THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

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In reply please quote

Ref.No.FA.27/249/01/2014/2015 28th March, 2016

H.E. Dr. John Pombe Joseph Magufuli,
The President of the United Republic of Tanzania,
State House,
P.O. Box 9120,
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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 2014/2015

In my capacity as the Controller and Auditor General, Pursuant to Article 143 of the Constitution of the United Republic of Tanzania of 1977 as amended from time to time and as defined in Section 11(4) of the Public Audit Act No. 11 of 2008, I am pleased to submit to you my Annual General Report on the Audit of Public Authorities and other Bodies for the financial year 2014/2015 for your kind consideration and onward submission to Parliament.

Prof. Mussa Juma Assad
CONTROLLER AND AUDITOR GENERAL

The Controller and Auditor General,

National Audit Office,

United Republic of Tanzania

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

The statutory duties and responsibilities of the Controller and Auditor General are 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 (as amended) and Public Audit Regulations of 2009.

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

ADB	African Development Bank
ADS-B	Automatic Dependent Surveillance – Broadcast
AFROSAI-E	African Organization of Supreme Audit Institutions for English Speaking Countries
AIDS	Acquired Immune Deficiency Syndrome
AMHS	Aeronautical Message Handling System
AOC	Air Operator Certificate
ARMS	Airtime Revenue Monitoring System
ATC	Air Tanzania Corporation
ATCL	Air Tanzania Company Limited
ATM	Air Traffic Management
AUWSA	Arusha Urban Water Supply and Sewerage Authority
BAUWASA	Babati Urban Water Supply and Sanitation Authority
BMAF	Benjamin Mkapa HIV/AIDS Foundation
BoQ	Bill of Quantities
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CAPEX	Capital Expenditure
CBE	College of Business Education
CDA	Capital Development Authority
CDR	Call Detail of Records
CEIR	Central Equipment Identity Register
CFSs	Car Freight Stations
CHC	Consolidated Holding Corporation
CIDA	Canadian International Development Agency
CMS	Customs Management System
CMSA	Capital Markets Securities Authority
CNC	Computer Numerical Control
COSTECH	Tanzania Science and Technology Commission

DANIDA	Danish International Development Agency
DAWASCO	Dar es Salaam Water and Sewerage Corporation
DBOT	Design Build Operate and Transfer
DFID	Department for International Development
DIT	Dar es Salaam Institute of Technology
DMGP	Dar es Salaam Maritime Gateway Project
DMI	Dar es Salaam Maritime Institute
DUCE	Dar es Salaam University College of Education
EADB	East African Development Bank
EFD	Electronic Fiscal Device
EWURA	Energy and Water Utility Regulatory Authority
GIZ	Deutsche Gesellschaft for Internationale Zusammenarbeit
GmbH	Gesellschaft mit beschränkter Haftung
GoT	Government of Tanzania
GVG	Global Voice Group
HESLB	Higher Education Students' Loans Board
HIV	Human Immunodeficiency Virus
HQ	Head Quarters
IAS	International Accounting Standards
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICD	Inland Container Depot
IFAC	International Federation of Accountants
IFM	Institute of Finance Management
IFRS	International Financial Reporting Standards
IMO	International Maritime Organisation
IMTU	International Medical and Technological University
INTOSAI	International Organisation of Supreme Audit Institutions
IOSA	IATA Operational Safety Audit

IPSASs	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
KM	Kilometre
KOJ	Kurasini Oil Jet
KPI	Key Performance Indicator
KUWASA	Kigoma/Kahama Urban Water Supply and Sanitation Authority
LAPF	LAPF Pensions Fund
LART	Loans and Advances Realisation Trust
LCMS	Local Control and Monitoring System
LTD	Limited
LUWASA	Lindi Urban Water Supply and Sewerage Authority
MCST	Ministry of Communication, Science and Technology
MNH	Muhimbili National Hospital
MOF	Ministry of Finance
MOI	Muhimbili Orthopaedic Institute
MoU	Memorandum of Understanding
MSD	Medical Stores Department
MUCCOBs	Moshi University College of Co-operative and Business Studies
MUST	Mbeya University of Science and Technology
MWAUWASA	Mwanza Urban Water Supply and Sanitation Authority
MZARTC	Mwanza Regional Trading Company Limited
NACTE	National Council for Technical Education
NAOT	National Audit Office of Tanzania
NAPOCO	National Poultry Company
NARCO	National Ranching Company Limited
NBC	National Bank of Tanzania
NCAA	Ngorongoro Conservation Area Authority
NDC	National Development Corporation

NECTA	National Examination Council Of Tanzania
NHC	National Housing Corporation
NHIF	National Health Insurance Fund
NIMR	National Institute of Malaria Research
NIP	National Institute for Productivity
NIT	National Institute of Transport
NSSF	National Social Security Fund
OUT	Open University of Tanzania
PA & oBs’	Public Authorities and other Bodies
PAA	Public Audit Act No. 11 of 2008
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PC	Personal Computer
PFMRP	Public Finance Management Reform Programme
PMG	Pay Master General
PPF	PPF Pensions Fund
PPL	Pension Property Limited
PPP	Public Private Partnership
PPRA	Public Procurement Regulatory Authority
PRIDE	Tanzania Promotion of Rural Initiative and Development Enterprises Limited
PSPF	Public Sector Pension Fund
PSRC	Parastatal Sector Reform Commission
QoS	Quality of Service
RAHCO	Reli Assets Holding Company Limited
RIF	Railway Infrastructure Fund
RMS	Resource Mobilization Strategy
SAA	South African Airways
SAI	Supreme Audit Institution
SAT	South African Technical

