Public Authorities and Other Bodies in the financial statements and there was no supporting analysis and description from where incomes and revenue emanated. Board of External Trade (BET) was noted to have inadequate disclosure in respect of functional halls income as no formal reports were being prepared for each functional hall showing the date hired, customer name, amount collected, outstanding and/or collections received in advance.

It was further noted in Capital Development Authority (CDA) that 23 telecom towers mounted around the vicinity of Dodoma Municipal Council were neither registered nor contracted by CDA. Absence of registration and contracts for mounting the 23 telecom towers by service providers led to un-realization of revenue amounting to Shs.212,861,500. On the other hand, STAMICO recorded an income received in advance of Shs.22,000,000 as income for the year contrary to the International Accounting Standards (IAS 18). Furthermore, Consolidated Holding Corporation (CHC) included in other fees and in the accounts receivable two journal entries of Shs.149,800,000 million, as an exchange loss and exchange gain that were not supported or satisfactorily explained.

In the audit of Tanzania Broadcasting Corporation (TBC), it was noted that there was non recognition of income from joint venture activities with TBC. In this aspect, Star Media made advertisements worth Shs.36,000,000. The advertisements have not been invoiced by TBC. There was also a total of USD 34,338.9 under billed to SIBUKA Fm and to Clouds Fm by TBC.

5.1.5 Non Reconciliation of Income between General Ledger and Other Reports Prepared by Public Authorities

Non reconciliation of General Ledger and other systems regarding revenue accounting was noted to be an area of weakness in some Public Authorities and Other Bodies. During the Audit of Tanzania Telecommunication Company Limited (TTCL) it was observed that there was non performance of reconciliation between Intelligence Network (IN) and the General Ledger in recording different income of the prepaid vouchers. The IN recorded a balance of Shs.783,124,443 and the General Ledger recorded a balance of Shs.15,125,745, thus management could not reconcile a balance of Shs.767,998,698. It was further noted that there is a revenue variance recorded between the General ledger and the Customer Care Billing Systems

(CCBS). CCBS recorded a total of Shs.14,730,451,665 while General Ledger recorded Shs.14,761,033,248 thus creating a difference of Shs.30,581,583 which could not be reconciled by management.

In DAWASCO, it was observed that there is a difference of Shs.220,943,143 as a result of non reconciling income. Income recorded as per EDAMS was Shs.836,993,737 while income recorded as per General Ledger was Shs.616,050,594.

TANESCO was found not conducting monthly reconciliation between revenue from sales information contained in the branch operations reports and the revenue as per general ledger.

Tanzania Broadcasting Corporation (TBC) was noted to lack consistency between sales reports and general ledger. In TBC Arusha the General ledger differed with the sales report by Shs.10,888,214 which implies weak control over revenue collection.

5.1.6 Decline in Collection of Penalties for Un-inspected Vehicles from Abroad

Decline in revenue collection as compared to previous years indicates a sign of management failure to plan and discover sources or ways to raise revenue. It has been revealed from the audit of Tanzania Bureau of Standards (TBS) that income from penalties levied on vehicles imported without being inspected abroad has dropped significantly from Shs.134,600,156 last year to Shs.104,870,162 in the year under review. The loss of revenue has been attributed by importers falsifying the commercial invoices by lowering the CIF prices so that minimum charge could be paid by the importers. This practice occurs in all Customs offices in the country i.e Dar es Salaam, Holili, Tanga and Namanga without the

management of TBS having in place mechanisms of mitigating this practice.

5.1.7. Significant Losses Reported in the Generation and Distribution of Electricity to Consumers

An analysis between units generated and units sold in TANESCO indicated that the Company has continued to suffer losses due to technical problems. TANESCO lost a total of 1,188 units of KWH'm from 4,831 units produced of KWH'm implying that there is a significant loss of revenues being attributed by unfaithful customers, wrong billing and illegal connections. Furthermore, some disconnected customers have continued to receive power despite having outstanding balance of Shs.70,001,940.

5.2 Expenditure Management

Public expenditure management issues are encountered wherever there is a discussion of Government, the public sector, and development partners. Over the years, the World Bank has invested considerable resources in analyzing public expenditure and the impact of different interventions on sustainable development.

The following are general observations emanating from the assessment made on the expenditure management by Public Authorities and Other Bodies for the year ended 30th September 2009, 31st December, 2009, and 30th June, 2010.

5.2.1 Weakness Noted in Internal Controls Over Expenditure

Management of internal controls has not been a key priority in Public Authorities and Other Bodies, a practice that attributed to mismanagement of expenditures. Payments for expenditures have been made by overriding the internal controls instituted by public entities. Audits noted weaknesses in some expenditure paid for without issuing Local Purchase Orders (LPOs) and other expenditure were paid for without filling requisition forms as per laid down financial regulations of the respective Public Authorities

and Other bodies. In Dodoma Urban Water Supply and Sewerage Authority (DUWASA) total expenditure worth Shs.1,630,000 were paid without issuance of LPOs and some expenditure amounting to Shs.9,498,000 were paid without filling expenditure forms.

5.2.2 Non Retirement of Staff Imprests and Non Recovery of Staff Salary Advances of Shs.3,153,386,768.38

Financial regulations of Public Authorities requires that Imprests should be retired after the expiry of the intended safari or completion of the intended purpose of the imprest. In Tanzania the financial regulations stipulate a maximum period of 14 days after the conclusion of safari or the accomplishment of the activity for which the imprest was drawn and no new imprest should be issued to staff prior retirement of the previous one. Furthermore, financial regulations states that salary advances should be recovered from the subsequent salaries of the particular employees. Audit review regarding retirement of staff imprests noted that, most of the imprests issued to staff were not being retired within 14 days after return from safari or accomplishment of an activity as required by the financial regulations of the respective Public Authorities and Other Bodies. Audits further noted that there was non recovery of salary advances issued to staff, as tabled below:-

Table 9: Unretired Imprests and Unrecovered Salary Advances

S/No	Auditee Name	Amount (Shs)	Description
1.	Moshi Urban Water Supply and Sewerage Authority	9,335,000	Unretired staff imprests
2.	National Arts Council	9,668,500	Unrecovered Salary advances to staff.
3.	Cashewnut Board of Tanzania	68,555,000	Unrecovered advances to staff.
4.	Mwanza Urban Water Supply and Sewerage Authority	155,938,558	Outstanding Staff receivables
5.	Ngorongoro Conservation Area Authority	671,578,801	<ul style="list-style-type: none"> Shs.66,122,922.90 of the issued imprest were delayed to be retired for an average number of 6 to 7 months. Shs.117,870,218.60 new imprests

			issued to staff who were holders of other imprests amounting to Shs.487,565,660.12
6.	Small Industries Development Organization	172,907,637	Uncleared imprests from staff.
7.	Tanzania Insurance Regulatory Authority (TIRA)	5,125,415	Unretired imprests issued to TIRA staff.
8.	Arusha Internacional Conference Centre	81,822,838	Outstanding imprests to two members of staff, same staff were issued with new imprests of Shs.40,177,757 before retirement of the previous imprest.
9.	Musoma Urban Water Supply and Sewerage Authority	1,112,400	Imprests unaccounted for.
10.	Tanzania National Parks	1,572,935,455	Outstanding staff imprests and advances.
11.	Sokoine University of Agriculture	40,775,255	Outstanding imprests issued to staff.
12.	Tanzania Library Service Board	19,710,128	Overdue Staff imprests uncleared from staff.
13.	Tanzania Telecommunication Company Ltd	231,531,779	Long outstanding imprest and not provided for in the accounts.
14.	Parastatal Pension Fund	9,390,000	Outstanding staff imprests.
15.	TANESCO	103,000,000	Outstanding staff advances.
	Total	3,153,386,766	

5.2.3 Transactions not adequately Supported

Financial Regulations of every Public Authority compels the respective Authorities to ensure that all payment vouchers are adequately supported with documents of the payment to which they relate. Audit of Public Authorities for the period under review revealed expenditures from the non representative sample taken amounting to Shs.183,644,693 which were not properly supported with supporting documents as shown in the table below:-

Table 10: Improperly Supported Payments

S/No	Auditee Name	Amount (Shs)	Description
1.	National Arts Council	11,646,800	Various payments without acknowledgement receipt, unsigned pay lists and services provided without agreement contracts.
2.	Kariakoo Market Corporation	1,340,000	Payments made without supporting documents.
3.	National Social Security Fund	160,628,393	Payments were not supported by tax invoices.
4.	Tanzania Communication Regulatory Authority	10,029,500	Inadequately supported expenditure
	Total	183,644,693	

5.2.4. Budgetary Control

(i) Budgetary control has been an enormous problem to the management of Public Authorities and Other Bodies which has resulted into mismanagement of public funds. Budgetary control and monitoring mechanism is not adequate since in the year under review, budget control audit noted variances in expenditures incurred by Public Authorities and Other Bodies whereby actual expenditures surpassed the approved budgets. Audits, further noted collections which were not in line with the approved budgets and which were spent without being approved by respective Authorities contrary to financial regulations. Variances noted from the audits conducted, amounting to Shs.3,708,904,890 are shown in the table below:-

Table 11: Expenditures above Approved Budgets

S/No	Auditee Name	Amount (Shs)	Description
1.	National Arts Council	176,292,855	Expenditures spent above the approved budget.
2.	National Arts Council	94,918,500	Income raised and spent without being included in the Council's budget
3.	Contractors Registration Board	44,039,000	Expenditures spent over and above the approved budget.
4.	Mwanza Urban Water Supply and Sewerage Authority	192,813,243	Assets purchased beyond the approved budget.

5.	Ngorongoro Conservation Area Authority	2,908,912,902	NCAA realized more revenue than it was budgeted by Shs. 2,908,912,902 but this excess revenue was spent without adhering to the normal budgetary approved process that involves the Board and the Minister of Natural Resources and Tourism.
6.	Board of External Trade	9,553,390	Expenditures spent over and above the approved budget.
7.	National Development Corporation	282,375,000	Expenditures spent over and above the approved budget.
Total		3,708,904,890	

(ii) Inadequate Budgetary Control Framework

Ngorongoro Conservation Area Authority (NCAA) payments were made out of certain budget lines and the same were reported in the wrong budget category. A total of Shs.41,824,050.00 was approved as expenditure from different budget categories but was booked in different expenditure categories during the year under review.

The wrong allocations were made as follows:-

(a) Payment of extra duty allowance for the inauguration of the Lodoare Gate with the Minister of Tourism Shs.4,700,000 was paid from support staff budget but was reported in printing and publications.

(b) Payment of staff imprest & night out allowance amounting to Shs.11,481,250 was recorded in Antelope Tours.

(c) Traveling Tickets Shs.4,378,400 was booked in Donations and Contributions.

(d) Sitting and night out allowances Shs.6,395,000 were wrongly posted to state celebrations.

(e) Night out allowances Shs.4,670,000 was allocated to Tyre Consumption expenses.

These expenditures were not supposed to have been incurred because funds from their respective budgeted categories had been exhausted. Thus reallocation approvals were to have been sought from the Board of Trustees before the expenditures were incurred.

(iii) Inadequate Review of Transactions Posted in the Company's Accounting Systems

In TANESCO, transactions were wrongly posted into incorrect accounts which might have lead to fraud and errors going undetected. An amount of Shs.13,000,000 was incorrectly posted as Shs.1,300,000,000 into meeting expenses code. Amount of Shs.11 billion relating to payment through letter of credit was incorrectly posted as a receipt in NBC collection account and Shs.101 million was posted twice to office machinery account.

5.2.5 Irregular/Questionable Transactions Shs.3,958,159,965

Audit of the financial statements of Public Authorities and Other Bodies revealed some of the transactions which were paid contrary to financial regulations, circulars, the Public Procurement Act of 2004 and its regulations of 2005 and over payment of allowances to the member of Board of Directors. This scenario has been evidenced in some of the Public Authorities as shown in the table below:-

Table 12: Irregular/Questionable Transactions

S/No	Auditee Name	Amount (Shs)	Description
1.	Mwanza Urban Water Supply and Sewerage Authority	33,394,400	<ul style="list-style-type: none">• Irregular payment of Terminal benefits to Directors contrary to Memorandum of Understanding (MoU) Para 4.4(b) Shs.23,194,400• Telephone allowance to board members Shs.9,000,000 not in line with Article 4.4(d) of MoU

S/No	Auditee Name	Amount (Shs)	Description
		118,950,600	<ul style="list-style-type: none"> Shs.1,200,000 paid in each year without provision in the financial regulation. Board expenses resulted from increased board meetings during the year.
2.	Reli Asset Holding Company Ltd	3,727,500,000	A sum of Shs 3,727,500,000 was disbursed to National Service Corporation Sole (SUMA JKT) without formal agreement.
3..	Musoma Urban Water Supply and Sewerage Authority	1,138,553	Staff loans issued to staff who are no longer employees of the Authority due to retirement, absconding and death.
4.	National Social Security Fund	6,350,000	Salary advances were issued without filling the advance forms as per application requirement.
5.	Tanzania Communication Regulatory Authority	40,500,000	Hand sets and monthly telephone allowance to Board members at the approved rate of USD 600 and monthly telephone allowance of USD 350 for Chairman of the Board, USD 300 for Vice Chairman and USD 250 for other Board Members contrary to best practice in corporate governance and without proper approvals.
6	Tanga Urban Water Supply and Sewerage Authority	30,326,412	Building Materials bought and sent to site but there is no evidence if the materials were delivered and received by the Contractors.
Total		3,958,159,965	

5.2.6. Delays in Processing Customer/Supplier Claims and Non Payment of Salaries

Good management of funds goes together with timely payment to suppliers when claims fall due for payment. Audits of Public entities observed that the National Health Insurance Fund (NHIF) claims take more than the recommended days to be processed and paid. This is contrary to Section 28 of the NHIF Act of 1999 which requires claims of money by health care providers be paid within sixty days of presentation of the fund claims. In this regard Shs.1,599,000,000 was unpaid after the lapse of more than sixty days. It was further noted that, Tanzania Sisal Board has failed to honor a claim of Shs.21,032,610 due to M/s LAL Garage unpaid for a period of 3 years. TANESCO has not settled an overdue loan installments to the Government of Tanzania of Shs.20,817,000.

The delays have a negative impact to the working capital to the service providers and results to service providers rendering poor services to their esteemed customers/clients. This may also ruin reputation and credit worthiness of the concerned Public Authorities and Other Bodies on the eyes of the creditors and suppliers.

5.2.7. Non-Compliance with Car Loans Policy

Policy is typically described as a principle or rule to guide decisions and achieve rational outcome(s). Public entities have designed different policies including car loan policies. In this respect, audit review for the year noted that Unit Trust of Tanzania (UTT) and Tanzania Investment Bank (TIB) do not comply with their car loan policies. The policies states that the cars taken on loan basis should be registered in the names of the respective Authorities and the motor vehicle registration cards are kept by the Authority. UTT issued car loans to five staffs but did not comply with the loan policy because the vehicles were registered under the names of the beneficiaries, motor vehicle cards were maintained by the loan beneficiaries

and one beneficiary insured the vehicle by third party insurance cover instead of comprehensive insurance cover contrary to the loan policy. Tanzania Investment Bank (TIB) issued motor vehicle loan to one staff but the registration card was not kept with the bank and was registered under the beneficiary's name.

This is an indication that Public Authorities are exposed to high risks of loss of funds for non compliance with their car's loan policies.

5.2.8. Inadequate Controls in the Use of Laboratory Reagents

Review of the control procedures pertaining to receipts and issuance of stores to establish whether the laid down procedures have been taken into account was carried out during the year under audit. Examination of reagents from the reagents store at Muhimbili Hospital revealed that there was no accountability on the reagents issued from the respective laboratories although quantity requested are approved by the heads of departments.

It was further observed that expenditure on the reagents during the year under review increased to Shs.6.7 billion from Shs.2.3 billion of the previous years, being an increase of 200%, implying that the increase might have occurred due to poor controls.

In the absence of proper monitoring and control over the use of reagents Muhimbili National Hospital (MNH) incurred unnecessary costs for the purchase of reagents.

5.2.9 Lack of Reconciliation Between Payroll Sheets from the Ministry of Finance and Public Authorities

Funds for salary payments in Public Authorities are usually released by the Treasury as per the payroll of the respective public entity. Audits for the year under review revealed that, payroll sheets received from the Ministry of Finance (MoF) differ with those prepared by some of the Public Authorities and Other Bodies. This has been revealed in Muhimbili National Hospital and Fair Competition

Commission (FCC) whereby the salaries paid by the respective Public Authorities differ with the salaries released from the Treasury. The practice might lead to payment of salaries to ghost staff hence fraud.

5.2.10 Non Control of Motor Vehicle logbooks

Control of Public resources including the assets is a task vested to the management of every public entity. Public Authority's motor vehicles are one of the essential resources to facilitate transport needs in servicing official activities of every Public entity. If they are mismanaged, it will result into loss of funds due to the high costs incurred in fuel consumption and purchase of spare parts, when the same are used for unintended purposes. However, there are mechanisms designed to control the use of public motor vehicles including motor vehicle control log books as provided for in the financial regulations of Public Authorities and Other Bodies.

It was noted from some of PA&OBs that motor vehicle log books were not kept by the Board, non periodic review of the vehicle log books and there were no reports in place showing fuel usage per each car to enable evaluation of fuel consumption of the vehicles. The fuel consumption cost control is a serious problem in most of our Public Authorities and Other Bodies.

5.2.11. Penalties on Late Remittance of PPF Contributions Shs.24,890,480

Employee's deductions are required to be paid to the specific fund schemes as per the laid down procedures contrary to which will attract penalties. During the Period, of audit Dar es salaam Water Supply Company (DAWASCO) was found to have paid a sum of Shs.24,890,480 as penalty for late submission of PPF contributions. The transaction is regarded as wastage of public resource which would have been avoided and used to finance other development activities had the contributions be paid on time.