SGS	Société Générale de Surveillance
SHUWASA	Shinyanga Urban Water Supply and Sanitation Authority
SIDA	Swedish International Development Agency
SNAO	Swedish National Audit Office
SPM	Southern Paper Mills
SSRA	Social Security Regulatory Authority
SUMATRA	Surface and Marine Transport Regulatory Authority
TAFIRI	Tanzania Fisheries Research Institute
TANAPA	Tanzania National Parks
TANCIS	Tanzania Customs Integrated System
TANESCO	Tanzania Electricity Supplies Company Ltd
TBC	Tanzania Broadcasting Corporation
TBS	Tanzania Bureau of Standards
TBT	Tea Board of Tanzania
TCAA	Tanzania Civil Aviation Authority
TCB	Tanzania Cotton Board
TCRA	Tanzania Communication Regulatory Authority
TEU	Twenty-Foot Equivalent Unit
TFDA	Tanzania Food and Drugs Authority
TIC	Tanzania Investment Centre
TICTS	Tanzania International Container Terminal Services
TLTC	Tanzania Leaf Tobacco Company Limited
TMB	Tanzania Meat Board
TNBC	Tanzania National Business Council
TPA	Tanzania Ports Authority
TPRI	Tropical Pesticides Research Institute
TR	Treasury Registrar
TRA	Tanzania Revenue Authority
TRL	Tanzania Railways Limited

TSN	Tanzania Standard News Papers
TTCL	Tanzania Telecommunications Company Ltd.
TTMS	Telecommunications Traffic Monitoring System
TZS	Tanzania Shillings
UCSAF	Universal Communications Service Access Fund
UDA	Usafiri Dar es Salaam
UDOM	University of Dodoma
UK	United Kingdom
UNICEF	United Nations Children's Emergency Fund
URT	United Republic of Tanzania
USAID	United States of America International Development Agency
USD	United States Dollar
UTT-AMIS	Unit Trust of Tanzania - Asset Management and Investor Service
UTT-PID	Unit Trust of Tanzania - Projects and Infrastructure Development Plc
VAT	Value Added Tax
WB	World Bank
WHC	Watumishi Housing Company
WHO	World Health Organization
WHT	Withholding Tax
WMA	Weights and Measures Agency

ACKNOWLEDGEMENTS

I would like to seize this great opportunity on behalf of the National Audit Office Tanzania to extend to His Excellency, Dr. John Pombe Joseph Magufuli, the President of the United Republic of Tanzania, our warmest congratulations and to wish him every success at a time of great expectations in Tanzania. Please count on our full support as you assume the duties of the President of the United Republic of Tanzania.

My heartfelt congratulations also go to the Honourable Speaker and Deputy Speaker of Parliament of the United Republic of Tanzania, Chairpersons and Honorable Members of Parliament for being elected to the legislative house. My Office promises to accord you all the necessary cooperation in achieving our common goal of building our nation.

I also commend the role played by Dr. Jakaya Mrisho Kikwete, the retired President of the United Republic of Tanzania, in his enormous support which vastly contributed to the success of my Office during his tenure.

My sincere appreciation goes to Development Partners who have been supporting NAOT including, but not limited to, the Public Financial Management Reform Programme (PFMRP) under the co-ordination of the World Bank (WB), the Swedish National Audit Office (SNAO), the Government of Sweden through the Swedish International Development Agency (SIDA), Department for International Development (DFID) of UK, Deutsche Gesellschaft for Internationale Zusammenarbeit (GIZ), African Development Bank (ADB), United States of America International and Development Agency (USAID), SAI of India, SAI of China, SAI of Norway, SAI of Netherlands, AFROSAI-E, Canadian International Development Agency (CIDA) and all other well-wishers who have contributed immensely towards the modernization of the audit functions in my Office by sponsoring training and providing various important working tools and technical assistance.

I wish to thank all private audit firms that have been working with us in audits of Public Entities. Their contributions towards the success of this report are immensely valued. As well, my Office appreciates the ongoing co-operation of Boards of Directors, Accounting Officers, Senior Management and staff of all Public Entities which were subjected to our audit.

Finally, I would like to take this opportunity to congratulate my staff for the excellent work done to prepare and complete this report. Their commitment and dedication in fulfilment of this task has been very inspiring. I urge them to continue upholding the same spirit to raise the banner of the Office even higher in providing efficient audit services which enhance accountability and value for money in the collection and use of public resources.

PREFACE

It is my great pleasure and honour to present my Annual General Report on the audit of Public Authorities and Other Bodies for the financial year 2014/2015 in compliance with Article 143 of the Constitution of the United Republic of Tanzania and Section 34 of the Public Audit Act No. 11 of 2008.

This report covers all significant issues noted during the audit of Public Entities for the financial year 2014/15. The report includes audit recommendations issued to Management of these entities to ensure that all the weaknesses noted during the audit are appropriately addressed.

The report also covers review of the strategic and governance issues with the aim of responding to fundamental policy questions or critical challenges and business risks affecting mandates, strategies, business processes and productivity of Public Entities.

Given the greater concern of the general public on the increased need for accountability, transparency and good governance; informed decisions are very vital, it is my hope therefore that, this report will assist the Government and Parliament to remind all Management of these Public Entities who have been entrusted with their stewardship to be accountable in the collection, utilization and management of the public resources, so that together we can make a difference in the lives of the citizens.

Prof. Mussa Juma Assad
CONTROLLER AND AUDITOR GENERAL
28th March, 2016

EXECUTIVE SUMMARY

i. Introduction

This executive summary highlights major issues detailed in this report which need the attention of the Government, Parliament, Boards of Directors and respective Management of Public Authorities to ensure efficiency and effectiveness in their operations.

This report includes audit findings that were considered to hamper the performance of PA&oBs' drawn from individual audit reports. Generally, it includes issues which are considered significant to be brought to the public, relevant Authorities and Management of audited entities for their immediate action. The highlighted issues are as follows:

ii. Types and Trend of Audit Opinions

During the financial year ending 2014/15, 186 Public Authorities and other Bodies were subjected to my audit. However, I issued audit opinions to only 125 Public Authorities which includes 23 relating to the previous year. Management Letters of 158 PA&oBs' were finalized and discussed with respective managements. These Management Letters are included in this report. Out of the opinions issued to102 PA&oBs in financial year 2014/2015, three (3) were qualified and 99 were unqualified. Neither adverse nor disclaimer of opinions were issued to PA&oBs during this financial year.

iii. Summary of Outstanding Audit Recommendations

recommendations that were made, has noted 10 outstanding recommendations from previous years of which go as back as up to seven (7) years. These recommendations are found in chapter three (3) of this report.

The prior year recommendations included; a need to establish Public Investment Fund, UDOM Assets Management, Sales of UDA shares, abandoned Flow Meters at TPA, Ownership of Azania Bancorp Limited and PRIDE Tanzania and Privatization of Southern Paper Mills.

iv. Significant Audit Matters

There has been long outstanding container deposits amounting to TZS 536.19 million with shipping companies related to acquisition of medicines and overstocking of medical supplies worth TZS 17.19 billion at Medical Stores Department (MSD). Furthermore, TFDA did not inspect imported food products worth TZS 4.64 billion due to limited capacity. We noted failure to collect debts amounting to TZS 827.98 million for service levy fees by UCSAF. Significant delays were noted on construction of projects costing TZS 132.43 million by six (6) public entities.

Significant unpaid loans by ex-staff amounting TZS 827.98 million and using in-house mortgages instead of bank mortgages in the sale of Mtoni Kijichi Houses were noted at NSSF. Also, I have noted Non-Revenue Water to the tune of TZS 17.96 billion by three (3) Water Authorities and delays on construction of projects have been noted with six (6) entities.

Our audit of revenue at TPA revealed that, out of 1,253 vessels which docked at Dar es Salaam port during the year, 145 vessels were missing in the revenue system. Out of these vessels, management was able to provide explanation and supporting documentation for 60 vessels, leaving 85 vessels unsupported, thus raising doubts whether the related revenue from these missing vessels was collected. Without proper control, revenue from vessels could be misappropriated.

We also noted a variance of 1,742 cargo between records in TPA system against those recorded in TRA system. The difference may amount to revenue in respect of this cargo being misappropriated. There is a need for TPA and TRA to have regular reconciliation of their records to control any misappropriation of revenue.

Two (2) vessels were released by operational staff instead of Revenue - Marine section and one vessel was released by marine staff but no notification was sent to the Revenue department for billing. This may escalate risks of Loss of revenue at both TPA and TRA.

Sumbawanga Agricultural and Animals Feed Industry (SAAFI) was provided with a loan from TIB development bank (previous Tanzania Investment Bank) amounting to TZS 2.5 billion, which was still outstanding up to 31 December, 2014. Our further review of the Bank records indicated that M/s SAAFI as at the year end, had another outstanding balance with the Export Credit Guarantee Scheme (ECGS) of TZS 14.95 billion provided by the Government through TIB.

Lack of proper project planning, design and Management including lack of project risk assessment prior to granting of loan are considered to be some of the reasons for this poor performance of these loans. It is unlikely that TIB and the Government will recover these outstanding loans.

It is advised that loans should be given to borrowers after a thorough and detailed credit risk assessment including assessing the viability of the business for which the loan is being sought.

NSSF started a project to construct a satellite town in Arumeru District-Arusha through its joint venture company M/s Hifadhi Builders Ltd. This project was expected to cost USD 3,340,589,543 equivalent to TZS 7.2 trillion. On 21st January, 2016 both NSSF and AHEL signed an agreement to terminate implementation of this Project by mutual consent between M/s. AHEL and the Board of Trustees of NSSF.

The Joint Venture Company M/s Hifadhi Builders had taken over a turnkey contract from AHEL for project design and supervision at a contract price of USD 218,087,643 equivalent to TZS 468.9 billion. However, at the time the contract was terminated, a sum of TZS 43.9 billion (USD 20.1) had been paid which according to the contract, the amount was converted into a three year loan to M/s AHEL with an interest of 3 per cent per annum.

Entering into Projects without confirming the availability of funds to support the projects might lead to unnecessary costs and improper use of resources on the part of NSSF.

v. **Review of Strategic and Operational Efficiency of Public Entities**

My review of performance efficiency of public entities came up with the following main issues:

ATCL is in major financial distress due to deteriorating financial performance coupled with persistent losses over the past nine years. Management has not been able to devise any turnaround strategy for the Company.

The privatization of the then ATC to South African Airways did not bring any solution to the problems which were facing the Company, instead, it continued overburdening it through increased management costs through management fees by the South African Airways, high maintenance costs, high lease costs and other operating costs.

We noted several challenges in the operation of Tanzania Civil Aviation Authority (TCAA), where there were lack of proper governance and project management practice for ADSB project, together with inadequate capability within TCAA with respect to technology planning. This is signified by inability of the relevant personnel to cope with changes in technology. Non-replacement of the current radar system which uses obsolete technology whose supplier is no longer supporting the system, was regarded as a major risk facing the Authority.

At Tanzania Communication Regulatory Authority (TCRA), there was no any feasibility study carried out, no business case developed and no proper assessment of risks for the implementation of Telecommunication Traffic Monitoring System (TTMS). Also we noted lack of proper communication among project Key Stakeholders, this weakness has resulted into not including in the Bills of Quantities (BoQ) of the TTMS contract for some key modules responsible for revenue assurance ie. Airtime Revenue Monitoring System (ARMS).

EWURA had not prepared performance review report for Electricity and Natural Gas sectors. The Authority had not prepared an actions plan to address all challenges it is facing in implementing its annual work plan.

At TIC, we noted that, the Center had ineffective Monitoring and Evaluation System, lack of data Integration between TIC and TRA, Non Submission of Investor's Reports & Returns and lack of awareness by investors on activities of the Center.