5.2.12. Inadequate Control over Goods Purchased and Non Reconciliation of Suppliers Accounts

Tests conducted over the prepayments made to suppliers in Public entities observed some anomalies. TANESCO was noted to have made payments for goods already delivered but not accounted for. Furthermore, payment for spare parts to be delivered to Mafia Power station by M/s Wartisila for Euro 237,411 in May 2009 were noted to have not yet been delivered. On the other hand TANESCO does not carry out regular follow up of debtors with credit balances of Shs.2.4 billion which implies that there are unrecorded credit sales in their respective accounts and there is reluctance by management in working on the anomaly. TANESCO does not conduct regular reconciliation between the number of customers per the system (Hi-Affinity) and the number of actual customers per operation reports. Moreover, TANESCO does not reconcile between thermal fuel consumed and the amount reported in the general ledger whereby difference of Shs. 3.4 billion was noted.

CHAPTER SIX

PROCUREMENT AND CONTRACTS MANAGEMENT

6.0 Introduction

Tanzania embarked in a major restructuring of its procurement system which led into the enactment of the Public Procurement Act, 2001 which later was repealed by the Public Procurement Act No.21 of 2004. 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 or not the audited entity has complied with the procurement law and its Regulations.

Further, Regulation 31 of the Public Procurement (goods, works, non-consultant services and disposal of public assets by Tender) Regulations of 2005 requires the auditor of public bodies 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 Controller and Auditor General reviewed the procurement system and related activities of 122 Public Authorities and Other Bodies, during the audit of their financial statements for the financial year 2009/2010. Therefore, this report includes audit findings and recommendations from the audit carried out by the Controller and Auditor General for the period under review and follow up carried out by the Public Procurement Regulatory Authority on implementation of procurement audit recommendations for 25 procuring entities of which the results have been included in this chapter.

This chapter also deals with the management of procurement contracts that were found material from the

respective management audit reports of Public Authorities and Other Bodies during the year under review. Audit of procurement contracts was conducted during the routine audit of the financial year ended 30th September, 2009 31st December 2009 and 30th June 2010 as part of our review. Outcomes of the review of some of the procurement contracts that were entered into by some of the Public Authorities are as analyzed in part two of this chapter:-

6.1 Procurement Management

According to Public Procurement Act, 2004, procurement means buying, purchasing, renting, leasing or otherwise acquiring any goods or works or services by a procuring entity spending public funds on behalf of a Ministry, Department or Regional Administration of the Government or Public body and includes all functions that pertain to the obtaining of any goods or works or services including description of requirements, selection and invitation of tenderers and preparation and award of contracts. The following procurement matters were generally observed during the audit.

6.1.1 Mixed Details of Tender Numbers and Description

Annual procurement plan serve as a preliminary document that provide details for tender proceedings. Our audit revealed that tender numbers and description as allocated in the Annual Procurement Plan differed with those in the advertisements and contracts. This situation resulted from inefficient record keeping by Public Authorities and Other Bodies. For instance, at Arusha Urban Water and Sewerage Authority, we noted that tender No. AE/029/2009-2010/14 was issued for provision of services and maintenance of computers, printers and photocopiers while the same reference number was advertised for provision of insurance services. In addition, the contract for provision of cleaning services was awarded using the same tender number.

6.1.2 Tender Evaluation Committees Appointed by Head of PMU Instead of Chief Executive Officer

In some cases, we noted that in some of the Public Authorities and Other Bodies, evaluation committees were appointed by the head of PMU rather than the Chief Executive Officers contrary to Sect. 33(e) of PPA, 2004 which requires the evaluation committee to be appointed by Chief Executive Officer. This was mostly attributed by inadequate knowledge of the PPA, 2004 by management of the concerned Public Authorities.

6.1.3 Copies of Awarded Contracts not Circulated to Respective Authorities

The Secretaries of the Tender Boards of Public Authorities and Other Bodies had not been sending copies of decision of the Tender Boards to the respective Authorities as required by law. These are; PPRA, the Controller and Auditor General, the Attorney General and the Technical Audit Unit of the Ministry of Finance as required by Reg. 96(2) of G.N. 97 of 2005.

6.1.4 Tenders Approved by Board of Directors

The responsibility of approval of tenders is vested to the Tender Board. Our audit at the Centre for Agricultural Mechanizations and Rural Technology (CARMATEC) revealed that the Board of Directors at its 78th meeting held on 6th October 2008 approved the request by Management to employ M/s Tanzania Building Agency (TBA) as a main consultant. Thereafter, on 14th October 2008 the Tender Board, at its third meeting, after being informed of the Board of Directors' decision, approved TBA as the main consultant. In that circumstance, the Tender Board did not act independently in terms of functions and powers as decision was interfered by the Board of Directors.

6.1.5 Weaknesses of Procurement Management Units (PMU)

It is a legal requirement that every procuring entity should establish Procurement Management Unit. However, during

the reporting period, we observed some of the Public Authorities and Other Bodies with no Procurement Management Unit to serve as division responsible for procurement functions. These cases were reported at CBT, COASCO, KUWASA, MTUWASA, NCAA, SIDO and NEMC. Also we noted incidences where entities employed personnel as heads of PMU who were not procurement specialists contrary to the requirement of the PPA 2004 and its Regulations of 2005. For example, at Mtwara Urban Water and Sewerage Authority, the head of PMU was an Accountant and not a procurement specialist as required by the Act.

6.1.6 The Chief Executive Functions Officer's Delegated to Tender Board Members

Chairperson of the Tender Boards while acting as CEOs were involved in the Tender Board meetings that approved procurement transactions including appointment of evaluation committee and notification of contract award to the successful bidder contrary to Regulation 33 (3) of G. N. 97 and Regulations 87 (3) of G. N. 98, which prohibits delegation of the CEOs' functions to members of TB and PMU staff. This was the case at DUWASA, NSSF and TCRA.

6.1.7 Lack of Goods Inspection Committee

Regulation 127 of PPR 2005 requires the Accounting Officer to appoint a goods inspection and acceptance committee, which among other responsibilities is to inspect and count the goods in order to ascertain whether they are correct and complete in accordance with the contract supply agreement. Evidence for the establishment of the said committee in respect of the goods procured during the period under review was not available at MPRU, MTUWASA, and NCAA.

6.1.8 Conflict in Contract Preparation and Issuance

The Secretary of the Tender Board is required to prepare and issue approved contract documents and maintain a

register of all procurement contracts as required by Section 35 (k), (l) and (n) of PPA 2004. The Legal Department was responsible for the preparation of all procurement contracts for all tenders. This arrangement resulted into lack of the Tender Board approval for all contracts as the Legal Department did not submit the contract documents on time to the Tender Board Secretary for Tender Board approval after preparation. Further, the arrangement has inefficiencies and signifies lack of accountability as there was no signed contract for eight (8) approved tenders where as some of them have already been executed. This is a case of Ngorongoro Conversation Authority.

6.1.9 Poor Record Keeping by Procuring Entities

Public Authorities have poor record keeping which was mostly caused by lack of adequate record management skills, inadequate facilities, inadequate office space, and deliberate misplacement of documents. The effects of poor record keeping include poor management of procurements, theft and loss of public properties.

6.1.10 Inefficient TB Composition and Proceedings are Deficient

National Health Insurance Fund's Tender Board is composed of Managers who do not report directly to the Director General. Due to this weakness, the Tender Board has become ineffective and has generally failed to ensure that the entity complies with the PPA 2004 and its regulations of 2005. As a result, the Tender Board did not properly adhere to the annual procurement plan and packaging of requirements resulting into tender splitting, non approval of procurement requests from user departments, Procurement method limits were not observed and uncompetitive tender methods were excessively used especially single source without sound justifications.

6.1.11 Change of Method of Procurement to Avoid the Limit

The National Health Insurance Fund procured 50 Desktop Computers and UPS amounting to Shs.79.90 million. The procurement was done through Competitive Quotation whereby the lowest bidder was Computech ICS (T) Ltd at Shs.100.33 million. The Tender Board reduced the quantities during award so that the amount was within the limit of Shs.80 million for Competitive Quotation. In this regard, the Tender Board acted contrary to the requirement of the procurement law.

6.1.12 The Evaluation Committee not Independent from PMU

During audit of procurement at Tanzania Communication Regulatory Authority, we observed that the Procurement Management Unit advised the evaluation committee to revisit its evaluation report with reasons that the evaluation committee omitted two bidders who were considered non-responsive. The PMU was of the view that the reasons for the non-responsiveness were minor deviations while the evaluation committee maintained that the same were major deviations. The procurement Management Unit went on to do a separate price analysis for the two non-responsive tenders, of which one of them was found to be the lowest bidder, then Tender Board approved the PMU recommendation on 27/11/2009. This was contrary to the requirement of law that requires Tender Boards to approve recommendations made by the evaluation committee and not otherwise.

6.13 Follow up of Procurement Audit in 25 Procuring Entities (PA&OB) by PPRA

The Public Procurement Act, 2004 empowers the Public Procurement Regulatory Authority (PPRA) to carry out procurement audit and report the results thereon. During the year under review, PPRA did not conduct audit rather it carried out follow-up of the 25 procuring entities (PA&OB) audited in the financial years 2007/2008 and 2008/2009 to ascertain whether the observed weaknesses in the previous

audits have been addressed by the respective procuring entities. The audited procuring entities included 25 Public Authorities and Other Bodies. Results from follow up audits indicate a remarkable compliance improvement from average levels of 50% and 55% in the financial year 2007/08 and 2008/09 respectively, to an average level of 73% which is above the targeted average of 69%.

The trend of performance indicates that the Energy and Water Utilities Authority (EWURA) attained a maximum compliance level of 98% while the Tanzania Tourism Board attained the minimum compliance level of 40%. The results also noted that out of thirteen performance indicators set as benchmarks by the Authority, procuring entities performed below the average level of 50% in five performance indicators namely: establishment and composition of PMU, preparation of annual procurement plan, publication of contracts awarded, records keeping and quality assurance and control. On the other hand, procuring entities performed above the average in eight performance indicators.

Management of PA&OBs should speed up efforts to ensure that fully compliance with the procurement law is achieved.

6.2 Procurement Contracts Management

According to Public Procurement Act, 2004, procurement contract means any license, permit or other concession or authority issued by a public body or entered into between a public body and a supplier or contractor resulting from procurement proceedings for carrying out construction or other related works or for the supply of any goods or services. The following contracts were observed to be improperly entered or implemented during the audit.

6.2.1 Delay in Execution of the National Identification Programme

A review of the Programme documents, disclosed that the Cabinet approved the Action Plan for the implementation of the National Identification Project in 2007 whereby its preparation was planned to start in July, 2008 to December, 2009 in two phases namely; analysis of operational costs for the National Identification Authority and actual implementation of the Project after assessment of operational costs.

We further noted that, the Ministerial Tender Board (MTB) of the Ministry of Home Affairs approved the tender on 20th September, 2008 and the National Identification Authority (NIDA) signed the contract with M/s Gotham International Ltd on 13th January, 2010 for provision of Management Consultancy Services for the establishment of a National Identification System, based on SMART CARD Technology. The total contract price was USD 9,000,000 and the duration of the contract is five years commencing on 14th January 2010. According to Article 19.2 (1) of the Contract document, a sum of USD 2,700,000 equivalent to Shs.3,599,599,000 was paid to M/s GOTHAM International Ltd after the consultant had prepared a feasibility study report and Request for Proposal (RFP) document, whereby 154 companies submitted bidding documents. After evaluation, 54 bidders were short listed and later on five (5) bidders were selected. The Tender evaluation committee is in the process of proposing one competitive company to be the successful contractor for the printing of National Identity Cards expected to commence a pilot ID cards in March, 2011.

The consultant has managed to prepare and submitted a frame work for National Identity Cards, National Identification Authority employment Policy and Communication strategy. We however noted that, the

Project has taken a period of one year from the date of the Ministerial Tender Board approval for the consultancy work and the signing of the Contract and no justifiable reasons were provided.

This delay inevitably has an adverse impact on the achievement of the objectives of the Programme activities. We are of the opinion that management should exert more efforts to speed up the National Identification Project for the benefit of Tanzania citizens.

6.2.2 Weak Contract Management at NSSF

National Social Security Fund started construction of Phase II of the University of Dodoma (UDOM) without signing formal contract with the Government. It was further observed that though NSSF treat the project financing arrangement with the Government for the construction of UDOM as loan to the Government, the Agreement with the Government for phase I Section 2 (i) indicates that the financing arrangement is of Design, Build, Own and Transfer. In this arrangement, the NSSF will own the buildings for ten years while collecting rents from the Government. The Government through the Ministry of Education and Vocational Training will be tenant for ten years from the time the buildings are completed and put into use. In addition, though the buildings for phase I were completed in September 2008 and put into use, NSSF has not collected any rentals from the Government so far. Rights and obligations of both parties could not easily be traced. The total contract sum could not be easily ascertained. This might impact disclosures in the financial statements for the period under review for both the parties to the contract.

6.2.3 Contract for Procurement of Fuel

During the audit, we noted that DUWASA procured fuel and lubricants amounting to Shs.152.44 million from M/s Nassoro Petrol Station without a written contract. The company has not been short listed and the entire procurement was not subjected to competitive tendering. DUWASA also procured 10 motorcycles from M/s Kishen Enterprises Limited at a total cost of Shs.15 million in October 2009. Two motorcycles have already been grounded, which raises value for money concerns. Further, DUWASA entered into two framework contracts amounting to Shs.75.52 million with M/s Plasco Limited for supply of pipes and fittings. As at the end of the contracts on 30th June 2010, only Shs.11.09 million worth of pipes and fittings had been procured from the supplier. However, DUWASA procured pipes and fittings amounting to Shs.131.77 million from other suppliers not in the list of pre-qualified suppliers.

6.2.4 Improper Signing of Procurement Contracts

At Marine Parks and Reserve Unit all procurement contracts which had been signed through the tendering system were signed by the chairman and Secretary to the Tender Board contrary to section 33(h) of the Public Procurement Act, 2004. It is a requirement of the law that the Chief Executive Officer on behalf of the procuring entity should sign procurement contracts.

6.2.5 Weak Contract Management at Ngorongoro Conservation Area Authority (NCAA)

Ngorongoro Conservation Area Authority procured goods and services amounting to Shs.2.02 billion from thirteen suppliers / service providers without written contracts. The situation exposes NCAA into risk of losing in case of any dispute caused by the suppliers. In addition, contract extension for six (6) framework contracts that expired on 31st December 2009 were not extended but the firms continued to serve the entity until end of financial year

2009/2010 without contracts. Further, contracts for the supply of two generators, supply of tippers and water bowser and construction of Nainokanoka Secondary School were not executed as per terms and conditions of the procurement contracts.

6.2.6 Contract Management at Tanzania Broadcasting Corporation (TBC)

Review of procurement contract implementation at Tanzania Broadcasting Corporation noted that the corporation signed a running contract with M/s RRSat Global Communication in April 2008 for provision of satellite services. We noted that, this arrangement was not subjected to any tendering process. Further, the contractor shut down the satellite in September 2010 without TBC's consent.

CHAPTER SEVEN

ASSETS MANAGEMENT

7.0 Introduction

In financial accounting, assets refer to economic resources owned by an entity for the discharge of its functions. It is anything tangible or intangible that the entity possess. Simply, assets are things of value that can be readily converted into cash although cash itself is also considered as an asset. The assets include: properties, plants, equipment, investments, cash and cash equivalents, receivables, inventories and intangible assets just to mention a few.

This chapter comprises summary of significant findings emanating from individual audit report and considered important due to the significant challenges facing many Public Authorities in tracking the location, quantity, condition, maintenance and depreciation status of their assets. Therefore, during the year under review, the following issues have been summarized to provide stakeholders with general understanding of the results of audit and make right decisions.

7.1 Lack of Ownership of Landed Properties

Most Public Authorities and Other Bodies own land that is used for business operations. During the audits, we observed several entities having no title deeds to the land and buildings as a result legal ownership of these properties could not be ascertained. For instance, CDA lacks title deeds of twenty one plots and buildings. The same incidence was reported at NARCO, NEMC, and Tanzania Cashewnut Board.

7.2 Bad State of PA&OBs Buildings

In order to provide conducive working environment, PA&OB's office buildings are required to be in good condition. However, during the audit we noted bad state of condition of buildings owned by Public Authorities and Other Bodies. The situation was alarming at COASCO and the majority of Boards responsible for cash crops. We suggest that the Government and PA&OBs should have clear policy for repair and maintenance of buildings.

7.3 Missing Certificate of Ownership for Mbeya Office Building

During audit of COASCO, we observed that the Management had not yet obtained a certificate of ownership for the office buildings at Mbeya region that will give right to own the building built by the Corporation in a plot owned by others. Further inquiry, noted that the building erected at Mbeya Sabasaba area was purchased from Tanzania Tobacco Processing and Marketing Board in previous years whereas the land is not owned by COASCO. In the absence of a certificate of ownership of the building we could not ascertain COASCO's ownership of the building shown in its financial statements under property, plant and equipment.

7.4 Lack of Insurance Cover over Assets

Proper management of assets requires the same to be insured. The policies of PA&OBs, insurance is a form of risk management primarily used to hedge against the risk of a contingent loss. On the aspect of insurance of assets, we noted that, several Public Authorities and Other Bodies did not cover properties against losses associated with unforeseeable events. We further observed that all properties other than motor vehicles, lack insurance due to the fact that insurance of property is not given priority it deserves.

- 7.5 Incomplete Property, Plant and Equipment Registers**
Verification of the Property, Plant and Equipment register revealed lack of vital information such as: asset code numbers, details of acquisition such as name of the supplier, invoice number, date of acquisition, etc. In addition, some of the assets in these registers were lumped together hence it was not easy to identify the cost of each asset. It becomes difficult when comparing the registers and the physical count of such assets.
- 7.6 Weak Management of Inventories**
According to Para 6 (c) of IAS 2 (2009) inventory refers to assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. From this definition, it is clear that inventory is a very important item which needs an equal attention in Public Authorities as physical money does. In respect to inventory management, we have noted in some Public Authorities, lack of bin cards to monitor movement of inventory, wrong valuation of inventory items, overstocking with supplies not really needed for immediate use, delay in stock taking exercise to establish the correct value of inventory for financial reporting purposes, non identification of obsolete inventories to be removed from stores as well as the weakness in the security of stores.
- 7.7 Long Outstanding Business Receivables**
Verification of business receivables in the financial statements of Public Authorities and Other Bodies revealed several balances, which did not show any movement during the year that implies non collection of trade debtors. Under such circumstance, PA&OBs funds were tied up as outstanding debts hence affecting the liquidity position of the Public Authorities. In this regard, Public Authorities with huge outstanding trade receivables are probably in a risk of running short of cash to finance its daily activities. For instance, at Tanzania Standards Newspapers Limited,

trade debtors stood at Shs. 2.0 Billion out of gross turnover of Shs. 8.8 billion which is equivalent to 23% of turnover.

- 7.8 Title Deed of Kahawa House withheld by Exim Bank**
Physical verification of ownership of assets at Tanzania Coffee Board noted that the title deed for the Kahawa house that serves as the head office and the main source of rental income for the board is not in the possession of the board. Further enquiry with management confirmed that the title deed for the House is still with Exim Bank as collateral for a dubious loan agreement signed in 6th March 2003 and currently the matter is handled in land court. Management should ensure that the title deed is obtained from Exim bank and it is in the possession of the board.

- 7.9 Unrealistic Depreciation Rates**
Interpretation and implementation of International Accounting Standards in regards to depreciation and amortisation of assets is a big problem in some of the Public Authorities. International Accounting Standard No. 16 sets out facts to consider in determination of the useful life of an asset and eventually depreciable amount and rate. These factors include expected usage of the asset, expected physical wear and tear, and technical or commercial obsolesces of assets. Our review of the depreciation policies applied by Public Authorities and Other Bodies for charging depreciation found contra vase in determining depreciation policies.

Paragraph 57 of IAS 16 provides clarification on determination of useful life of the asset. The standard clearly states that useful life of an asset is defined in terms of the asset's expected utility to the entity and that the professional estimation of the useful life of the asset is a matter of judgment based on the experience of the entity with similar assets. Para 33 of International Accounting Standard No.8 requires the use of reasonable estimates since it is an essential part of the preparation of financial

statement and does not undermine their reliability. Our review of the financial statements on the depreciation rate applied by PA&OBs noted significant variation between the applied rates and the facts on the ground, for example, useful life of computers is said to be 3 years while some of the Public Authorities have been using computer and its accessories for more than 5 years. Some of the Public Authorities have been estimating useful life of their plant and motor vehicles at 4 years, while others is 5 to 8 years.

We suggest the Treasury Registrar to conduct a study on applied depreciation rate by PA&OBs and whenever possible provide guidelines on appropriate rates for depreciating non-current assets of PA&OBs.

7.10 Motor Vehicles & Cycles not Owned by PA&OBs

Physical verification of assets ownership by Public Authorities and Other Bodies noted that PA&OBs have some assets that were donated by development partners of parent ministries. The verification revealed that assets such as motor vehicles and motor cycles were not registered in the name of PA&OBs instead these assets were registered in ST ante¹. The situation denies the corporations rights of ownership although used for their usual business operation. We suggest that Government should ensure once the asset is transferred to the authorities, rights of ownership also be transferred respectively.

7.11 Investment Management at NSSF

The examination of NSSF's investments, noted that five portfolios worth Shs.14.5 billion which were invested in companies in form of ordinary shares, were not earning dividends and there is no evidence of projections for dividend income to be earned in the near future. We suggest that management should look for chances of disinvesting from these companies. In future, more rigorous

¹ST ante means Government of Tanzania (Serikali ya Tanzania) registrations number of plants and machinery

investment analysis should be performed to avoid the risks associated with unproductive portfolios.

7.12 Improper Accounting for Land Assets

International Accounting Standard No. 16 describes land and buildings as separable assets and are accounted for separately, even when they are acquired together. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building. Our review of the financial statements of the Public Authorities observed that some of the Public Authorities held and owned land which had not been valued or accounted for in the financial statements in accordance with the requirements of standards.

7.13 Revaluation of Property, Plant and Equipment

The accounting policy of Public Authorities states that the financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, plant and equipment and motor vehicles at fair value. In line with the policy, International Financial Reporting Standards require the entities to revalue their property, plant and equipment after every 3-5 years. Our verification of the same revealed that revaluation has not been done in time as required by the standards. We suggest revaluation of PPE for Public Authorities should be done timely as required by the standards.

CHAPTER EIGHT

HUMAN RESOURCE MANAGEMENT

8.0 Introduction

Human Resource Management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

Findings from various audits conducted during the year revealed that some of the Public Authorities have weaknesses in effective management of human resources. The noted weaknesses during the current year's review are as hereunder outlined:

- The personnel files were not regularly updated to accommodate vital staff records.
- Other personnel, especially those serving under contractual basis lack employment contracts.
- Recruitments were not done in a transparent manner and in accordance with public sector standing orders and procedures, for instance some recruitments were done without advertisements.
- Most organizations have outdated schemes of service and/or human resource manuals.
- Some PA&OBs lack employee training/capacity development programme.
- Shortfalls in staff performance appraisal.
- Shortage of key staff.
- Delay in payment of salaries leading to accumulation of arrears of salaries and payment of salaries below threshold.
- Low salary and unmotivational reward packages.
- Delays or non remittances of statutory deductions.

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

The cited weaknesses are briefly summarized in the following paragraphs.

8.1 Personnel Files not Regularly Updated

Every PA&OB employs staff and creates personnel records. Staff are among an organisation's most important and usually most expensive assets. Like any other asset, staff are resources that must be deployed to maximum advantage. The proper management of personnel records can make a significant contribution to this objective by ensuring that information is available for making decisions and to protect the rights both of the Public Authorities and the individual employees. Moreover, because personnel systems are closely linked to payroll systems, improved personnel records will have a positive impact upon payroll management and thus upon the overall budget of the organisation. A personnel records system should run effectively whether it is in a purely paper-based environment or in the emerging electronic environment.

Review of open and/or confidential personnel files from various Public Authorities revealed that some personnel files were not updated with the current changes in their terms of employment. There were instances where salary increase were not supported by relevant documentation such as salary increase letters or letters of promotion. Other noted weaknesses in the personnel files include: missing of forms for declaration of oath and/or forms for declaration of secrecy, proof of identity, annual performance appraisal/assessment form, appointment letters, acceptance letter, confirmation letters and personal record form.

From a sample taken, Public Authorities which had weaknesses in updating personnel files include: Tanzania Investment Centre (TIC), SUMATRA, Unit Trust of Tanzania (UTT) and Tanzania National Parks (TANAPA).

- 8.2 Outdated Schemes of Service/Human Resources Manuals**
The review of schemes of service of some Public Authorities noted that some schemes of services were outdated as they have not incorporated required qualifications, duties and responsibilities of some senior managerial personnel. The phenomenon has been noted in the National Bureau of Standards (NBS) whereby the Bureau's scheme of service was not inline with the organization's structure of the Bureau. Some of the posts shown in the organization's structure were not incorporated in the scheme of service since qualifications, duties and responsibilities for the posts have not been defined in the scheme of service. This shortfall creates a doubt as to whether duties and responsibilities were and would be properly discharged by such officials.

Further, review of Tanzania Forest Research Institute's scheme of service revealed that it was prepared in the year 2004. However no changes have been made to incorporate the recently reviewed paying package of research personnel and administration staff offered by the government and this makes the scheme outdated and not in line with the current changes in HRM.

- 8.3 Staff Training and Development**
The need for improved productivity has become universally accepted and that it depends on efficient and effective training which is not less apparent. It has further become necessary in view of advancement in modern world to invest in training. It is also in the understanding of Public Authorities that there is a need to train staff and thus they are responsible to provide training to staff at all levels. The employees also have responsibility to continue with

individual further studies so as to increase their education and skills.

Our review of the trainings conducted by Public Authorities and Other Bodies revealed that most of the trainings conducted are not predetermined by proper training programmes and if training programme is in place, the same is not strictly adhered to.

It has also been noted that, some Public Authorities do not conduct training for its staff and thus resulting to their poor performance. Examples of cases to solidify the scenario is the result of review of the National Health Insurance Fund (NHIF) trainings performed during the year whereby some courses which were not budgeted and planned for were attended by some staff. Some staff attended courses which have no direct relation with their day to day operation in the Fund, while some staff attended courses more than once while others on the same department have not attended any training at all.

Also the review of HRM at Tanzania Coffee Board, noted that the Board does not have training and capacity development programme. This is evidenced by none existent of staff members that were nominated for short or long term training.

Review of HRM at SHUWASA revealed also that there is no short and long term comprehensive training program indicating who and when the Authority's staff should go for training.

Other Public Authorities which had shortfalls in training and development programme include: MTUWASA where there was a lack of training schedule for staff and National Insurance Corporation (NIC) where there was a lack of training programme to employees.

8.4 Shortfalls Noted in Staff Performance Appraisal

Performance appraisal measures qualitative and quantitative aspects of job performance. An appraisal evaluates not only the employee's performance but also his/her potentials for development. The primary objectives of an appraisal are:- to assess past performance, to identify training needs, to set and agree on future objectives and standards, and to facilitate the achievement of these goals.

Review of staff performance appraisal systems of some Public Authorities revealed some weaknesses which need to be addressed for the progress of the concerned Public Authorities, failure of which may lead: to, difficulties in measuring individuals' staff performance, to determine compensations, promotions, demotions, annual increments, training needs, discharge and manpower planning. Furthermore, the staff members will not be able to get feedback of their performance and will thus be unable to identify areas that they need to improve.

At Moshi Urban Water Supply and Sewerage Authority, audit test has revealed that staff performance appraisals forms for the year under review and some years as way back as 2004 could not be traced in the staff personal files indicating that the appraisal were not done at all. Another weakness was revealed while reviewing staff appraisal systems at TANAPA where for the past three years auditors recommended the introduction of Open Appraisal System (OPRAS) but up to the time of preparing individual audit report, the management had not yet introduced it. Moreover even the confidential appraisal system currently in practice is not properly conducted and as for the few conducted appraisals using confidential performance appraisal, only Section A of appraisal forms to be filled by officer under assessment were duly filled, while the rest sections were either partially completed or remained blank.

Another noted general weakness was that for Public Authorities which did performance evaluation for the ordinary employees by comparing performance against job description nothing had been done for staff member of management. Public Authorities that failed to perform yearly staff performance appraisal include MTUWASA and Tanzania Coffee Board where the last staff appraisal was done in 1997/1998.

8.5 Shortage of Key Staff

Review of the staff establishment of various Public Authorities for the period revealed that some Public Authorities face a problem of shortage of key staff. Example of Public Authorities faced with such problem are the Capital Development Authority (CDA) whereby some posts as per the approved organization structure were found to be vacant and some posts were just held in acting capacity for periods of over three years. Another case where shortage of staff was noted was on the review of HRM of the Cashewnut Board of Tanzania where 9 key posts are vacant.

At Mtwara Urban Water Supply and Sewerage Authority, 8 posts as per the organization structure were vacant. For other Public Authorities, the shortage of staff is experienced but actual assessment of job list against staff level has not been done to determine actual number of staff required in each field, which is the case of Tanzania National Parks (TANAPA).

Other Public Authorities which had a problem of shortage of staff include Muhimbili University of Health and Allied Sciences (MUHAS) of which out of 546 established posts for academic and non academic staff, only 404 posts have been filled leaving a shortfall of 142 staff, Reli Assets Holding Company of which only one (1) position in the Procurement Management Unit (PMU) has been filled out of six (6) approved staff establishment in that unit and the shortage

of one Accountant at Tanzania Broadcasting Corporation (TBC), Kigoma Zone Office. We further observed that this problem could be solved by having succession plans in place.

8.6 Delay in Payment of Salaries and Payment of Salaries Below Minimum Threshold

On the review of HRM on the aspect of salaries payment, it has been learnt that some Public Authorities do not give much attention to the employees' rights of being paid salaries. It has been noted that during the year under review 7 former NDC staff at TAMCO Kibaha were not paid their salaries amounting to Shs.2,645,000. Even though the same were promised to be paid, but the payment would not clear the hardship that had been experienced by the staff. This calls for a need for all Public Authorities to pay staff salaries on time. Another shortfall regarding salary payment at NDC was payment of salaries below threshold. This anomaly was noted at Nyanza Glass Works Limited where the security guard salary was paid a monthly salary of Shs.63,000 while lowest salary of security guard at NDC head office was Shs.205,840.

It has also been noted that at Tanzania Food and Nutrition Centre (TFNC), salaries of at least 8 staff members totaling Shs.77.3 million who had been promoted by management at various dates from January, 2006 after finding them to be deserving the promotions have remained as arrears up to 2009/2010. Moreover the same amount was never booked in the Centre's financials statements.

It is a fact that delays in the payment of salaries or payment of salaries below minimum threshold is a violation of Staff Regulations and Employment and Labour laws.

8.7 Recruitments not done in a Transparency Manner

Review of the HRM of various Public Authorities revealed that PA&OBs does not comply with its staff regulations whereby recruitments did not follow transparency procedures such as advertisements of the vacancies, a practice which denies other people the rights to compete. A good example of this was noted at TANAPA where management advertised 19 vacant posts during the year but at the end of the recruitment exercise, 32 more staff were offered jobs. Further scrutiny revealed that total number of staff recruited during the year without prior advertisements was 181.

8.8 Delay in Submission of Pension Contribution and Other Statutory Deductions

Review of accounting and reporting systems with regard to submission of various pension contributions to Pension Funds such as NSSF, PPF, LAPF and PSPF noted that there was some delays in submissions of the contributions for some of the Public Authorities. This is not in compliance with prevailing laws and regulations such as the Pension Contribution Act (NSSF Act, PPF Act etc) the effect of which might be exposing the concerned Public Authority into risks of fines and/or penalties thus incurring unnecessary expenditure which would have a negative impact on the budget and a reputation risk to the Public Authority which is expected to comply with all laws, regulations and various acts issued by the United Republic of Tanzania.

To employees, the significant negative effect of the delay in submission of the pension contribution is the delay in payment of retired benefits when the employees retired before their pension contributions are submitted.

Examples of Public Authorities which either failed to submit or lack evidence of submission of their statutory deductions on time include: Dodoma Urban Water Supply

and Sewerage Authority (DUWASA), National Arts Council (NAC), Public Procurement Regulatory Authority (PPRA), National Ranching Company (NARCO), Tanzania Communication Regulatory Authority (TCRA) and Tanzania Civil Aviation Authority (TCAA).

CHAPTER NINE

CORPORATE GOVERNANCE

9.0 Introduction

This chapter deals with corporate governance issues that were found material to be highlighted in this report and that were reported in the individual management letters to the respective Public Authorities during the financial year ended 30th September, 2009 31st December, 2009 and 30th June 2010.

Corporate governance is a combination of processes and organizational structures implemented by the Board of Directors to inform, direct, manage, and monitor the organization's resources, strategies and policies towards the achievement of the organization's objectives. The central focus of corporate governance is to ensure the accountability of individuals in an organization and therefore facilitate the attainment of established objectives of the organizations. The pillars of corporate governance include the internal audit functions, Board of Directors including the audit committee of the board, management, and the external auditor.

In the previous year's report we raised various observations and made imperative recommendations for the improvement of corporate governance which if attended by the Government would have resulted into high efficiency in performance of the Public Authorities. The recommendations included the following:-

- i. Issues on effectiveness of the Boards of Directors
- ii. Appointment of Board Members with Multiple Titles/Designations in the Society and hence failure to participate effectively in board meetings.
- iii. Appointment of Chairman of the Boards of Directors and Chief Executive Officers by the same appointing authority resulting into conflict of interest.

- iv. Delays in appointing new Board of Directors after lapse of tenure of the boards.
- v. Non implementation of CAG's recommendations for 2007/2008 and 2008/2009 general reports.
- vi. Lack of accountability on the part of the Board of Directors.
- vii. Unregulated remunerations of the Board of Directors between PA&OBs.
- viii. Weaknesses noted in functioning of Boards of Directors.
- ix. Questionable composition of BOT Board of Directors
- x. Members of Parliament serving as Directors in various Boards of Directors of Public Authorities hence bringing conflict of interest.
- xi. Weakness on the composition of auditee committees
- xii. Issues on performance of Internal Audit Units in Public Authorities.

However, we have noted with disappointment that most of the above recommendations remained un-addressed by the Government and therefore the situation in the Public Authorities and Other Bodies have remained unchanged and has hence forth contributed to the current year's observations. We urge the Government to ensure that Public Authorities and Other Bodies are well directed and managed towards achievement of the intended goals so as to meet the Tanzanians' expectations.

9.1 Boards of Directors

A board of director is a body of appointed members who jointly oversee the activities of an organization. Regardless of different names the board may bear, it is simply referred to as "the board."

The Board's activities are determined by the powers, duties, and responsibilities delegated to it or conferred on it by the Government. These matters are typically detailed in the organization's establishing law. The established law also specifies the number of members of the board, how they are to be chosen (some do detail, some do not), and

how often they are to meet. Although the Board is a pillar of a Public Authority's existence, in our country, they have been noted to have the following shortfalls.

9.1.1 Lack of Board Charter

Functioning of the Boards of Directors in Public Authorities is an important parameter in ensuring that the established Public Authorities meet the expectations of their existence. To realize this end, every Board of Directors of a PA&OB needs to have a charter which will among other issues detail the functions and responsibilities of the Board together with the modalities of meeting their responsibilities. We have noted that most of our Public Authorities do not have the charter of the board and therefore not so much aware of their roles.