RAHCO had four KPIs during the year 2012/13-2014/15, the set KPIs were partly implemented but we could not determine how the intended results will be measured, since the Company's KPIs were general statements that could not detail how the set objectives will be achieved. The Company faced several challenges in implementing its strategic plan which included failure by the concessionaire (TRL) to pay concession fees and other statutory obligations, Railway Infrastructure Fund (RIF) not being operational, capacity of RAHCO to take on-board other national initiatives and huge investments required in development of railway network. Deficiencies in setting of targets, and weak Key Performance Indicators may impair the ability of the Company to effectively achieve its set objectives.

We noted that, TPA failed to achieve most of its KPIs, our review revealed that, one of its dock yard is not operational as its facility are obsolete, deteriorated beyond economic repair and some of them were removed following the development of berths 13 & 14. We also noted an expenditure of TZS 1,327.14 million which was incurred in respect of repairing and maintenance of marine crafts that has been for a long time at Mombasa port.

We also noted inadequate Projects Implementation Earmarked in the Port Master Plan 2028, deficiencies in the Contract entered between TICTS AND TPA -lease Agreement to operate and manage the Container Terminal, Suspension of the Construction of Kisarawe Cargo Freight Station and deficiencies in Operationalization of Inland Container Depots and Car Freight Stations such that lack of control over ICDs/CFSs by TPA and absence of clear procedures and basis by which the cargo is allocated among ICDs and CFSs provide setbacks in the operationalization of the ICDs and CFSs.

At NDC we noted the following deficiencies; non-performance of Feasibility and Resource Assessment Studies for four projects by NDC, insufficient Projects financing which hinders NDC to acquire majority shareholding in various projects since no funds are always set aside specifically for investment hence private investors contribute more funds and become the majority shareholder and automatically control the formed joint venture companies.

There were remarkable underutilization of Kilimanjaro Tools Company (KMTC); the factory has been operating at a very low capacity thus failing to achieve the intended goals. The factory progress reports indicate a low production capacity whereby from July 2014 to November 2015 total revenue collected was TZS 77,198,032.22 which is less compared to a turnaround plan projected sum of TZS 500,000,000.

We further noted some deficiencies in the acquisition of shares of General Tyre (EA). Our review of the sale transactions for this Company revealed that, the agreed price for the acquisition was USD 1,000,000 which was supposed to be paid not later than 30th July, 2015 if no interest was to accrue. My review noted that to date, no such funds have been released by the Government.

At TANESCO we revealed that, the Company is yet to register any net profit and it has been incurring losses due to cost of production being higher compared to the selling price especially for electricity produced by Independent Power Producers (IPPs) and Emergency Power Producers (EPPs). It is in our view that, the losses are increasingly eating up the Company's capital which in turn increases liquidity risks of the Company and reduces the ability of the Company to effectively and efficiently carry out its operations, this also has a negative effect on the ability of the Company to borrow from the market.

vi. Post Privatization Monitoring and Evaluation

I have noted inadequate post divestiture monitoring of divested public entities such that:

Trade debtors amounting to TZS. 328 million under liquidated public enterprises (PEs) had not been included in the Ex-CHC accounts and that these debtors were handed to LART for further action after liquidators failed to recover the amount due to difficulties in tracing the debtors.

Proceeds of PEs under liquidation recorded in audited financial statements of the principal Ex-CHC do not correspond to the realisation amounts reflected in the statement of affairs of the PEs under liquidation.

I noted that, the Government through respective ministries spearheaded the privatisation process of Kiwira Coal Mine Limited and Kilimanjaro Hotel Limited contrary to the Ex-PSRC/CHC Act. Such action compromises the Government oversight role through Ex-PSRC/Ex- CHC mandates.

I noted that, there was lack of proper controls over rental income and tenant bills, where 3 unsold Ex-Mwanza RTC properties after divestiture of Ex-Mwanza RTC to MZARTC have currently been rented to various tenants without any lease agreements between Ex-CHC and MZARTC and that part of rental income proceeds is utilized to settle taxes and maintenance costs of the buildings.

Ex-CHC did not open and operate a special account for collections and banking of sale proceeds contrary to section 34(2) of the Public Corporation (Amendments) Act No. 16 of 1993.

As reported in my previous report, UDA's un-allotted shares were sold to Simon Group at TZS 1.14 billion. Simon Group paid only 24.9 percent of the agreed sale price (TZS 285 million) into UDA CRDB account 01J1021393700. There was no evidence for payment of the remaining 75.1 percent (TZS 858 million). UDA Chairman received TZS 320 million into his personal account for purported consultancy services from Simon Group Limited, the amount which is claimed by Simon Group to be part of payment of sale of UDA shares.

The Government through Treasury Registrar should make a close follow up of the Government stake in UDA to ensure that public interests are not forfeited.

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 an office established in accordance with Article 143 of the Constitution of the United Republic of Tanzania of 1977 (as amended from time to time). Sub article (5) of Article 143 of the Constitution of the URT and Section 34 of the Public Audit Act No. 11 of 2008 and Section 48 (3) of Public Procurement Act No.7 of 2011, require the CAG to audit all Public Authorities and other Bodies at least once in every financial year.

The Controller and Auditor General has the mandate to conduct financial, performance, forensic or any other audit of all PA&OBs as required by Sections 26, 27, 28 and 29 of the Public Audit Act No.11 of 2008. Section 12 of the same Act empowers the CAG 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; and
- Improving economy, efficiency and effectiveness in the use of public moneys.

Public Authorities and other Bodies prepare their financial statements under accrual basis of accounting which necessitates them to be IFRSs or IPSAS's compliant. The preparation and submission of PA&oBs financial statements for audit purposes is a legal requirement as per individual Public Authorities and other Bodies Acts, the Companies Act of 2002 and the Public Audit Act No. 11 of 2008.