9.1.2 Involvement of Members of Parliament/ Board members in Operational Activities of the Public Authorities

In our previous reports, we emphasized on the fact that members of Parliament should not be part of the board of directors of the Public Authorities. However, the Government has not taken steps on this aspect and the impacts have been vivid in some entities whereby some members were noted to take part in the day to day activities of the entities under the umbrella of governing board membership or Parliamentary committees. With this trend of happenings, it is clear that the principle of separation of powers between the Executive of the Public Authorities and the oversight organ (the Parliament) is purged. In order to have well supervised Public Authorities that will at least guarantee an expected performance, and truly be accountable to Parliament through the Oversight Committees, examples of interference of members of Parliament were noted at Ngorongoro Conservation Area Authority (NCAA) and Tanzania Petroleum Development Corporation (TPDC) etc should be brought to a stop forthwith.

9.1.3 Independence of Boards of Directors in Directing the Public Authorities

A Public Authority is a legal entity created by the Government to undertake some sectoral functions mostly in commercial terms or services provision on behalf of the Government. The power of directing the operations of the entities have been vested in the Board of Directors which oversees the management of the entities.

However, our audit has noted that although the Board of Directors have powers to decide on policies and investments of the organizations they are expected to lead, in some instances there has been interference by the Government in issuing directives and policy formulation as well as contracting and investing. This condition is unhealthy from the governance point of view because when the Government interferes with the powers of the board of directors, then the chain of accountability becomes feeble. Corporations that have substantially shown this trend includes ATCL, TANESCO, TANAPA and NCAA.

9.1.4 Inefficiency in Functioning of Boards of Directors

We have noted inefficiency in functioning of the Boards of Directors in directing some of the Public Authorities. The inefficiencies noted emerged from misunderstanding of the functions and powers of the boards particularly those functions that could advance the entity and increase the accountability habit among the management.

The inefficiencies noted are due to the following:-

- i. Lack of Board's Capacity Building programs: we noted that there has been no training carried out for most of the new boards after their appointments to build their capacity in their functions and familiarization of the organization business which they are expected to lead and bring about improved performance.

- ii. **Lack of Explicit Terms of Reference for the Appointed Board of Directors:** most of the boards of directors were observed to lack terms of reference detailing how to conduct their proceedings on their appointments which has also been an impeding factor in the accountability process of the boards.
- iii. **Board Meetings:** although the laws on the conduct of the boards of directors require at least four meetings (Quarterly) with necessary additions of meetings, we have noted that in some entities, the boards have been sitting in unnecessary additional meetings whose value has not been easy to establish. Example, in some cases we have noted that members have been directing the managements of PA&OB to suspend an agenda at the meeting and call another meeting on very simple grounds that could obtain the clarification in due course. Also, we could not get evidence of the boards reviewing their performance yearly to see their past, present and future in terms of organizational growth. A good example of this was noted at Mwanza Urban Water Supply and Sewarage Authority (MWAUWASA) and National Arts Council.
- iv. **Responsibilities on Financial Management and Reporting:** we have noted that the boards of directors have not done well in this area since Public Authorities have recorded a delay in preparation and submission of financial statements for audit as required under Section 31 of the Public Audit Act of 2008. In other instances boards have not put emphasis on effective financial management of the corporations they direct. Due to this non compliance, only a total of 51 out of 166 (30.7%) Public Corporations featured in our last year's general report on PA&OBs pushing the burden in the subsequent year.

9.2 Audit Committee

The Audit Committee is a standing committee of the Board of Directors whose purpose is to assist the Board in fulfilling its oversight responsibility relating to:

- i. The integrity of the organization's financial statements and financial reporting process and the organization's systems of internal accounting and financial controls;
- ii. The performance of the internal auditors;
- iii. The engagement of the external auditors to audit the organization's financial statements,
- iv. The organization's compliance with legal and regulatory requirements, including the Company's disclosure controls and procedures; and
- v. The evaluation of management's process to assess and manage the organization's risk issues.

Although this committee has a very important role in ensuring the audits both internal and external are properly working and the organization risks are identified and mitigated, the audit committee in Public Authorities are still facing a number of challenges that need to be addressed including the following:-

9.2.1 Guideline on the Formation of Audit Committee

We have noted that there has not been any guideline regarding the formation and functioning of audit committees in the Public Authorities. In this respect, corporations have been fumbling around to look for the best ways of establishment and functioning of the audit committee. Some have formed it as the committee of the board as the global practice requires while others adopted the composition spelt out under regulation 31(1) of the Public Finance Act of 2001 which was meant for Central Government and which makes such a composition to constitute the audit committee as a management committee.

9.2.2 Audit Committee Charter

The audit committee charter is guidance for the proper functioning of the committee. We have observed that most of the Public Authorities have not prepared their audit committee charter to detail the functions of the committee and other relevant directives in that respect.

9.2.3 Lack of a Financial Expert in the Audit Committee

The Audit Committee is charged with ensuring that the Board of Director of the organisation gains the assurance they need on risk management, governance and internal control systems. Therefore, it needs a range of skills and experience relevant to various aspects of risk, governance and control. Due to the importance of financial management and financial reporting to every organisation, at least one member of the Committee should have recent and relevant financial skills and experience sufficient to allow them to engage competently with financial management and reporting in the organisation and associated assurances. The Committee should identify and agree with the Board, other skills required for Committee effectiveness. An example of institutions with this anomaly is Tanzania Broadcasting Corporation.

While the best practice requires as above, we experienced the audit committees in some of the public corporations being formed without such expertise.

9.3 Internal Audit

Internal auditing activity is primarily directed at assessing and recommending improvements on the internal control. Internal control system is broadly defined as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of organizational objectives in categories of effectiveness and efficiency of operations, reliability of financial reporting and compliance

with laws and regulations. It is the responsibility of the management to ensure the existence of sound internal control system for safeguarding organizational resources and help the organization in achieving its specific objectives.

9.3.1 Staffing and Reporting Framework of Internal Audit Units

Today's internal auditors must provide to their audit committees explicit assurance on organizational governance, as well as meet ever-increasing demands of management and other stakeholders. They must excel as internal control and risk management experts to ensure that the controls over key systems and business processes are robust and effective. To meet these high expectations, the internal audit units need to be staffed to an appropriate level with a mixture of important/relevant skills.

We noted, however, that the internal audit units in some of the Public Authorities have been formed without a proper staffing strategy which would result from the risk analysis perspective. Most entities have established the units in response to the audit queries by the office of the Controller and Auditor General which washes out the true meaning of having internal auditors.

On the aspect of reporting frameworks for internal auditors, guidelines are needed as we have noted various practices whereby some have been reporting administratively and functionally to the head of organizations, some to the audit committees and some report functionally to the board of directors directly. Examples of the entities with these anomalies include; Cashewnut Board of Tanzania, Musoma Urban Water Supply and Sewerage Authority (MUWSA), National Ranching Company (NARCO) and National Insurance Corporation (NIC).

9.3.2 Preparation of Internal Audit Guidelines and Constricted Coverage

Internal auditors were noted to have failed to prepare the internal audit manual, the action plan and internal audit charters which would guide their day to day operations in the Public Authorities. It is imperative, therefore, that these units be directed by the audit committees to have in place the internal audit manual and ensure that for every year, the action plan is prepared and approved by the committee.

We further noted that, the work of internal auditors has not been of a satisfactory level in terms of coverage and reporting. In other corporations, the internal auditors could not prepare quarterly reports and even when the reports were prepared in other entities, the coverage of the same was not reflecting all organization's risks which then could not assist the management and the members of the audit committees in guided decision making. Some institutions with the weakness includes National Arts Council, Gaming Board of Tanzania, Musoma Urban Water Supply and Sewerage Authority (MUWSA).

9.3.3 Participation of Internal Auditors In Pre-Audit of Payments

Good cooperate governance requires the internal audit to be independent of activities audited. The department must also be independent from the day to day activities for internal control purposes.

We noted that the internal audit department function is not separated from the operations of the organizations as in some public corporations the departments of internal audit are assigned pre-audit of various payments. The internal auditors also check the payroll computation before salaries are processed for payment. Examples of PA&OBs having such practice are National Health Insurance Fund

(NHIF) Ardhi University, (ARU) and Tanzania Petroleum Development Corporation (TPDC).

9.3.4 International Tourism Fair Attended by Members of the Board of Directors

Interference of Management functions by the Board of Directors is a practice that seems to grow in our Public Authorities which is contrary to the best practice of Good Governance and might have a negative effect in the Management performance of their responsibilities towards achieving Organizational Objectives. This has been noted in one of the Public Authorities during the year under review where 19 International Tourism Fairs were attended by members of the Board of Directors. Further, it was noted that Board Operations Committee recommended that Board members should attend these tourism fairs on behalf of the Authority contrary to Para 3 and 5 of the State House Circular No SHC/B.40/6/21 of 28/03/1994; which defines very succinctly the role of the Board of directors and their mandates in ensuring that the Public Authorities achieve their goals. This can be considered as an infringement of the independence of Management from the Board and attracts conflict of interest between the two parties. Tourism fairs attended by Board included Vakantieburts - Netherlands, BFT Brussels, Tel Aviv -Israel, ATM - Dubai, Chicago, ITB Germany etc. The justifications that were given by the Authority for Board involvement in tourism fairs were inadequate and unconvincing.

As a matter of Corporate Governance Principles, an organization's operational matters are mandated to the management and not the Board. In our view, the oversight role of the Board might be impaired when Board members start getting their hand into operational functions of the organisation. When the Board gets involved in management and routine operational issues of the Authority, their oversight role to monitor and demand

explanation on the failure by management to achieve set objectives will automatically be impaired.

9.3.5 Non Compliance with the Government Regulations on Directors' Fees

Director's fees and Board expenses has been increasing over years in most of the Public Authorities and other Bodies. This situation implies non compliance with best practice and good governance. One of the roles of the Boards of Directors in Organizations is to monitor Management's responsibilities in maximizing revenues and minimizing expenditures. On the other hand expenditures has gone up in some of Public Authorities and Other Bodies due to the increase of Board expenses and Directors fees which are dictated by the Directors themselves in their favour. This has been evidenced in the audit of Ngorongoro Conservation Area Authority (NCCA). In its board meeting held in 2006, NCA board of directors decided that the fees would be determined in two ways; A - Directors were to be paid fees on a reducing basis: Chairman was to be paid Shs.1.75 million per year as well as the Vice Chairman while for other Directors were to be paid Shs.1.5 per annum; B - In case the net surplus of the Authority before tax is equal to or above one billion shillings, the fees for directors will be 4% of the one billion or above and will be distributed as 10% of 4% of the surplus to the Chairman and the rest of the directors will share the 90% of the 4% surplus. Upon further discussion with Management and NCA Board, we were not provided with approval of the second method either by the Parent Minister or Governmental guidelines or Circulars or Treasury Registrar.

9.3.6 Non Compliance with the Treasury Registrar's Circular

It has been noted that on 29th June 2009, the Ministry of Finance and Economic Affairs issued Circular number 8 that requires some of the Public Sector Organizations and Authorities to contribute 10% of their gross revenue from their normal business activities to the Treasury. However,

on reviewing financial information of PA&OB, we noted that some of them do not comply with the Circular such as Ngorongoro Conservation Area Authority (NCAA) where for the year 2009/2010 did not make contribution to the Treasury which would amount to Tsh.3.721 billion. Non compliance with the Circular was also noted during the audit of financial statements of Tanzania Communication Regulatory Authority (TCRA). The Authority did not comply with the circular on remittance requirement of the funds to the Treasury although cemented by Section 54 of TCRA Act, cap 172 R.E 2007 which set the provision of the contribution to the Treasury at 10% of the annual gross turnover. However, we noted through board minutes of 1st Extraordinary Board Meeting held on 8th September 2009 that Board resolved by deciding that contribution to the Treasury would be 10% of Authority's surplus fund instead of Authority's annual gross revenue. This is contrary to the directive issued by the Government. No document was availed to support the drift in set contributory requirements.

9.4 Concluding Remark

Generally, despite the recent cases facing our public corporations which are by any standard related with the failure of corporate governance structures and non implementation of various recommendations made by our office on improvement of the structures, we are of the view that, it is high time the Government embarks seriously on implementation of the recommendations we make. In this regard, we advice the Government to enact the law on principles of corporate governance in the Public Authorities and Other Bodies which will push the compliance with best principles of corporate governance and therefore improve the same.

CHAPTER TEN

PERFORMANCE AND POST PRIVATIZATION OF PUBLIC AUTHORITIES

10.0 Introduction

This chapter deals with matters relating to performance of existing Public Authorities and Other Bodies which the Government has both controlling and non-controlling interest and the entities which were privatized. In the 1990s following Government decision to disengage from commercial running of its PA&OBs and remain with the regulatory roles, commercial activities were left in the hands of the private sector. Such a decision was attributed by several reasons including under performance of the entities owned entirely by the Government. Although formally most Public Authorities were specified for privatization, later others were de-specified by Government and it instituted a restructuring process aimed at making those type of Public Authorities once again operational. The privatized Public Authorities are monitored by Consolidated Holding Corporation and the rest are under the supervision of Treasury Register.

Therefore, this chapter gives the highlights of important matters extracted from the 2010 post privatization annual reports of Consolidated Holding Corporation and the Treasury Registrar statement of Government Investments as at 30th June 2010.

The chapter is divided into two parts. Part one highlights the performance of existing Public Authorities and Other Bodies while part two covers performance of privatized entities.

10.1 Performance of Existing PA&OBs

Analysis carried out during the year under review noted that some Public Authorities are not performing satisfactorily as expected by stakeholders. Factors attributed to the setback of Public Authorities in the country are bureaucracy in offering policy guidance and legal advice by the responsible Ministries, weak legal and regulatory framework governing the operations of the Public Authorities, weak supervisory capacity by Treasury Registrar's office, Ministries and Board of Directors' inability to play their roles as oversight organs, lack of entrepreneurial organizational culture, incompetent management, lack of professionalism, organizational and management structures and systems processes set without objective, inefficient planning and budgeting, poor financial management due to lack of competent staff, accountability, transparency, inadequate procurement procedures and processes, poor assets management and under capitalization of the PA&OBs.

The operations of Public Authorities and Other Bodies for the year under review have been measured in terms of: financial performance in regards with outstanding liabilities in terms of guarantees offered by the Government, collected revenue by Treasury Registrar in respect of dividends, loan repayments and other proceeds. Arrears of revenue and going concern of the Public Authorities and Other Bodies were also taken into account.

10.2 Government Investments

10.2.1 Investment in Local Companies

As at 30th June, 2010, Government held shares and other shareholders' funds to the tune of Shs. 7.7 trillion in 196 Parastatals and Government Institutions which submitted their audited accounts to the Treasury Registrar. The total investments by the Government stood at the tune of Shs 7.7 trillion as at 30th June, 2010 as compared to Shs. 6.1 trillion held as at 30th June 2009. This is due to many Parastatals which submitted their most current audited

accounts that portray the current values in shareholding/capital funds and other shareholder's funds.

10.2.2 Investments in Foreign Entities

Government holds investments to the value of Shs.113.6 billion in nine Foreign Institutions as at 30th June, 2010 compared to Shs.140.5 billion held as at 30th June 2009. This was caused by decrease in amount of paid up shares to nine international organizations and the increase in accumulated deficit in International Development Association (IDA).

10.3 Government Revenue

The revenue accruing from dividends, loan repayments and other proceeds was Shs.40.6 billion as at 30th June, 2010 compared to Shs.84.1 billion for the period ended 30th June, 2009. This is a decrease of Shs. 43.5 billion equivalent to 51.68 percent. The reasons for the decrease were due to the decrease of other proceeds and remittances from Shs.46.0 billion during the year 2008/2009 to Shs.14.1 billion in the year 2009/2010. The remittances during the year 2009/2010 were from Tanzania Cigarettes Co. Ltd, Consolidated Holding Corporation, Tanzania Telecommunication Regulatory Authority and Gaming Board of Tanzania. In the year under review, institutions such as TANAPA, Ngorongoro Conservation Area Authority did not contribute to the Consolidated Fund due to the effects of the global financial crisis on tourism in the country.

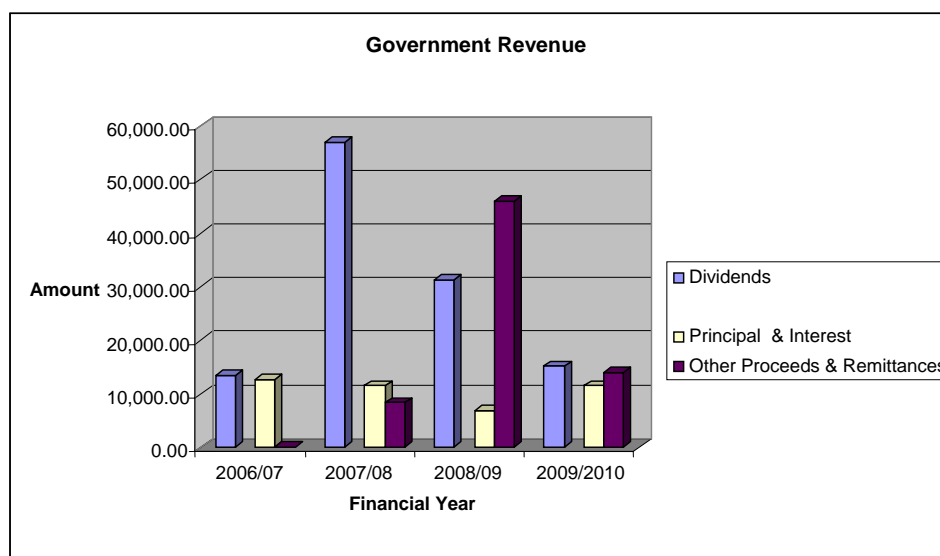
On the other hand, dividends decreased from Shs.31.3 billion in 2008/2009 to Shs.15.1 billion in 2009/2010. The decrease is attributed to some institutions like Tanzania Ports Authority which could not declare dividends to the Government due to planned heavy investment projects and fall in profitability of Celtel Tanzania and East African Cables.

In summary, the revenue collected in respect of dividend, loan repayment, remittances and other revenue proceeds from sale of shares was as follows:

Table 13: Government Revenue

ITEM	2006/2007 Amount "000,000"	2007/2008 Amount "000,000"	2008/2009 Amount "000,000"	2009/2010 Amount "000,000"
Dividends	13,389.8	57,147.6	31,323.3	15,127.5
Principal & Interest	12,664.7	11,503.6	6,795.1	11,465.6
Other Proceeds & Remittances	0.33	8,300.0	46,001.9	14,056.6
TOTAL	26,054.83	76,951.2	84,120.3	40,649.7

Figure 4: Government Revenue



There were arrears of revenue amounting to Shs.105.8 billion of which Shs.95.6 billion are loan arrears that were supposed to be collected. Reasons for the arrears are:-

- (i) Non-performing Parastatals under liquidation of CHC. The anticipated revenue from loan repayment from these parastatals may be recoverable from liquidation proceeds.
- (ii) Parastatals like TANESCO and TRC (now Reli Assets Holding Corporation-RAHCO) are financially constrained to repay the loans. They are under restructuring process.
- (iii) Zanzibar loan in arrears which are denominated in foreign currency were on-lent and are still under review by the two Governments under the Joint Finance Commission initiatives.
- (iv) Dividends and other proceeds which were supposed to be paid in 2009/2010 e.g. sales of 1.8% of Government shares in NMB Ltd which were given to NMB workers, now will be paid in the financial year 2010/2011.

10.4 Government Outstanding Loans to Parastatals and Other Entities

Loan balance outstanding as at 30th June, 2010 has decreased to Shs. 456.8 billion as compared to Shs. 478.0 billion recorded in the year 2008/2009. The decrease of the outstanding loans has been due to repayments made by Tanzania Ports Authority (TPA), Tanzania Portland Cement Company (TPCC) and Tanzania Civil Aviation Authority (TCAA) which have been servicing their loans according to the loan repayment schedules.

Total arrears of revenue have increased from Shs.93,464,988,367 during the year 2008/2009 to Shs.95,551,670,292 in the year 2009/2010. The increase of 2.23% was due to exchange rate fluctuations and unserviced loans.

Total amount of revenue collected from loans as principal and interest have increased by 68.74% from Shs. 6,795,002,068.47 in the year 2008/2009 to Shs.11,465,621,622.80 in the year under review. Out of

the total outstanding amount of Shs.95,551,670,292.47 as at 30th June, 2010, Shs. 20,266,638,820.20 are Zanzibar loans, Shs.4,534,597,339.65 are TTCL loan after completion of debt swap arrangement with the debt which was adjusted to Shs.15.60 billion. Shs 30,548,351,863.7 are TRC loan and Shs.21,020,184,844.40 are outstanding in respect of TANESCO's loan. These four Institutions account for 66.4% of the total arrears supposed to have been paid as per terms of loans agreement.

10.5 Government Guarantee

According to the Government Loans, Guarantee and Grants Act of 1974 (as amended in 2004), the Treasury Registrar's Statement of Guarantees issued by the Government to various Parastatals and other entities as at 30th June, 2010, shows that:

The total outstanding liability of the guaranteed amount by the Government is Shs.451,927,787,913. These liabilities are grouped as follows:

- (a) Parastatals which are not operating, and are under receivership include: Tanzania Sisal Authority, State Motor Cooperation, SUKITA and General Tyre East Africa. These accounts for Shs.30,819,084,720 which is 6.82% of the total outstanding guarantees.
- (b) Parastatals whose repayments have been rescheduled include Friendship Textile Mills with a loan amount of Shs. 25,781,394,288.75 which account for 5.70% of the total outstanding guarantees.
- (c) Parastatals under financial constraints include the Higher Education Students Loan Board with guarantees amounting to Shs.68,131,780,822 Air Tanzania Corporation Shs.29,522,550,901. Tanzania Fertilizers Company (TFC) amounting to Shs.31,900,000,000 and Mara Cooperative Union Shs.8,502,977,181 These amount to Shs.138,057,308,904 and account for 30.55% of the total outstanding guarantees.

- (d) Parastatals whose repayments are being serviced according to the repayment schedule are; the Syndicated loan to TANESCO of Shs.256,500,000,000 and University of Dar es salaam Faculty of Commerce loan Shs.770,000,000.00 which account for 56.93% of the total outstanding guaranties.

10.6 Decision on Charging of Concession Fee

TANAPA management decided to charge concession fee on fixed rate. Consultant, M/s PricewaterhouseCoopers-PWC was engaged to conduct a thorough study in optimizing the collection of concession fees, and the Consultant concurred with TANAPA's proposal of fixed rates. The Ministry of Natural Resources and Tourism was given the proposal of charging fixed concession fee vide a letter with reference No. HD.176/484/01 dated 20th July, 2007. Suddenly, the Ministry on 15th October, 2007 reverted the decision of TANAPA and directed the commencement of the percentage based charge instead of the fixed rate charge as proposed by TANAPA effectively from 1st July, 2008. The decision had an adverse impact on TANAPA's budget for the financial year 2008/2009 by Shs.16.9 billion. The reviewed fixed rates could yield Shs.21.28 billion while the percentage based rate could yield only Shs. 4.59 billion, hence caused a short fall of Shs.16.69 billion. The Ministry should revert its decision and let TANAPA to resume charging the concession fees based on fixed rate.

10.7 Factors that Hinders Higher Education Students Loans Board Performance

The Higher Education Students Loans Board has been operating for 6 years since 2005/2006. The Board has been facing various challenges, which includes policy issues and operational issues.

Policy Challenges: Include Stakeholders' resistance to fully accept cost sharing in Higher Learning Institutions which is caused by students demanding the Government to contribute 100% of the cost of their studies, stakeholders'

perceiving the loans to students as grants and not loans, Tanzania currency progressively decrease in value, huge applications for loans than the budgeted amount, unqualified students applying for loans, Higher Learning Institutions increase of fees, difficulties in verifying applicants particulars in the absence of national identity, some Institutions of Higher Learning offering admission to students out of the Central Admission System.

Operational Challenges Include: delays in releasing names for admission from NACTE and TCU, double admission for loan applicants, loan applicants delays in submitting loan application forms, lack of seriousness in completing loan application forms, loan applicants shifting from the Institution allocated by TCU and NACTE to other institutions, institution delays to submit progress reports of students, loan beneficiaries refusing/delaying to acknowledge against money received by them and therefore, delays in taking back returns to the Board. Further, delays in finding solutions for these challenges will continue impairing the Board's performance and therefore raising unnecessary student riots and demonstrations.

10.8 Post Privatization Performance

Consolidated Holding Corporation was entrusted by the Government to perform monitoring and evaluation function of all privatized public enterprises on behalf of the Government as per the National Bank of Commerce (Re-organization and Vesting of Assets and Liabilities) Act No. 16 of 2007.

During the year 2010, the Corporation planned to evaluate 80 privatized entities. However by 31st December 2010 the Corporation managed to evaluate only 53 entities. 44 entities out of 53 evaluated were operating. However, some of them were still operating at a loss due to inadequate investment made by the investors, hence not contributing much to the government coffers. 9 entities

were still closed due to various factors including: producing below capacity, under capitalization, ineffective local management, some of factory's plant and machinery are dilapidated, poor planning and lack of details of investment made and therefore they continue making losses yearly and finally close. Other reasons were huge liabilities: failure to get good marketing channel, inefficient power supply, delay in the fulfillment of the conditions precedence as agreed in the Sale Agreement (such as delay in handing over of ownership documents) and high operating costs such as electricity and raw materials. These made the products of some of the privatized entities not competitive. Other problems were shareholders' conflicts and a good number of pending court cases.

10.9 Public Enterprises Specified for Privatisation

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 privatization process. However, the Commission's operations officially ceased on 31st December 2007 after completing the divestures 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 1st January 2008, the Consolidated Holding Corporation was vested with responsibility of discharging the functions of SIMU 2000 Ltd. The uncompleted task left by SIMU 2000 Ltd among others include managing and disposing of the non core assets of the former TTCL, take over the pension liabilities of non contributory pension scheme of former employees of the East Africa Posts and Telecommunication and take over any pending proceedings by or against TTCL. Prior to that, Consolidating Holding Corporation had also inherited the

activities of the former Loans and Advance Realization Trust (LART) and Air Tanzania Holding Corporation (ATHCO).

However, up to the time of writing this general report (25th February, 2011) the 34 PA&OBs were still specified and were at different stages of privatization. Note that once a Parastatal is specified for privatization, it is limited from business expansion since they can not prepare and implement strategic plans, invest or borrow from the banks etc. Further, employees of the specified PA&OBs would not be in a morale of discharging their responsibilities in due diligence. Wear and tear of assets owned by the specified PA&OBs is normally in higher side since repair and replacement of the assets might not be possible due to shortage of funds. The Government should consider either to speed up the process of privatization of these specified public entities in order to avoid further deterioration of the assets owned by the specified PA&OBs or dispecify them and inject funds in these Public Enterprises in order to revamp them afresh. Details of the concerned PA&OBs are shown in Appendix IV of this report.

10.10 Under capitalization of PA&OBs

Under capitalization is the condition that exists when a company does not have enough cash to carry on its business and pay its creditors. It can also be described as a company that has insufficient capital to maintain operations without outside assistance. Undercapitalized companies often rely on short-term loans for funding. Undercapitalization can be a major problem that may lead to the failure of businesses. There are some Public Authorities whose service provision to the general public are very essential but services can not be rendered as expected due to undercapitalization. This problem has greatly attributed to underperformance in most of the public entities.

Some of the underperforming entities which need the rescue of the Government injection of funds to revamp their operations are; Tanzania National Electricity Company (TANESCO) which is underperforming due to lack of capital. It has no modern equipment to facilitate power distribution and the company has been unable to increase other sources of power during the dry seasons leading to persistent power rationing in the country. Other entities are the ailing Air Tanzania Company Limited (ATCL), Tanzania Industrial Research Development Organization (TIRDO), Usafiri Dar es Salaam (UDA), Tanzania Railway Corporation (TRC), Tanzania Telecommunication Corporation (TTCL) and Tanzania Posts Corporation (TPC). There is a need for the Government to intervene and find a long lasting solution to this problem by providing sufficient financial resources to the non performing national critical Public entities.

10.11 Entities whose Ownership and Control Should be Wholly Owned by the Government

Significant measures have been taken by the Government to liberalize the Tanzanian economy to encourage both direct foreign investment and private domestic investment. In this regard, Tanzania embarked on a major restructuring of its state-owned enterprises in early 90's, a process that is still in progress.

The program has so far divested 336 Public Enterprises. Overall, real economic growth has averaged to about 4% a year, much better than the previous 20 years, but not enough to improve the lives of average Tanzanians. It has been noted that, some of the privatized entities are performing quite well while others are not doing well due to various reasons including weak management, lack of capital and others to none adhering to the selling agreements.

However, the privatization process did not take into account the key entities that should be left in the control

and ownership of the Government taking into account their importance and contribution to the economy. This has led the Government to re-posses some of these entities. A good example is: Tanzania Electric Company Ltd (TANESCO), Air Tanzania Company Limited (ATCL), Tanzania Railway Corporation (TRC), Tanzania Ports Authority (TPA), Tanzania Telecommunication Company (TTCL), Dar es Salaam Water Supply Company (DAWASCO) and Dar es Salaam Water Supply Authority (DAWASA), STAMICO and the like. These entities are not expected to specifically generate profit but their importance requires the Government to subsidize them as and when need arises.

Some of the Public Enterprises need to be state owned due to the type and nature of the services offered by them in the country. For example, ATCL is a national carrier and a symbol of national identity outside the country which can greatly publicize Tanzania and boost tourism. Likewise, any draw back of TANESCO operations will result to: low production, less tax income, loss of employment, increased prices and so on. On the other hand, transport is another headache, especially to school children. Had the Government enabled UDA to effectively operate to at least half the capacity of private bus operators, this problem to ordinary citizens would have been eased. Leaving these Public Enterprises in the hands of private owners is of high risk to our independence and the contribution to the country's economy. Private owned businesses mainly focus on profit and not service delivery.

10.12 Emerging Challenges During the Monitoring and Evaluation Exercise

The CHC faced a number of challenges during the course of the evaluation as summarized below:-

- Some of the investors were not ready to provide the required information and reports to facilitate the evaluation exercise.

- Some of the Sale Agreements were not supported with the Investment Plans and hence it was difficult to establish the baseline for evaluating the performance made by the investor.
- Some of the Investment plans are not clear as they lack the time frame for various activities promised to be implemented by the investors.
- Absence of Sale Agreements for privatization transactions made before the establishment of PSRC; and
- Communication problems between investors and the corporation due to the fact that some of the entities have changed the line of business, names, locations and contact addresses.

CHAPTER ELEVEN

INFORMATION AND COMMUNICATION TECHNOLOGY

11.0 Introduction

Information and Communication Technology (ICT) refers to forms of technology that are used for communication and to transmit, store, create, share or exchange information. It includes, technologies such as radio, television, video, telephone (both fixed line and mobile), computer and network hardware and software; as well as the equipment and services associated with these technologies, such as electronic mail, text messaging and radio broadcasts.

ICT has various roles to play in the Public Authorities and Other Bodies including the following; On the aspect of communications. ICT can help to connect officers within the same or different locations and exchange vital information for decision making instead of one moving to the other. ICT can also be used for enhancing better record keeping by using computer based databases. ICT can be used to process various sorts of applications such as applications for admissions in universities and colleges. Management of statistical information is also an important role of ICT. In addition to that ICT, by the use of accounting packages can be used to process accounting, financial, payroll and human resources information of various Public Authorities.

Tanzania introduced the National Information and Communication Technologies Policy in March 2003 to empower ICT development in the Country. The decision came out after a tremendous development and advancement since the end of 20th Century, which led to multiple convergences of content, computing, telecommunication and broadcasting, which brought changes in other areas, particularly in knowledge management and human resources development. Further,

the emerging and fast growth use of internet all over the planet has again capacitated and strengthened the ICT application in Tanzania and globally. The ICT growth has impacted on the way business is conducted, facilitated learning and knowledge sharing, generated global information flows, empowered citizens and communities in ways that have redefined governance and have created significant wealth and economic growth resulting in a global information society. The development of ICT has actively contributed to these achievements by investing support facilities, training centers and sales outlets. These efforts have enabled the Government and Public Authorities to address their individual problems most appropriately. Therefore, this chapter highlights some of the weaknesses which were noted in this regard during the audit of Public Authorities and Other Bodies for the year ended 30th June 2010.

11.1 Lack of Documentation of IT Procedures and Process System

Formal documentations for the new acquired system is usually done to describe the system specifications, tests done before its handing over, users training and acceptance as well as new changes introduced in the existing system. However, some of Public Authorities have acquired different ICT system and introduced new changes without formal documentations. This situation may result into poor and inadequate use of new introduced system and it might lead to the loss of system change controls since what has been implemented is not documented. Further, review on change management controls over the controls management in place to ensure that all changes in the IT portfolio are authorized properly and implemented securely, revealed that there were also no authority for some of the changes. Therefore, there is an integrity risk encompasses all of the risks associated with the authorization, completeness and accuracy of transactions as they are entered into, processed by, summarized by and

reported on by the various application systems deployed by the organization. Examples of Organisations with such anomalies are Tanzania Telecommunication Company Limited and Tanzania National Park.

11.2 Absence of Steering Committee & ICT Strategy

ICT strategy is a document prepared by the organization to ensure that, ICT goals align with the organizations' business objectives/corporate plan. There should be ICT Steering Committee to ensure that ICT implementation in every Organization focuses on the use of technology to fulfill the organization's objectives as directed by management. This committee should have representatives from different departments within the organization. However, some organizations have no ICT strategy and ICT Steering Committee. Further review revealed that, some entities have ICT section based on several placements which include support, application and network, but the roles for the database administration has not yet given priority. Negligence on database administration might lead to the unauthorized transactions such as changes, deletion, or addition of database information taking place undetected which will compromise the financial information stored on the databases system and any other future system which will be implemented. Authorities involved include: TANAPA, TTCL and Ardhi University.

11.3 ICT Policies

ICT policy is a document that directs the design and implementation of ICT in the organization before it is subjected into use. It should get an approval of the management, thereafter distributed to all employees to act as guidance on the usage of ICT systems. However, some Public Authorities have no ICT Policies in place where as others have got draft copies but they were not approved by the management before they were put into use. We further observed that where the ICT policy existed they were not distributed to all staff, which lead to lack of

guidance on the usage of ICT systems. Authorities involved are TAFORI, Muhimbili Hospital, TTCL and TANAPA.

11.4 ICT Securities

Security to the Public Authorities information systems network is of paramount importance in protecting business data/information. Audit review of ICT in some of the Public Authorities observed that server rooms of some of the authorities were not well protected against hazards. They are locked using a simple locks and keys which make them easily accessible by unauthorized staff. This weakness makes the servers vulnerable to risks.

Internet being a network that can be accessed widely over the entire globe is subjected to high risks emerging from hackers and invasion by destructive viruses. Therefore, security and usage control issues are of much concern. Some of the Public Authority employees are connected to the internet and are able to surf, send and receive emails but there is no apparent internet security developed that highlights security concerns for them to consider when connecting to the internet. Also, some organizations operate their computers without or with unreliable antivirus. In such circumstances, computers can suffer operational failures and data corruption. Authorities involved are Ardhi University, TTCL and TANAPA.