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, state that the Treasury Registrar has the functions and responsibilities for oversight over Public Authorities and other Bodies in collaboration with the Board of Directors of the respective entities. They do so by closely monitoring, controlling and managing the PA&OBs effectively by the way of issuing oversight directives.

The CAG is required to submit his annual reports to the President of the URT by virtue of Article 143 (4) of the Constitution of the URT of 1977. Under Regulation 88 of the Public Audit Regulations, these reports are submitted to the President on 31st March each year. Upon receipt of such reports, the President shall direct the persons concerned to submit those reports within seven days of the first sitting of the National Assembly.

If the President does not take steps of submitting such reports to the National Assembly, then the CAG 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, or if for any reasons the Speaker is unable to perform the functions of his/her office) who shall submit the report to the National

Assembly. The CAG report regarding PA&OBs is primarily discussed by the Parliamentary Accounts Committee (PAC) on behalf of the Parliament and report to that effect to Parliament.

1.1 Scope and Applicable Audit Standards

1.1.1 Audit Scope and Objectives

The scope of my audits covered the evaluation of the effectiveness of financial accounting systems and internal controls over the activities, examination and verification of the accompanying financial statements, performance reports and other auditing procedures considered necessary in arriving at an audit conclusion. The audits were 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 the audits were made available to me.

The main objective of conducting the audit is to enable the CAG express an independent opinion on the fairness of the financial statements of the PA&OBs and whether they have been prepared, in all material respects in accordance with an accepted financial reporting framework. Particularly, the audits covered audited accounts of the periods ended, 30th September, 2014, 31st December, 2014 and 30th June, 2015.

1.1.2 Applicable Auditing Standards

The National Audit Office (NAOT) is a member of the International Organisation of Supreme Audit Institutions (INTOSAI) and the African Organisation of Supreme Audit Institutions of English speaking Countries (AFROSAI-E). Therefore, the applied audit procedures were in line with the

International Standards of Supreme Audit Institutions (ISSAI) issued by INTOSAI and International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

1.2 Responsibilities of the Board of Directors and Chief Executive Officers

The individual Boards of Directors and management of PA&oBs are responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting standards (IFRS) or International Public Sector Accounting Standards (IPSAS). This responsibility includes:

- Designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or errors;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

International Accounting Standards (IAS 1) and International Public Sector Accounting Standards (IPSAS 1) stipulate the types of financial statements to be prepared.

1.3 Organisation and Outsourcing of Audit Work

In order for my Office to effectively handle this task of auditing all the PA&OBs in the country, audits of some public entities have been contracted out to private audit firms. This is in line with Section 33 of the PAA, which 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 PA&oBs on his behalf.

The authorized auditors shall be bound by the provision of the law that they shall not disclose 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 CAG. The outsourced audits are subjected to the quality review process carried by NAOT.

CHAPTER TWO

TYPES AND TREND OF AUDIT OPINIONS

2.0 Introduction

According to International Standards on Auditing (ISA) 200, the objectives of conducting audit of financial statements is to enable an auditor to express an independent opinion as to whether the financial statements are prepared in all material respects in accordance with the applicable financial reporting framework. This is achieved by designing the audit in such a way that, it will enable the auditor to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or errors.

A total of 125 audit opinions were issued during this year including 102 relating to financial year 2014/2015 and 23 in respect of audits carried out for the financial 2013/14 whose matters had not been reported in the previous year's report.

Management Letters of 158 entities, including 23 relating to the financial year 2013/2014 out of 186 entities and their outcomes are included in this report.

Absence of Board of Directors to adopt the financial statements, and in one case improper override of Board mandate to meet that led to non-approval of Financial Statements; lack of funds to undertake audit assignments for PA&oBs who cannot afford to pay audit fees and change of basis of preparing financial accounts from International Financial Reporting Standards (IFRS) to International Public Sector Accounting Standards (IPSAS) in some of entities caused delays in completion of the remaining 51 audits.

Analysis of the audit opinion issued to the PA&oBs during the financial year 2014/2015 is shown in Appendix I.

2.1 Types of Audit Opinion Issued

2.1.1 Unmodified Opinion

An unmodified opinion is expressed when the auditor concludes that the financial statements of an audited entity give a true and fair view or are presented fairly in all material respects in accordance with the applicable financial reporting framework. In the year under review, 99 unmodified opinions were issued to PA&oBs in the financial year 2014/2015.

2.1.2 Modified Opinions

2.1.2.1 Qualified Opinion

A qualified opinion is issued when: (a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. During the year under review, 3 entities were issued with qualified opinion to PA&oBs.

2.1.2.2 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. During the year under review, no entity was issued with an adverse of opinion.

2.1.2.3 Disclaimer of Opinion

The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. During the year under review, no entity was issued with a disclaimer of opinion.

2.1.3 Emphasis of Matter Paragraphs in the Auditor's Report

If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph shall refer only to information presented or disclosed in the financial statements.

2.2 Trend of Audit Opinion

Analysis of trend of audit opinions issued to Public Authorities and other Bodies for the 4 consecutive years from 2011/2012 to 2014/2015 is as follows:

Table 1: Trend of Audit Opinion

Category of Opinion	Annual General Report			
Financial Year	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**
Unqualified	**85**	**92**	**115***	99
Qualified	**9**	**1**	**2**	3
Disclaimer	1	0	0	**0**
Adverse	0	0	0	**0**
Total	**95**	**93**	**117**	**102**

*including 23 reports which were not included in previous report.

CHAPTER THREE
SUMMARY OF OUTSTANDING RECOMMENDATIONS

3.0 Introduction

This chapter provides a summary of follow-ups of outstanding recommendations from the previous year's audit report which were either partly implemented or not implemented at the time of preparing this report.