11.5 Absence of Accounting Packages

Nowadays, use of Computerized Accounting Packages is highly encouraged because it facilitates processing of accurate accounting data. However, some of the Public Authorities and Other Bodies have not computerised their accounting systems and for those which already have the packages in place, the majority of them do not utilise the systems fully, instead, manual cash books and general ledger records with the aid of excel spreadsheets are still used in processing the accounting transactions throughout the preparation of the organization's books of accounts and

financial statements. Authorities involved include: MWAUWASA, DUWASA, CDA, Ubungo Plaza, Moshi Urban Muhimbili National Hospital, DUWASA and MUWSA.

11.6 Business Continuity and Disaster Recovery Plans

Business continuity and disaster recovery plans focuses on how the organization is prepared to continue in case a disaster happens that can hamper business operations. The planning activities include: risk analysis, contingency planning, testing and risk management. However, many Public Authorities have no reliable Disaster Recovery Strategies in place. There are neither proper plans nor recovery documents that give guidance on how to take a precaution against disaster which might lead to loss of information, data or data corruption. In the absence of formal business continuity and disaster recovery plan, Public Authorities might loose revenue and suffer business interruption, loss of corporate reputation and loss of business. Authorities involved include; Ngorongoro, National Bureau of Statistics, Muhimbili Hospital, TTCL, TANAPA, and PPRA.

11.7 Network Infrastructure

Public Authorities have deployed different types of systems running on different types of computers in a network to provide services for data/information, email and internet. The networks in which these systems are deployed are not in a manner that can easily be managed or have a high risk of network bottleneck which give rise to communication break down between clients and server resulting to server/service freeze. This may imply that network structures are weak in security, reliability and labour intensive in administration. Frequent communication breakdown that happens may lead to loss of data en route clients/servers causing reconciliation difficulties within the system modules. We are of the opinion that Public Authorities should consider improving their computer networks to be capable of handling all business systems

needs. This should include setting-up a dedicated data communication link and bandwidth that will provide quick and efficient access between clients/server computers. A network infrastructure setup that will simplify administration (preferably centralized management) may be considered as this will reduce time taken to solve network problems in areas where no or little IT experts are available.

11.8 Inadequate Training and Lack of Certificate of Completion on IT System

It is of paramount importance for users of any acquired ICT system to be trained on how to use the applications built in the system. This intends to make users accept the system because from the beginning, users are well impacted with technical know how in regards with acquired applications of the system. Inadequate training might cause the users to ignore the system since they did not understand the system or users may fail to use the system effectively and efficiently as it is required. However, some Public Authorities acquired different ICT systems and put them into use without conducting any training to the users of the system. Others conducted training but were not efficient and effective.

It is important also for any supplier of any system to hand over the system after completion of installation by issuing the handing over certificate. The certificate serves as evidence that the system was delivered as per agreed terms and conditions of the contract. Further, audit review revealed that there was neither contract nor the specification requirement was established to be used as benchmark during the system implementation. This lead to unresolved problems encountered by system users. In absence of the binding contract, the system supplier may not be enforced to supply the package in accordance with specification. Lack of Requirement specification may lead to acquisition of the system which does not cater the

organization requirements. Authorities Involved; Muhimbili National Hospital, Unit Trust of Tanzania TTCL and TPC.

11.9 Harbour View and General Cargo Systems

Harbour View System is a web based system designed to assist clearing and forwarding agencies and other TPA customers to get information on exactly what is loaded especially on the ships arrivals, departures and items loaded while General Cargo system is the system designed to track and trace items from ships arrival from the Key Site to the storage places, calculating charges and billings according to the TPA tariff book of Harbour dues and charges with effect from 1st August 1999. We observed that the General Cargo Systems were not fully operational. The system operates half manually because the manifesto on motor vehicles does not produce detailed information required compared with the manual system. In the event when the system is not fully operational, data reliability may not be assured.

CHAPTER TWELVE

RESULTS OF SPECIAL AUDITS

12.0 Introduction

The Controller and Auditor General may on request by any person, Institution, Public Authorities, Ministries, Departments, Agencies, Local Government Authorities and such Other Bodies undertake any special audit. It is in this respect the Office of the Controller and Auditor General conducted one special audit at the National Development Corporation (NDC) on specific transactions after receiving a letter from the Board of Directors of NDC with reference No. CMD/AUDIT dated 19th April, 2010 requesting a special audit on three specific transactions.

From the results of the special audit, the following anomalies were noted:

12.1 Anomalies in the Variation Order for the Contract of Valuation, Physical Identification and Verification of the NDC Assets

Review of the justification and regularity of payments of Shs.82,013,200 made to M/s Trace Associates Limited engaged by NDC to carry out valuation, physical identification and verification of the Corporation assets vide contract dated 15th May 2009 revealed the following ;

Cheques for the first two payment totaling Shs.58,013,200 were paid to the supplier according to the agreed contractual terms.

Notwithstanding, the fact that the first two payment transactions were paid to the supplier as per agreement, the said valuation resulted into variations which had some anomalies as outlined in the following paragraphs.

There was no formal variation order raised detailing all the relevant additional works in terms of quantities or price

escalation to support the extra payment of Shs.24,000,000. The only document submitted by management was a letter with reference No.TRACE/NDC/Vol1/957 dated 13th July, 2009 from M/s Trace Associates Limited indicating that the extent of the job was under estimated.

There was no evidence that the variations were authorised by the NDC Tender Board and approved by the employer. This is violation of the Public Procurement Regulation No. 44 of 2005 which requires any variations to the value of the procurement or disposal contract to be reviewed and approved by the appropriate Tender Board.

Further to the above anomalies, no formal addendum to the contract was drawn and signed to support the variation.

12.1.2 Anomalies Resulting from a Contract Agreement to Supply Eighty Eight (88) Hardwood Doors

Review of payments of Shs.75,707,300 made to M/s Classic Home Care for supply of eighty eight (88) hardwood doors for NDC House revealed the following;

First, the agreed contractual sum for the order was Shs.44,651,200 including taxes. The payment arrangement was 50% of the contract sum upon signing of the agreement; 30% upon delivery of the doors and 20% on completion of the assignment. However payment amounting to Shs.45,707,300 was made to M/s Classic Home Care Ltd resulting to the payment of Shs.1,056,100 above the agreed contract price for which no justification was provided.

We further observed that, the Secretary to the Tender Board issued an award letter with reference No. S/NDC/6 dated 28th September 2009 informing the contractor to supply and install sixty eight (68) solid wooden utility doors at additional contract price of Shs.49,931,700 contrary to

Section 33 (f) of PPA of 2004 which requires the Chief Executive Officer to communicate the award decision. We could not establish the basis for which the above contract price was determined as the letter did not specify the magnitude of the work to be undertaken in terms of bills of quantities and the pricing there-of.

Our enquiry on the addendum to the contract confirmed that there was no addendum for support rather it was assumed that the additional supply of the sixty eight (68) doors was an extension of the existing contract.

Further, the first contract for supplying and fixing eighty eight (88) doors cost Shs.44,651,200 (ie Shs.507,400 per unit), while the second batch of sixty eight (68) doors which was assumed to have been supplied based on the existing price cost Shs.49,831,700 (i.e Shs.734,290 per unit). It is evident that the second contract apart from the fact that it was dubiously entered it was also overpriced by Shs.15,428,520 (i.e. Shs.734,290 - 507,400 times 68 doors). In addition, we consider the price per unit to have been on the higher side compared to market value, as there was no competitive bidding, hence no value for money was realized by NDC on this procurement.

12.1.3 Cashed Suppliers Cheques

We noted two cheques payable to two suppliers which were not crossed; instead they were written as cash cheques and subsequently cashed over at the counter by one senior official of NDC on 3rd September 2009 instead of being paid through the respective supplier's bank account.

The first one was cheque No. 806118 amounting to Shs.12,000,000 which was in respect of professional fee to facilitate and secure title deeds and rights of occupancy to NDC properties situated at Msasani Peninsular. The cheque was payable to the service provider but was cashed over the counter. We also noted that the cheque was

intentionally cancelled from the cash book and thus not recorded in the cash dispatch register to indicate who collected it.

We noted that, the service provider on 26/2/2010 was paid Shs.2,500,000 vide cheque No. 929150 for the same contract indicating that the above cheque for Shs.12,000,000 was fraudulently paid to the officer and for which we could not establish certainty that any service was rendered to the corporation out of the expenditure of Shs.12,000,000. We could not establish whether there was any value for money from this expenditure.

The second cheque was cheque No. 80613 of Shs.23,000,000 payable to M/s Trace Associates in respect of engagement in an assets valuation exercise but intentionally was cashed over the counter. This cheque was omitted from both the cash book and the cheques dispatch register for the purpose of falsifying the evidence.

Following the results of the special audit at NDC which revealed the above anomalies, it was recommended that NDC Board of Directors should take appropriate action against involved officials for not diligently performing their duties.

CHAPTER THIRTEEN

CONCLUSIONS AND RECOMMENDATIONS

13.0 General Overview

This chapter deals with conclusions and recommendations on the key audit findings which need the attention and action of the Government, Parliament, Board of Directors and management of the respective Public Authorities and Other Bodies as pointed out in the individual chapters of this report. These recommendations arise from the mandate given to me under Section 12 of the Public Audit Act No.11 of 2008 which empowers me to make recommendations 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 corrupt practices 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 122 PA&OBs and tabled to the respective Boards of Directors for the periods ended 30th September, 2009, 31st December 2009 and 30th June 2010 respectively and 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 for the period under review as follows:-

13.1 Audit Opinion

As of 25th February 2011, I have managed to conclude the audits of 122 equivalents to 71.7% individual audit reports of Public Authorities and Other Bodies out of 170 PA&OB which are subject to my ambit of audit for the year ended 30th June, 2010 under category of Public Authorities and Other Bodies. Out of the concluded audits, 92 PA&OBs were issued with unqualified audit opinion representing 75.4%, while 12 PA&OB were issued with unqualified audit opinion

with emphasis of matters representing 9.8% and 10 Public Authorities representing 8.2% were issued with qualified opinion, 7 PA&OB representing 5.8% were issued with qualified opinion with matters of emphasis. 1 Public Authority representing 0.8% was issued with a disclaimer of opinion. During the year under audit, no audited entity was issued an adverse opinion. Detailed audit opinions are as discussed in chapter two of this report.

13.2 Previous Year's Outstanding Audit Recommendations

I appreciate for the responses received from the Paymaster General regarding the previous year audit recommendations. However, little effort and attention has been given to the raised recommendations towards their implementation. Responses given do not address all the recommendations raised and do not show intense commitment by the Government to fully implement them. Many recommendations are still outstanding and few are in the process of implementation. I am of the view that more efforts should be taken by the Government, Parliament, Boards of Directors and Executive Officers of the PA&OBs to ensure that all the previous years' recommendations are appropriately implemented for better performance of the Public Authorities and Other Bodies.

13.3 Significant Matters not Reported in Last Year's Report

It is the requirement of Section 31 of Public Audit Act, 2008, that every Public Authority or body should submit its financial statements to the Controller and Auditor General for audit within three months after the end of the financial year to which the accounts relate. We have experienced a considerable non compliance with this provision among the PA&OBs which resulted to overlap of audits beyond the reporting period and failing the CAG to report the same in the related financial year. This is a serious problem which if not addressed will set back the accountability process we have started to build over our Public Authorities.

Recommendations

I recommend that the Treasury Registrar, as the custodian of Public Investments on behalf of the President of the URT, should have a mechanism in place to ensure timely submission of financial statements by PA&OBs as per the requirements of Section 31 of the Public Audit Act of 2008.

13.4 Revenue and Expenditure Management

Revenue Management

Audit review of revenue in Public Authorities and Other Bodies has revealed some weaknesses in revenue management. Various PA&OBs were noted to be inefficient in debts collection amounting to Shs.52.2 billion. Water leakages, incorrect billing to customers and loss of generated power by TANESCO has led to loss of revenue. Inadequate funding and delays in disbursing funds to Public Authorities and Other Bodies from Treasury and from Parent Ministries has impeded implementation of planned activities. Inadequate disclosure of revenue and income in the books of account and non realization of revenue in some Public Authorities and non reconciling revenues from other reports and systems with the general ledger has been a weakness and source of fraud in some Public entities. Revenue was among other things wrongly recorded in the books of account by some of Public Authorities contrary to the requirement of International Reporting Standards. Other Public Authorities recorded exchange gains/loss with no supporting evidence of these transactions.

Recommendations

The Board of Directors and Chief Executive Officers of Public Authorities and Other bodies should ensure that, debts collection strategies are in place to recover all outstanding amounts. Water Bodies should enhance efforts to improve water infrastructure, modernize the billing systems and meter reading equipment to maximize revenue collection from water sales and comply with EWURA requirements. TANESCO should increase power generation

to meet national demand and institute measures to combat loss of units produced. To enhance smooth operation of Public Authorities, funds should be released at an early stage in accordance with approved budgets to enable achievement of desired results. Furthermore, income should be disclosed as per applicable standards and regular reconciliation between general ledger and other systems should be done to prevent frauds and malpractices. TBS should improve the systems of detecting falsified documents by importers so as to impose heavy penalties on substandard goods imported into the country.

13.5 Expenditure Management

Expenditure management scrutiny for the year under review noted some of the Public Authorities and Other Bodies with weaknesses in expenditure management and weak internal controls over expenditure in some PA&OB, expenditure not supported with relevant supporting documents, payments effected without issuance of local purchase orders and without filling requisition forms. Further, non retirement of imprests and non deduction of salary advances, lack of proper budgetary control, irregular payments of allowances and payment of other expenditures contrary to financial regulations were also noted. Non compliance with car loan policies, inadequate control over issuance of stores in some of the Public Authorities and inadequate control in the use of laboratory reagents has been a major reason for sharp increase of costs. On the other hand, some Public Authorities were noted to lack reconciliation between the payroll sheets from the Treasury with payroll records prepared with their Authorities and non control of motor vehicle logbooks.

Recommendations

Government, Board of Directors and Chief Executives Officers should ensure that expenditures are appropriately managed to avoid misuse of public funds. Imprests should be retired as per financial regulations and no new imprests should be issued prior to the retirement of the previous one. Expenditures should be adequately supported and should be made in accordance with the approved budget. Monitoring and control in issuance of stores items should be prioritized to avoid unnecessary increase in costs. Loan policies should be adhered to as appropriately as possible, to minimize risks associated with loss of public funds. Regular payroll reconciliations should be done and communicated to the Treasury.

13.6 Delay in Execution of the National Identification Project

The Cabinet approved the Action Plan for the implementation of the National Identification Project in 2007 whereby its preparation was planned to start in July, 2008 to December, 2009. The Ministerial Tender Board (MTB) of the Ministry of Home Affairs approved the tender on 20th September, 2008 and the National Identification Authority (NIDA) signed the contract with M/s Gotham International Ltd on 13th January, 2010 for provision of Management Consultancy Services for the establishment of a National Identification System, based on SMART CARD Technology. The total contract price was USD 9,000,000 and the duration of the contract is five years commencing on 14th January 2010.

The Project has taken a period of more than one year from the date of the Ministerial Tender Board approval for the consultancy work and the signing of the Contract. This delay inevitably has an adverse impact on the achievement of the objectives of the Programme activities. We are of the opinion that management should exert more efforts to speed up the National Identification Project for the benefit of Tanzania citizens.

13.7 Procurement and Contracts Management

The enactment of the Public Procurement Act No.21 of 2004 and its underlying Regulations of 2005 provided a legal framework governing institutional setup and processes in procurement in the public sector. Despite the existence of the law, Public Authorities and Other Bodies are still not complying fully with the requirements of the law, which made me conclude that there is little awareness of Public Authorities and Other Bodies on the requirements of the Public Procurement Act of 2004 and its Regulations of 2005. This has been evidenced by audit findings summarized in chapter six of this report. Further, audit of PA&OBs concluded that procurement process in some of our PA&OB is not carried out transparently, efficiently and economically so as to realize value for money in all procurement transactions. It was observed that some of the PA&OBs did not administer procurement contract agreements properly. On the other hand, procurement contracts management is one of the weakest areas of most of the PA&OB which needs urgent attention.

Recommendations

Public Procurement Regulatory Authority (PPRA) should continue to implement Capacity Building Programme to enhance awareness and full compliance with the procurement law including the procurement contract management by Public Authorities and Other Bodies.

The Procurement Professional Body (Procurement and Supplies Professional and Technician Board) should speed up professionalisation of the procurement cadre, enhancing coordination with training institutions to align their curricular to meet the requirements of the labour market and to enhance training and compliance monitoring.

The Board of Directors and Chief Executive Officers should fully comply with the provisions of the PPA of 2004 and its

Regulations of 2005 and should ensure proper contract management is in place including use of complete and correct contract documents, correctly specifying rate of liquidated damages and witnessing of contracts.

13.8 Assets Management

I have realized that some of the Public Authorities and Other Bodies are still making investments in non-performing companies. These kinds of investments would appear to be a mishandling of public monies and eventually causing losses of the monies that otherwise would have been made available for other development activities. Another major problem in some Public Authorities is the lack of title deeds of their properties including lack of legal ownership of motor vehicles. Yet another problem is the interpretation and implementation of the International Accounting Standards in regards to depreciation and amortisation of assets. Para 33 of the International Accounting Standard No.8 requires the use of reasonable estimates since it is an essential part of the preparation of financial statements and does not undermine their reliability. Other weaknesses noted include non insurance of assets, outstanding accounts receivables and weak management of inventories.