3.1 Responses to Previous Year's Audit Report

I received the Government responses prepared by the Pay Master General (PMG) on the previous Annual General Report in June 2015. I appreciate the effort deployed by PMG in responding to my reports and providing action plan on implementation of these audit recommendations. My review of the responses has shown that most of the outstanding recommendations are in progress for implementation and therefore a great attention is required towards implementing these outstanding audit recommendations in order for Public Entities management to be accountable on the use of public resources.

I would like to reiterate my previous recommendations which have not fully been addressed or have partly been addressed by the Government, Parliament, Boards of Directors and Chief Executive Officers of the Public Entities as follows:

3.2 Outstanding Recommendations for the year 2008/2009

3.2.1 A Need to establish a Public Investment Fund

In Tanzania, most of the public entities face the problem of under capitalization which hinders them from meeting their operational objectives. The Government should establish a Public Investment Fund to overcome these challenges. I still urge the government to speed up the process of establishing the Public Investment Fund as promised.

3.2.2 PSPF Loan TZS.51.1 Billion to HESLB

PSPF loan of TZS 51.1 billion given to Higher Education Student's Loans Board (HESLB) has not been re-paid for more than nine (9) years. The Government should ensure that the outstanding loan both principal and interest is repaid to avoid any further costs in terms of interest and penalties.

3.3 Outstanding Recommendations for the Year 2010/2011

3.3.1 Lack of Agreement on Plot No. 2338 Mbezi Beach by NDC

National Development Corporation (NDC) does not have a rental agreement with the current tenant of the property, Messrs Avignon Education Foundation the owners of IMTU whose agreement with Consolidated Holdings Corporation (CHC) expired in August 2011. Vignan Education Foundation refused to accept the terms of the agreement drafted by NDC which inter alia contained a monthly rent of TZS.60 million determined by a professional valuer. NDC has taken this matter to Court. The Government formed a technical committee to review the matter whose outcome has been in vain. I reiterate my recommendation that NDC should make close follow up to ensure the matter is resolved.

3.3.2 Assets Management at UDOM

Social Security Funds (PPF, PSPF, LAPF, NSSF and NHIF) spent a sum of TZS 415.4 billion in the construction of some of the buildings at the University of Dodoma (UDOM), under contract terms of Design, Build, Own and Transfer after 10 years. The buildings are not in the books of the University of Dodoma. PMG's response that the buildings will be recorded in the books of account of UDOM has so far not been implemented by UDOM since 2013/14 due to several reasons. I reiterate my recommendation that transfer needs to be formally effected to facilitate recognition of the buildings in UDOM books of account.

3.4 Outstanding Recommendations for the year 2011/2012

3.4.1 Liquidity Problems at Tanzania Broadcasting Corporation

Tanzania Broadcasting Corporation (TBC) has consistently been reporting operating losses. I also noted that the Corporation is technically insolvent and largely depends on Government financing to meet its operational needs and obligations as and when they fall due. Management should devise a strategy to mobilize resources in order to sustain its operations.

3.4.2 Usafiri Dar es Salaam (UDA)

3.4.2.1 Sale of UDA Shares

UDA Board of Directors sold the un-allotted shares in UDA without Government approval. UDA was valued at TZS 744.79 per share in October 2009 and TZS 656.15 per share in November 2010. However, the Board of Directors of UDA gave a 60 percent discount on the value of the shares to the prospective investor (based on the October 2009 valuation) without any the prospective investor (based on the October 2009 valuation) without any clear basis. The PMG has responded that the Government does not recognize the whole process of selling the un-allotted shares in UDA.

However, the Government is in the process of selling its 49 percent shares in UDA and has prepared a draft Cabinet paper regarding the same. The response does not stipulate what will happen to the shares which were sold and action taken against the Board of Directors of UDA. This recommendation has not been implemented as there is no way an unjustifiable transaction can be blessed by the Cabinet of Ministers.

3.4.2.2 Confirmation of the Amount Paid by the Purchaser

The contract for share subscription dated 11th February, 2011 indicated that the investor (Buyer) was to pay a sum of TZS 1.14 billion consideration for the purchase of all un-allotted shares of UDA. The investor paid a sum of TZS 285 million into account 01J1021393700 at CRDB Bank belonging to UDA. There have been no further payments by the investor in respect of the purchase of UDA shares. The Chairman admitted receiving TZS 320 million in his personal account from the investor as 'consultancy fees' for the services he claimed to have provided to the investor which raises a serious conflict of interest. Since the sale of un-allotted shares of UDA is not recognised by the Government, the Government should seize control of UDA but also refund the part considered received by UDA.

3.5 Outstanding Recommendations for the year 2012/2013

3.5.1 Abandonment of Flow Meters at TPA

Tanzania Ports Authority (TPA) installed flow meters at Tanga and Dar es Salaam Ports purposely to control loss of revenue from oil consignments which enter the country. However, these flow meters were stopped by the Chief Executive Officer of Weights and Measures (WMA) claiming that they were not accurate. TPA had to go back to the manual system of measuring the volumes of fuel, i.e. dipping using a measuring stick which is subject to errors in terms of measurements, the situation which has impact on the accuracy of collection of taxes by TRA as well as TPA revenue.

I reiterate my recommendation that TPA has to use the flow meters to ensure that both TPA and TRA collect revenue and taxes respectively based on correct measurements of the fuel consignments.

3.5.2 Azania Bank Limited

Azania Bank Limited (formerly 1st Adili Bancorp Limited) is a bank established in 1995. The major shareholders of the bank are National Social Security Fund (NSSF) 36 percent, PPF Pensions Fund (PPF) 30 percent, Public Service Pension Fund (PSPF) 12 percent, LAPF Pensions Fund 14 percent, East Africa Development Bank Limited (EADB) 2.3 percent, Staff and other minority shareholders with 1.4 percent. The Pension Funds collectively own 91 percent of the paid up share capital of Azania Bank Limited.