Recommendation

Government, Boards of Directors and Chief Executive Officers of Public Authorities and Other Bodies should ensure that investments are made in companies which are performing. Further, Board of Directors of Public Authorities and Other Bodies should ensure that legal ownership of their plants, property and equipment are obtained. Treasury Registrar who is the overseer of Public Authorities in the country in collaboration with the National Board of Accountants and Auditors should emphasise the need of setting reasonable and reliable useful life of the Property, Plant and Equipment including intangible assets by our Public Authorities. Also, inventories

management should be given an emphasis in PA&OBs operations.

13.9 Human Resources Management (HRM)

As pointed out in chapter eight, the review of Human Resource Management revealed among others, that personnel files of some Public Authorities were not regularly updated, outdated scheme of service and/or human resource manual, inefficiencies in staff training and lack of training to staff, shortfall in staff performance appraisal, shortage of staff, delay in payment of salaries and payment of salaries below minimum threshold, no transparency in recruitment and delay in submission of pension contributions and other statutory deductions to respective schemes or Funds.

Recommendations

Regarding the shortage of staff, especially those at the managerial positions, we recommend that all vacant posts as per the organization structure of the Public Authorities including posts held on acting capacity should be filled appropriately. Public Authorities should ensure that there is effective succession plan in place.

Management of all Public Authorities should take appropriate measures aimed at reviewing salary packages and other fringe benefits to be inline with the PA&OB's scheme of service and Government directives regarding salary payments. Public Authorities should also ensure that all salaries due are paid on time. Better management of salary payments will motivate Public Authority's staff to continue working for the PA&OBs for longer periods and thus staff turnover would be minimized and on the other hand efficiency and effectiveness in the job performance would also increase.

On the aspect of performance evaluation, the management should strive to achieve continues and open communication

between the supervisor and employee; create a mutual understanding between the employee and supervisor concerning the duties and responsibilities of the employee's job and of the performance objectives established for the appraisal period; identify and resolve performance issues as necessary; and provide management (evaluators) with the appropriate information to aid in personnel decisions which may require an assessment of an individual's job performance. The best way to achieve the above is the use of open performance appraisal system, regular meetings and ensuring that, all performance appraisal forms are appropriately to keep track of an employee performance records.

Regarding, the issue of personnel records, it is recommended that all PA&OBs should ensure that all personnel files are properly kept with regard to all changes in the terms of employment and all other documents such as records for staff appraisal forms and any other record that is relevant to employees identification.

13.10 Corporate Governance

i) Implementation of the CAG Recommendations

In implementing the requirements of Section 12 of PAA of 2008 on the power of the CAG to make recommendations, we have been making various valuable and professional recommendations on how the Government should restructure its operations in order to improve the performance of Public Corporations. However, we have noted that numerous recommendations have not been addressed by the Government which makes persistence of similar audit queries year after year such as members of Parliament being members of Boards of Directors of Public Authorities and Other Bodies as pointed out under Chapter three and four of this report.

Recommendations

We recommend that, it is high time the Government through the Ministry of Finance and other relevant organs seriously address the anomalies pointed out once and for all.

ii) The Principle of Segregation of Duties in the Functioning of the Public Corporations

Segregation of duties/functions is a critical principle to an effective internal control and good governance of our Public Corporations because it reduces the likelihood of mistakes and inappropriate actions since it creates checks and balances in operations/decisions. It helps fight fraud and mismanagement by discouraging collusion since at least two sets of eyes are required for any transaction or decision to be concluded. We have noted with disappointment that the principle of segregation of functions in running of our Public Authorities has not taken its course since there has been a lot of unnecessary interference in the day to day operations from Board of Directors, Members of Parliament sitting in Boards and the Government through its several unquestionable instructions. With this kind of governance in Public Corporations, less efficiency should be expected from the same.

Recommendations

We recommend that the Government, Parliament and Judiciary should emphasize on the principle of separation of powers and functions so as to ensure the existence of checks and balances in functioning of the Government and its institutions like Public Authorities. Further, efforts should be made to ensure that the principles of corporate governance like separation of powers and functions are rolled to lower levels of operations.

iii) Inefficiency in the Performance of the Boards of Directors

The functioning of the governing boards in the PA&OBs means a lot on how the efficiency and importance of entities are perceived before the eyes of the general public. The anomalies noted in the operations of public corporations and their image by members of the public symbolizes the inefficiencies in the functioning of the boards of directors are uncovered in chapter nine. In order to achieve the intended efficiency in governing board, it is important that members of the board are appointed based on professional qualifications and experience in the related industry.

Recommendation

We recommend that the Treasury Registrar should look into this matter more critically against the visions and missions of the entities and take bold steps where necessary by issuing new directives copied to us for follow up.

iv) Apparent Conflict of Interest of MPs Being Members in the Boards of Directors of Public Authorities and Other Bodies

As recommended in the previous reports and since Parliament is the highest representative organ of the people charged with the responsibility of scrutinizing the performance (oversight role) of Parastatals Organizations through the POAC, and in order to avoid conflict of interest, members of Parliament should not be members of Boards of Directors of Public Authorities and Other Bodies. It is against the best practice and this practice is not applicable in any Regional Group in which Tanzania is a member eg. EAC, SADCOPAC, SADC, AFROSAI-E and AU.

v) Functioning of Audit Committees and Internal Auditors

The Sarbanes-Oxley Act requires that all audit committee members be independent and that one member should have accounting or financial management expertise. It is further required that the audit committees must have a charter which should be reviewed annually disclosing the scope, structure, and audit committee process. This committee is the basic pillar for the proper functioning of internal auditors and assurance of internal control systems to the Board of Directors. We have noted however that, many Public Authorities have not done well in instituting these systems of audit committees and internal audit units rendering to continuance of audit queries such as narrow scope of internal auditors' coverage, participation of internal auditors in pre auditing, unsatisfactory staffing and lack of charter for internal audits and audit committees. It is important that Executive members of the organization, including Accountable Officers, should not be appointed to the Audit Committee. The role of the Executive is to attend, to provide information and to participate in discussions, either for the whole duration of a meeting or for particular agenda items.

Recommendations

It is recommended that structures for internal audit and audit committees be properly developed for effective internal control systems appraisal. Preferably more members of audit committees should come from outside PA&OBs.

vi) Board of Directors overriding management functions

When the Board of Directors overrides management functions, it derails their oversight role in monitoring management functions. Among other functions of the Board of Directors includes; the Board formulates policy on all matters affecting the entity, makes plans, sets up

appropriate organizational structures and ensures that the entity is financially stable. Conflict of Interest will automatically reduce Management's morale in the performance of their duties and responsibilities according to the objectives set which might lead to non achievement of the Organizational goals.

Recommendations

Operational issues of an entity should be implemented by the management and the Board of Directors should evaluate the performance of the management in achieving the approved annual work plan and the strategic plan. The Boards of Directors should be trained on their role and responsibilities and should have board charters which would elaborate their roles, responsibilities, modalities to constitute Boards and their committees.

vii) Non compliance with the Government regulations on directors' fees

Under the best practice, Directors fees for PA&OBs are set by shareholders in this case the Treasury Registrar. Furthermore, directors' fees are not expected to be performance based since it could lead to creative accounting. Controlling the Director fees will bring about fairness, consistency and equity in the management of the PA&OBs. The determination of Directors' fees and other associate fringe benefits should not solely be left in the hands of the Board of Directors themselves as it has been in some PA&OBs. Boards of Directors at this juncture could play the advisory role of maximizing revenue and minimizing expenditures in Public Authorities and not otherwise.

Recommendation

We are of the view that, the Authority should ensure that it complies with government directives and regulations. The Authority should seek government guidance when decisions that relate to distributions of surpluses since the Government is the sole shareholder in the NCAA and has the right to make such decisions through TR or Minister as the case may be. The Government should prepare specific guidelines on how to set remunerations for directors serving in public authorities to avoid directors' practice of determining their own remunerations and without approval by TR or Minister.

vii) Non compliance with the Treasury Registrar's Circular

The Ministry of Finance and Economic Affairs issued the Treasury Circular No.8 that requires Public Sector Organizations and Public Authorities to contribute 10% of their gross revenue from their normal business activities to the Treasury. Some of the Public Authorities and Other Bodies did not comply with the Circular. This practice have been noted in two Public Authorities while one of them through Extraordinary Board Meeting decided that contribution to the Treasury would be 10% of the Authority's surplus fund instead of Authority's annual gross revenue. This is contrary to the directive issued by the Government and no document was availed to support the drift in set contributory requirements.

Recommendations

The Authorities should ensure that they comply with Government directives and make their contributions to Treasury and whenever it is not in a position to fulfill its legal obligations, it should communicate with the relevant government department or regulating authority so that it gets permission of not to do so. The Treasury Registrar

should act as informed and active owner and establish clear and consistent ownership policy, ensuring that the governance of PA&OB is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness. It is expected that TR should develop and issue an ownership policy, which will define the overall objectives of TR, the TR's role in corporate governance over PA&OBs and how the policy will implement.

13.11 Specified Public Enterprises for Privatization

Most of the 34 Specified Public Enterprises taken over from the Presidential Public Sector Reform Commission (PPSRC) by Consolidated Holding Corporation (CHC) were still specified up to the time of writing this general report of the PA&OBs. This is a sign of inefficient performance on the side of the Consolidated Holding Corporation which took over the PA&OBs in question which were at different stage of privatization as at 1st January, 2008. Note that once Public Enterprises are specified for privatizations, they are limited from business expansion since they can neither prepare and implement strategic plan nor allowed to do any investment. Also, employees of the specified PA&OBs would not have the morale of discharging their responsibilities in due diligence due to the uncertainty of the status of their employer. Wear and tear of assets owned by the specified PA&OBs is normally on the higher side since repair and replacement of the assets might not be possible due to shortage of funds.

Recommendations

The Government should consider either to speed up the process of privatization the specified 34 Public Enterprises which were taken over from PPSRS by CHC in order to avoid further deterioration of the assets owned by the PA&OBs or dispecify them and inject sufficient capital in these Public Enterprises in order to revamp them.

13.12 Performance Review and Post Privatization

The operations of Public Authorities and Other Bodies for the year under review has been measured in terms of financial performance with regard to outstanding liabilities, guarantees offered by the Government which stood at Shs.451 billion, collected revenue by Treasury Registrar in terms of dividends, loan repayments and other proceeds which decreased by Shs.42.5 billion when compared with the year ended 30th June, 2009. Loans balance decreased by 21 billion, increased Government investments; local investment which increased by Shs. 1.6 billion and foreign investment decreased by Shs. 27 billion.

Post privatization performance was measured by looking at the amount of funds injected by the buyer, repairs and rehabilitation done on buildings and plants and machinery, amount of corporate tax paid so far to the Government and employment opportunities created so far.

13.13 Entities whose ownership and control should be wholly owned by the Government

Some of the Public Enterprises need to be state owned due to the type and nature of the services offered by them in the country. For example, ATCL is a national carrier and a symbol of national identity outside the country which can greatly publicize Tanzania and boost tourism. Likewise, any draw back of TANESCO operations, result in low production, less tax income, loss of employment, increased prices and so on. On the other hand, transport is another headache, especially to school children. Had the Government enabled UDA to effectively operate to at least half the capacity of private bus operators, this problem to ordinary citizens would have been eased. Leaving these Public Enterprises in the hands of private owners is of high risk to our independence and the contribution to the country's economy. Private owned businesses mainly focus on profit and not service delivery.

Recommendation

I urge the Government to consider owning the key strategic public entities which provides very core and sensitive services to the general public. In addition, managements of these entities should be closely monitored and regulated to ensure sustainability and constant delivery of services. In case of financial difficulties, the Government should timely provide assistance.

13.14 Under capitalization of PA&OBs

Undercapitalization has been a very serious problem in developing countries like Tanzania, having a good number of Parastatals underperforming due to lack of capital. There is a need for the Government to intervene in this problem facing Parastatals by finding various sources of funds to inject into the non performing entities to ensure they perform in the provision of services as expected.

Recommendation

The government in this aspect has a great responsibility to establish various sources of funds to inject in the underperforming national critical public entities to ensure smooth operation of the activities and therefore ensure better provision of services to the general public.

13.15 Information and Communication Technology

Information and Communication Technology is of paramount importance and inevitable for National Development given the importance of ICT. Review of ICT systems and networks has revealed that most of the Parastatals lack ICT steering committee & ICT strategy, documentation of IT procedures and process system, computerized accounting packages to enhance efficient, effective and accurate accounting data processing, ICT policies and guidelines to enhance control over the effective use of computers and internet services. Disaster recovery plans are not well established, which expose

Authorities to risk of failing to recover data and other important information in case of any disaster. Public Authorities do not train system's users on how to use the system effectively and efficiently. Some lack handing over certificates from the suppliers, while some contracts between authorities and suppliers expose the authorities to a risk in case of any dispute. On the supplier side, ICT is not well established with securities to prevent the Authorities networks from being disrupted by viruses and hackers.

Recommendation

Management of Public Authorities should ensure that, ICT policies are well developed and before they are put into use they should get the management approval and finally distribute to users within the organization. There should be periodic checks and updates on all PCs and Anti Virus Policy should be in place. Authority's managements should fully utilize the accounting system in order to process accounting data quickly and accurately. Also, PA&OBs should have well structured business continuity plan and disaster recovery plans and strategies to ensure that computer hardware and software are properly covered during business disruption event.

13.16 The Results of Special Audit

During the year under review, we conducted one special audit on financial misappropriation and fraudulent conducts at the National Development Corporation (NDC). We observed that there was no formal variation order raised detailing all the relevant additional works in terms of quantities or price escalation to support the extra payment of Shs.24 million for physical identification and verification of NDC assets from the supplier. Further, cheque No. 806118 and No. 806113 amounting to Shs.12 million and Shs. 23 million respectively were fraudulently cashed over the counter by a Senior Official of the Corporation on 26/2/2010.

We however, wish to draw the attention that these fraudulent acts were noted by management and reported to the Board of Directors whereby appropriate actions have already been taken against the employees involved in the incidence.

List of Private Audit Firms Auditing of PA&OBs

S/N	Name of Audit Firm
1.	AA - Adolph Associates
2.	ABA Alliance
3.	AMAS Associates
4.	ATAM Consultancy
5.	ATEKAY Accountants and Auditors
6.	Baccon Certified Public Accountants
7.	Baker Tilly DGP & CO
8.	Citizen Certified Partners Consortium
9.	Co-operative Audit and Supervision Corp
10.	DCDM/BDO
11.	Delloite & Touche
12.	Ernst & Young
13.	Global Finance and Business Solution
14.	Globe Accountancy Services Association with Haron & Company
15.	Hassanali Rutakyamirwa & Company
16.	HLB Ashvir
17.	Horwath Tanzania
18.	INNOVEX Auditors
19.	Kavugha & Musambwa Auditors,
20.	KPMG
21.	Martec &Company
22.	MATSAB & Company
23.	MEKONSULT Auditors
24.	MGK Certified Public Accountants
25.	MM Micro Business Consultants
26.	MURL-AATEC Associates
27.	Nyange & Associates,
28.	OREFCO
29.	PAN Associates
30.	Paul Clem Associates
31.	PIMA ASSOCIATES
32.	PKF Tanzania
33.	PriceWaterCoopersHouse
34.	Quintex Financial Services
35.	R&S Associates
36.	Reliable Consultants,
37.	RS & Partners
38.	SBC Consultancy Services
39.	Shebrila & Co

S/N	Name of Audit Firm
40.	SMW Management Consultants
41.	TAC Associates
42.	TANSCOTT
43.	TMC Associates/TOP Consultants Consortium
44.	Trion & Company
45.	VA Business Assurance Services
46.	WISCON Associates
47.	Y.H Malundo & Co,

Type of Audit Opinion issued 2009/2010

	Unqualified Opinion
S/N	Name of PA&OBs
1.	Tanzania Investment Bank
2	National Ranching Company
3	Arusha Urban Water Supply and Sewage Authority
4	Deposit Insurance Board
5	Institute of Accountancy Arusha
6	Bukoba Urban Water Supply and Sewage Authority
7	Tanzania Food and Drugs Authority
8	Mwanza Urban Water Supply and Sewage Authority
9	Dar-es-salaam Stock Exchange
10	Sumatra Consumers Consultative Council
11	National Health Insurance Fund
12	Cashnut Board of Tanzania
13	National Environment Management Council
14	Parastatal Pension Fund
15	College of African Wildlife Management ,MWEKA
16	Tea Board of Tanzania
17	Ngorongoro Conservation Area Authority
18	Tanzania Postal Bank
19	Babati Urban Water Supply and Sewage Authority
20	Morogoro Urban Water Supply and Sewage Authority
21	Tanzania National Business Council
22	Bank of Tanzania
23	Mbeya Urban Water Supply and Sewage Authority
24	Moshi Urban Water Supply and Sewage Authority
25	Tanzania Forest Research Institute
26	Contractors Registration Board
27	Capital Development Authority
28	National Board of Accountants and Auditors
29	Local Authority Provident Fund.
30	Singida Urban Water Supply and Sewage Authority
31	Architects and Quantity Surveyors Registration Board (AQRB)
32	Surface and Marine Transport Regulatory Authority
33	Capital Market and Security Authority
34	Shinyanga Urban Water Supply and Sewage Authority
35	Institute of Adult Education
36	Public Procurement Regulatory Authority