This implies that the Pension Funds have a controlling interest over the operations of this bank. Since all the Pension Funds are owned by the government through the Treasury Registrar, then by virtue of this relationship, Azania Bank is indirectly owned by the Government through Pension Funds. Therefore Azania bank is supposed to be under the control of the Treasury Registrar and therefore required to submit its financial statements for audit pursuant to Article 143 of the Constitution of URT and Section 9(a) iii & iv of the Public Audit Act No. 11 of 2008.

3.5.3 Privatization of Southern Paper Mills (SPM)

Southern Paper Mills (SPM) was sold to Rai Group Ltd through privatization. The Assets Sale Agreement between Parastatal Sector Reform Commission (PSRC) and Rai Group stipulated that the agreed price of USD 26 million shall be paid in the following manner; USD 1 million on the date of signing the agreement, USD 3 million to be deposited in the escrow account and USD 22 million to be used by Purchaser to (i) invest in the Company in the first two years (USD 16.2 million) and (ii) USD 5.8 million in the third year.

It was further agreed that the amount deposited in the escrow account was to be withdrawn by the investor upon making a cumulative investment of USD. 22 million. Considering the fact that USD 3 million deposited in the escrow account is recoverable by the investor and USD 22 million will be withdrawn by the buyer and invested in SPM, this leaves only USD1 million to be the actual Asset Sales Price for SPM. We noted that no consideration for SPM assets has moved to the government since the proceeds of the sale were reinvested in SPM. The amount of USD 22 million injected in SPM as part of sales price should have been regarded as government investment in SPM.

The Treasury Registrar should carry out post privatization monitoring of the implementation of the provisions stipulated in the sale agreement as promised in the response by the Pay Master General.

3.5.4 Promotion of Rural Initiative and Development Enterprises (PRIDE Tanzania) Limited

PRIDE Tanzania was incorporated on 5^{tn} May, 1993 under Cap.212 as a company limited by guarantee. The main purpose of establishment of this entity was to provide credit to small and micro entrepreneurs in Tanzania. According to the Treasury Registrar's statement of government investments and public interest as at 30th June, 2008, all shares of PRIDE Tanzania were being owned by the Government of Tanzania.

We noted that, the Statement of Treasury Registrar for the year ended 30thJune, 2012 omitted PRIDE Tanzania from the list of public entities being overseen by the Treasury Registrar. The justification for removal from the list of government investments and interests could not be ascertained. Furthermore, pursuant to Section 31 of the Public Audit Act No.11 of 2008, any public authority or body shall submit its financial statements to the Controller and Audit General within three months after the end of the financial year to which it relates. PRIDE Tanzania has never submitted its financial statements for audit as required by the law.

Despite government response that the company ceased the arrangement of getting funding from the Government of the Kingdom of Norway and Tanzania in 2005, it has not been made clear how the shares of the company were transferred to private owners. I reiterate my recommendation that, Treasury Registrar should make close follow up on the shares previously held by the Government in PRIDE Tanzania to establish its legality and transfer modalities from Government to a privately owned company.

CHAPTER FOUR
SIGNIFICANT AUDIT MATTERS

4.0 Introduction

This chapter highlights the most significant audit observations noted during the audit of Public Authorities and other Bodies (PA&oBs) together with their recommendations. The matters have been divided into two, those noted from individual entities and those which cut across a number of entities. Other significant matters have been explained in Chapter Seven.

4.1 Tanzania Telecommunications Company Limited (TTCL)

4.1.1 Decline in Financial Performance

The Company has consistently been making losses such that, accumulated losses had reached TZS 360,847 million in year 2014 (2013: TZS 334, 480 million) which indicates inability for the company to rejuvenate in the near future. The losses are attributed to limited network coverage, lack of updated technology, ineffective market distribution channel and inadequate funds for business expansion as compared to other mobile companies.

The company also has an outstanding dividend payable amounting to TZS 503.1 million which originates from dividends of TZS 1 billion declared by the Board of Directors in year 1999 of which only TZS 469.9 million out of TZS 1 billion has been paid.

Management should develop a strategy to rescue the Company noted losses trend. Management is also advised to prepare a memorandum paper to the Board requesting the Board to recall their decision and approve reversal of long outstanding dividends in the books of account.

4.2 Medical Stores Department (MSD)

4.2.1 Overstocking of Medical Supplies and Prolonged Stock in Transit

Medical Stores Department has kept Gauze absorbent BPC stock in excess of annual demand despite the fact that there is scarcity of funds for acquiring essential medicines. The total value of this stock is TZS 17.19 billion, representing 19 percent of the total stock held by Medical Stores Department at the end of year 2013/2014. There is no rationale established for the purchase of these materials which are in excess of annual demand. Also, stock worth TZS 295.95 million were in transit for 10 to 341 days indicating ineffective controls over stock in transit.

I advise MSD to efficiently and optimally use the available scarce resources to ensure goals are met and to make a thorough investigation of the in-transit stock log.

4.2.2 Long Outstanding Container Deposits Money not Recovered

Medical Stores Department makes deposits to Shipping Lines for their containers and get refunded when the containers have been returned. As at 30th June, 2015, TZS 536.19 million was outstanding in respect of these deposits of which 67 percent has been overdue for more than one year. Also, there was no evidence for all the containers that are still held by

Medical Stores Department. That being the case, it was difficult to establish receipt date, due date of return, deposit value, status or location of the containers. Without proper tracking information for container deposits, it is difficult to establish which part of the deposit would not be recovered due to lapse of contractual time for returning these containers.

Management is advised to properly manage container movements to avoid loss of the deposited funds.