37	Institute of Finance Management
38	Ardhi University College
39	Gaming Board of Tanzania
40	Tanzania Small Holders Tea Development Agency (TSHTDA)
41	National Council for Technical Education
42	Tanzania Fertilizer Co Ltd
43	Sugar Board of Tanzania
44	Marine Parks and Reserves Unit (MPRU)
45	Musoma Urban Water Supply and Sewage Authority
46	National Bureau of Statistics
47	Tanzania Bureau of Standards
48	Small Industry Development Corporation
49	Tanga Urban Water Supply and Sewage Authority
50	National Institute of Transport
51	Tanzania Insurance Regulatory Authority
52	Muhimbili National Hospital
53	Institute of Rural Development Planning
54	Reli Assets Holding Company Ltd
55	Kibaha Education Center
56	Dar es Salaam Institute of Technology
57	Twiga Bancorp
58	Unit Trust of Tanzania
59	Tanzania Sisal Board
60	Mwalimu Nyerere Memorial Academy
61	Arusha International Conference Center
62	Tanzania Investment Center
63	Lindi Urban Water Supply and Sewage Authority
64	Dodoma Urban Water Supply and Sewage Authority
65	Tanzania Engineering and Manufacturing Design Organization
66	Moshi University College of Co-operative and Business Studies
67	National Examination Council of Tanzania
68	Sokoine University College of Agriculture
69	National Economic Empowerment Council
70	National Institute of Productivity
71	Kigoma Urban Water Supply and Sewage Authority
72	Iringa Urban Water Supply and Sewage Authority
73	Tanzania Civil Aviation Authority
74	Tanzania Education Authority
75	National Housing Corporation
76	Energy and Water Utility Regulatory Authority
77	Tanzania Communication Regulatory Authority
78	Export Processing Zone Authority

79	Dar-es-Salaam Marine Time Institute
80	Tanzania Petroleum Development Cooperation
81	Marine Service Company Ltd
82	Board of External Trade
83.	Center for Agricultural Mechanizations and Rural Technology.
84.	Cooperative Audit and Supervision Corporation (COASCO)
85	National Social Security Fund
86	Government Employee Provident Fund
87	Fair Competition Commission
88	EWURA Consumer Consultative Council
89	Rufiji Basin Development Authority (RUBADA)
90	Tanzania Tourist Board
91	Ubungo Plaza Co Ltd.
92	Arusha Technical College
	Unqualified Opinion with Matters of Emphasis
S/N	Name of PA&OBs
1.	Consolidated Holdings Corporation.
2.	National Arts Council
3.	National Development Cooperation.
4.	Mzumbe University
5.	Tanzania Ports Authority
6.	Tabora Urban Water Supply & Sewage Authority.
7.	Tanzania Telephone Company Limited
8.	Tanzania National Parks.
9.	Higher Education Students Loan Board
10.	Tanzania Electrical Supply Limited
11.	Tanzania National Business Council
12.	National Identification Authority
	Qualified Opinion
S/N	Name of PA&OBs
1.	Tanzania Standard news paper
2.	Tanzania Library Services
3.	Tanzania Broadcasting Cooperation
4.	State Mining Corporation.
5	Tanzania Food and Nutrition Center
6.	Mtwara Urban Water Supply and Sewage Authority
7.	Medical Stores Department
8.	Muhimbili University College
9.	Vocational Education Training Authority
10.	National Land Use Planning Commission
	Qualified Opinion with Emphasis of Matter
S/N	Name of PA&OBs
1.	Tanzania Post Cooperation

2.	Coffee Board of Tanzania
3.	Dar-es-salaam water Supply Company (DAWASCO)
4.	National Insurance Corporation
5.	Dar es salaam Water Supply Authority
6.	Open University of Tanzania
7.	Tanzania Cotton Board
	Disclaimer of Opinion
S/N	Name of PA&OBs
1.	Kariakoo Market Corporation.

Appendix III

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
A	Financial Institutions Including Pension Funds and Insurance Companies						
1.	Bank of Tanzania (BOT)	Yes	-		-	Yes	
2	Government Employee Provident Fund	Yes	-		Yes	-	
3	Insurance Deposit Fund	Yes	-		-	Yes	
4	Local Authority Provident Fund	Yes	-		-	Yes	
5	National Social Security Fund	Yes			-	Yes	
6	Parastatal Pension Fund	Yes	-		-	Yes	
7	Public Service Pension Fund (PSPF)	Yes	Yes		-	-	
8	Tanzania Investment Bank	Yes	-		-	Yes	
9	Tanzania Postal Bank	Yes	-		-	Yes	
10	Twiga Bancorp	Yes	-		-	Yes	
11	Unit Trust of Tanzania	Yes	-		-	Yes	
12	National Health Insurance Fund	Yes	-		-	Yes	
13	National Insurance Corporation	Yes	-		-	Yes	
14	Dar es Salaam Stock Exchange	Yes	-		-	Yes	
15	Capital Markets Securities Authority (CMSA)	Yes	-		-	Yes	
16	Tanzania Insurance Registration Authority	Yes	-		-	Yes	
B	Manufacturing and Production Organizations						
1	National Sugar Institute	Yes		Yes	-	-	
2	Ngorongoro Conservation Area Authority	Yes	-		-	Yes	
3	Small Industry Development Organisation	Yes	-		-	Yes	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
4	State Mining Corporation (STAMICO)	Yes	-		-	Yes	
5	Tanzania Fertilizer Company	Yes	-			Yes	
6	Tanzania Engineering and Manufacturing Design Organization.	Yes	-			Yes	
7	Tanzania Petroleum Development Corporation	Yes	-		-	Yes	
8	National Ranching Company	Yes	-		-	Yes	
9	Tanzania Standards Newspaper	Yes	-		-	Yes	
10	National Housing Corporation	Yes	-		Yes	-	
11	Ubungu Plaza Co. Ltd	Yes	-		Yes	-	
12	NHC/PPF IPS Building	Yes		Yes	-	-	
13	Tanzania Posts Corporation	Yes	-		Yes	-	
14	National Institute of Productivity	Yes	-		Yes	-	
15	Tanzania Automobile Technologies Centre	Yes					
16	Medical Stores Department	Yes	-			Yes	
17	General Tyre East Africa	NO	-		-	-	
18	Kilimanjaro Airport Development Authority	NO	-		-	-	
C Regulatory Bodies, Councils, Commissions and Authorities							
1.	Architects and Quantity Surveyors Registration Board	Yes	-	-	-	Yes	
2.	Joint Finance Commission	Yes	Yes	-	-	-	
3.	National Land Use Planning Commission	Yes	-	Yes	-	-	
4.	Tanzania Atomic Energy Commission	Yes	-	Yes	-	-	
5.	Tanzania Commission for	Yes	Yes	-	-	-	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
	Science and Technology						
6.	Fair Competition Commission	Yes	-	-	Yes	-	
7.	Tanzania National Business Council	Yes	-	-	Yes	-	
8.	Baraza la Kiswahili Tanzania	Yes	Yes	-	-	-	
9.	Benjamin William Mkapa Foundation	Yes	Yes		-	-	
10.	Board of External Trade	Yes		-		Yes	
11	Capital Development Authority	Yes	-	-	-	Yes	
12	Construction Registration Board	Yes	-	-	-	Yes	
13	Engineers Registration Board	Yes	Yes	-	-	-	
14	Energy Water and Utility Regulatory Authority	Yes		-	-	Yes	
15	Gaming Board of Tanzania	Yes	-	-	-	Yes	
16	National Arts Council	Yes	-	-	-	Yes	
17	National Board of Accountants and Auditors	Yes	-	-	-	Yes	
18	National Board of Materials Management	Yes		Yes	-	-	
19	Higher Education Student Loans Board	Yes	-	-	Yes	-	
20	National Construction Council	Yes		Yes	-	-	
21	National Council of Technical Education	Yes	-		-	Yes	
22	National Economic Empowerment Council	Yes	-		-	Yes	
23	National Examination Council	Yes	-		-	Yes	
24	National Sports Council	Yes	-		-	Yes	
25	National Environment Management Council	Yes	-		-	Yes	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
26	Tanzania Pyrethrum Board	Yes		Yes	-	-	
27	Rufiji Basing Development Authority	Yes				Yes	
28	Sugar Board of Tanzania	Yes	-			Yes	
29	Tanzania Tobacco Board	Yes		Yes	-	-	
30	Tanzania Sisal Board	Yes	-	-		Yes	
31	Tanzania Bureau of Standards	Yes	-	-	-	Yes	
32	Tanzania Tea Small Holders Development Agency	Yes	-	-	-	Yes	
33	Tanzania Cashewnut Board	Yes	-	-	-	Yes	
34	Tanzania Ports Authority	Yes	-	-	-	Yes	
35	SUMATRA	Yes	-	-	-	Yes	
36	Tanzania Civil Aviation Authority	Yes	-		Yes	-	
37	Tanzania Coffee Board	Yes	-		-	Yes	
38	Tanzania Commissions for University	Yes		Yes	-	-	
39	Public Procurement Regulatory Authority	Yes	-		-	Yes	
40	Tanzania Communication Regulatory Authority	Yes	-	Yes	-	-	
41	Tanzania Cotton Board	Yes	-		Yes	-	
42	Tanzania Drugs and Food Authority	Yes	-	-	-	Yes	
43	Tanzania Education Authority	Yes	-	-		Yes	
44	Tanzania Food and Nutrition Centre (TFNC)	Yes	-		Yes	-	
45	Tanzania Marine Parks	Yes	-		Yes	-	
46	Tanzania Tea Board	Yes	-		-	Yes	
47	Tanzania Tourist Board	Yes	-			Yes	
48	Tanzania Airport	Yes	Yes		-	-	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
	Authority						
49	Export Processing Zones Authority	Yes			Yes	-	
50	Copyright Society of Tanzania (COSOTA)	Yes	Yes		-	-	
51	Consolidation Holding Corporation	Yes	-		-	Yes	
52	National Development Corporation (NDC)	Yes	-		-	Yes	
53	Reli Asset Holding Ltd	Yes	-		-	Yes	
54	Tanzania National Park (TANAPA)	Yes	-		-	Yes	
55	Cooperative Audit and Supervisions Corporation (COASCO)	Yes	-		Yes	-	
56	Sumatra Consumers Consultative Council	Yes	-		-	Yes	
57	National Identification Authority	Yes				Yes	
D	Training, Research and Higher Learning Institutions						
1.	Ardhi University	Yes	-		-	Yes	
2.	College of Business Education	Yes	Yes		-	-	
3.	Dar es Salaam Institute of Technology	Yes	-			Yes	
4.	Dar es Salaam Maritime Institute	Yes	-		-	Yes	
5.	Dar es Salaam University College of Education	Yes	Yes		-	-	
6.	Institute of Accountancy Arusha	Yes	-		-	Yes	
7.	Mbeya Institute of Technology	Yes	Yes		-	-	
8.	Institute of Adult Education	Yes	-		-	Yes	
9.	Institute of Finance Management	Yes	-	-	-	Yes	
10.	Institute of Rural Development Planning	Yes	-	-	-	Yes	
11.	Institute of Social Work	Yes	Yes	-	-	-	
12.	Kibaha Education Centre-Kibaha	Yes	-	-	-	Yes	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
13.	Kivukoni College (Mwalimu Nyerere Memorial Academy)	Yes	-	-		Yes	
14.	Mkwawa University	Yes		Yes	-	-	
15.	CARMATEC	Yes		-	Yes	-	
16.	Moshi University College of Cooperative and Business Studies (MUCCOBS)	Yes	-	-	-	Yes	
17.	Muhimbili University College of Health and Allied Science	Yes	-	-	-	Yes	
18.	MWEKA Wildlife	Yes	-	-	-	Yes	
19.	Mzumbe University	Yes	-	-	-	Yes	
20.	National Institute for Medical Research	Yes	Yes		-	-	
21.	National Institute of Transport	Yes	-		-	Yes	
22.	Open University of Tanzania	Yes	-	-	-	Yes	
23.	Sokoine University	Yes	-	-	-	Yes	
24.	Tanzania Institute of Accountancy	Yes	Yes	-	-	-	
25.	Tanzania Institute of Education	Yes	Yes	-	-	-	
26.	Arusha Technical College	Yes	-	-	-	Yes	
27.	University of Dar es Salaam	Yes	Yes		-	-	
28.	University of Dodoma	Yes		Yes	-	-	
29.	Vocational Education Training Authority	Yes			Yes	-	
30.	Tanzania Forest Research Institute (TAFORI)	Yes	-		-	Yes	
31.	Tanzania Fishing Research Institute	Yes	Yes		-	-	
32.	Tanzania Wildlife Research Institute (TAWIRI)	Yes		Yes	-	-	
33.	Tropical Pesticides Research Institute	Yes	-		-	Yes	
34.	Centre for Foreign Relation	Yes	Yes		-	-	
35.	Tanzania Institute of Research and	Yes	Yes		-	-	

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	Development Organisation (TIRDO)						
36	Tanzania Broadcasting Cooperation	Yes	-			Yes	
E Public Service/Utilities Organizations							
1	Tanzania Electric Supply Co Ltd (TANESCO)	Yes	-	-	Yes	-	
2	Tanzania Telecommunication Company Ltd (TTCL)	Yes	-	-	-	Yes	
3	Arusha Urban Water and Sewerage Authority	Yes	-	-	-	Yes	
4	Bukoba Urban Water and Sewerage Authority	Yes	-	-	-	Yes	
5	Babati Urban Water and Sewerage Authority	Yes	-	-	-	Yes	
6	Dar es Salaam Water Authority Supply Authority	Yes		-	Yes	-	
7	Dar es Salaam Water Supply Company	Yes	-	-	-	Yes	
8	Dodoma Urban Water and Sewerage Authority	Yes	-	-	-	Yes	
9	Iringa Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
10	Kigoma Urban Water Supply and Sewerage Authority	Yes	-	-	Yes		
11	Lindi Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
12	Mbeya Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
13	Morogoro Water and Sewerage Authority	Yes	-	-	-	Yes	
14	Mwanza Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
15	Moshi Urban Water Supply and	Yes	-	-	-	Yes	

S/N	Category of PA&OB	F/S Submitted	Audit in Progress	Audit At Quality Review Stage	Audit Awaiting BOD Adoption	Audit Concluded and Adopted by BOD	Remarks
	Sewerage Authority						
16	Mtwara Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
17	Marine Services Company	Yes	-	-	-	Yes	
18	Musoma Urban Water Supply and Sewerage Authority	Yes	-	-	Yes	-	
19	Mbinga Urban Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
20	Rukwa Urban Water Supply and Sewerage Authority	Yes	-	Yes	-	-	
21	Singida Urban Water Supply and Sewerage Authority	Yes		-	-	Yes	
22	Shinyanga Urban Water Supply and Sewerage Authority	Yes	-		-	Yes	
23	Songea Urban Water Supply and Sewerage Authority	Yes	-	Yes	-	-	
24	Tabora Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
25	Tanga Urban Water Supply and Sewerage Authority	Yes	-	-	-	Yes	
26	Tukuyu Urban Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
27	Kyela Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
28	Ngara Urban Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
29	Korogwe Urban Water Supply and Sewerage Authority	NO	-	-	-	-	
30	Mpanda Urban Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
31	Njombe Urban Water Supply and Sewerage Authority	Yes	Yes	-	-	-	
32	Kariakoo Market Corporation	Yes	-	-	-	Yes	
33	Tanzania Library Services	Yes	-	-	-	Yes	

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34	Muhimbili Orthopedic Institute (MOI)	Yes	Yes	-	-	-	
35	Usafiri Dar-es-Salaam (UDA)	Yes	Yes	-	-	-	
36	Muhimbili National Hospital	Yes	-	-	-	Yes	
37	Air Tanzania Company Ltd	Yes	Yes	-	-		
38	Arusha International Conference Centre	Yes	-		-	Yes	
39	National Bureau of Statistics	Yes	-		-	Yes	
40	Tanzania Investment Centre	Yes	-		-	Yes	
41	National Museum of Tanzania	Yes	Yes		-	-	
42	EWURA CCC	Yes			Yes	-	
43	Kahama Urban Water Supply and Sewerage Authority	Yes	Yes		-	-	

Appendix IV

List of State Owned Entities which are Still Specified

1.	Air Tanzania Company Ltd:	In the effort of looking for new investors.
2.	Aluminium Africa Limited:	Sell 25% shares of the Government in progress.
3.	BP Tanzania Limited:	Sell 50% shares of the Government in progress.
4.	General Tyre (EA) Ltd:	In reform strategy.
5.	Keko Pharmaceutical Industries Ltd:	Sell 40% shares of the Government in progress.
6.	Kisarawe Bricks Company Limited:	Sell 30% shares of the Government in progress
7.	Marine Services Company Ltd:	In reform strategy..
8.	MECCO:	Sell 25% shares of the Government in progress
9.	Mikumi Wildlife Lodge:	Sell of the Lodge to potential investor.
10.	Morogoro Leather Goods Ltd:	Sell of industry building.
11.	Namtumbo Maize Farm:	Sell of farm to potential investor.
12.	Journeys End Farm;	Sell of farm to potential investor.
13.	Foster Farm;	Sell of farm to potential investor.
14.	Harlington Farm;	Sell of farm to potential investor.
15.	Kanamodo Farm	Sell of farm to potential investor.
16.	NIC:	In reform strategy.
17.	Tangold (Korogwe factory):	Sell of buildings and industry assets.
18.	NBC Limited:	Sell 30% shares of the Government in progress
19.	New Africa Hotel:	Sell 23% shares of the Government in progress

20.	NMB:	Sell 1.78% shares of the Government in progress.
21.	PEHCOL:	Sell of Tabora and Sumbawanga areas.
22.	UDA:	Sell 51% shares of the Government in progress.
23.	Songwe Water Company Ltd:	Sell and rent Government PPE.
24.	TPL Mbeya Plant:	Sell and rent Government PPE
25.	TPL Kitaraka Holding Ground:	Sell the entire area to potential Investor.
26.	TANSCAN:	Sell 49% shares of the Government in progress.
27.	Tanzania Posts Corporation:	In reform strategy.
28.	TDFL:	Sell of few Government shares in progress.
29.	TPC Limited:	Sell 25% shares of the Government in progress.
30.	Kibaranga Sisal Estate:	In reform/liquidation process
31.	Kiwanda cha Korosho	Sell of Kilwa store in progress.
32.	TTCL,	In reform strategy.
33.	Kiwira Coal Mines,	Government to take 70% shares of the Tanpower Resources Ltd.
34.	Mwanza RTC:	Sell of remaining stores.