4.3 Tanzania Food and Drugs Authority (TFDA)

4.3.1 Un-Inspected Consignments of Food Products of TZS 4.64 billion

Food consignments worth USD 2.3 Million (at an average BOT exchange rate of TZS 2,020.35; equivalent to TZS 4.64 billion) was imported into the country in year 2014/2015 without being inspected. This was highly contributed by the products sneaking into the domestic market without verification of quality and safety of the products through unauthorized entry points and manpower shortage to be deployed full time at all entry points including ports, borders and ICDs. The Government is advised to permit TFDA to recruit more inspectors so as to cope with increasing number of consignments at various entry points including strengthening of the inspections along the authorised distribution channels.

4.4 Public Service Pension Fund (PSPF)

4.4.1 Increase in Actuarial Deficit and Non-Payment of Loan from Government

The Fund actuarial report of June,2014 revealed that, the Fund has an actuarial deficit of TZS 11.15 trillion (2014: TZS 6.49 trillion based on actuarial valuation carried out in 2010).The deficit is primarily a result of delays from the Government to fund benefit liabilities relating to members who existed before the Fund was established on 1 July 1999. Also, the Fund has outstanding loans receivable from Government-related entities with a total balance of TZS 499.7 billion as at 30 June 2015 (2014: TZS 382.9 billon). The tendency of late repayment of these loans have a substantial impact on the liquidity of the Fund which will ultimately affect its operations and ability to meet short and long term obligations including payment of retirement benefits to retiring members.

The Government is advised to support PSPF by paying the outstanding balance preferably by issuance of Treasury Bonds. This will enhance the Fund's ability to meet its maturing obligations including benefits to its retiring members. Also, Government related entities are advised to prioritize repayments of their debts borrowed from PSPF to rescue the Fund from the threat of insolvency.

4.5 LAPF Pensions Fund

4.5.1 Risks on the Recoverability of Loans issued to Government

Outstanding debt acknowledged by MOF in respect of loans issued to Hombolo and the University of Dodoma is only of TZS 84.3 billion out of TZS 96.92 billion which is in the Fund's accounting records. The difference of TZS 12.66 Billion has not been recognised by the Ministry. Other loans issued to the Government through Pension Property Limited (PPL) Bunge loan and Nelson Mandela were not reconciled with MOF hence non repayment which accrued to TZS 10.41 billion.

Management is advised to continue its efforts in following up with the Government to ensure that the full outstanding amount of the loan (principal and accrued interest) is paid. Also, management has to ensure the reconciliation is performed in respect of the difference of TZS 12.66 billion which was not recognised by the Government through providing all the necessary evidence to MoF for recognition.

4.5.2 Significant Delays in Recoverability of Treasury Backed-Purchase Receivables

The Government committed to inject TZS 107 billion to enable all Fund members existing at the time of conversion from a Provident Fund to a Pension Fund to enjoy pension benefits. The Government agreed to pay this amount over a period of 10 years ending 30th June, 2017. Furthermore, in July 2010 the Government agreed to pay interest at a rate 11.08 percent per annum on the outstanding balance. During the financial year 2014/2015, there has been no significant movement on the outstanding balance for the past five years as still there is an outstanding balance of TZS 75.21 billion.

The Fund should negotiate with the Government to ensure that the outstanding amount is included in the value of the bond that the government intends to issue or else to commit itself by settling the full outstanding amount through its annual budgets.

4.6 Universal Communication Services Access Fund (UCSAF)

4.6.1 Inefficiency in Debt Collection

A debt of TZS 2.4 billion has been outstanding for more than one year from 15 private companies. Moreover, UCSAF has not imposed interest and penalty on late payments as required by UCSAF Act. According to the re-calculation made basing on UCSAF Act, the Fund was supposed to impose interest and earn TZS 3.52 billion for delays of more than 6 months in paying the outstanding debt. This has not been done, indicating a possibility of the Fund losing these amounts.

UCSAF is advised to assess all those long overdue specific service levy fees receivables from licensed operations to ensure its future recovery plan is in full. In addition, I suggest interest and penalty for late payments to be imposed retrospectively on these debts.

4.7 Institute of Finance Management (IFM)

4.7.1 Inefficiency in Collection of Student Debts TZS 4.33 billion

The Institute had a total balance of TZS 4.33 billion of accounts receivable owed by students with the category of discontinued, absconded and dues from HESLB. This has been accruing for more than three years and there are no enough efforts being made by the Institute to recover these debts. Most of the students listed as debtors, are no longer with the Institute hence there is low chance of these debts being recovered. In future, management is advised to devise effective controls on recovering students' debts. With respect to the current receivables whose amounts are considered to be irrecoverable, the Institute has to seek permission from the Governing Council to write off the irrecoverable amounts.

4.7.2 Overpayment of Salaries- TZS 206 million

For a period of 9 months starting Feb, 2014 to October 2014, the Treasury released TZS 7.07 billion to the Institute in respect of salaries instead of TZS 6.87 billion, implying that the Treasury overpaid IFM by TZS 206 million and no refund of the same has been made by IFM to the Treasury. The excess funds received from the Treasury might be used on unplanned activities.

Management of IFM should reconcile its payroll on a monthly basis against payroll received from the Treasury and communicate any discrepancies noted to the Treasury. Further, management of IFM should refund the excess money to the Treasury or justify its expenditure.

4.8 National Housing Corporation (NHC)

4.8.1 Conceptualisation and Analysis of Projects

Kibada affordable houses pilot project was undertaken without conducting a thorough and detailed market analysis that had a focus on the needs of the target market so as to be able to build a sound business case that incorporated all preferred services by the community to be served by the project. The insufficient project planning resulted in shops, dispensaries, building pavements and street lights that were not part of the initial project concept being added at a later stage of the project execution. The decision to add non thought amenities had an effect of pushing up the costs that made the project a non-profitable venture.

Total actual project cost was TZS 9.46 billion while the projected cost used as a yardstick to determine selling prices was TZS 7.08 billion which is a 34 percent increase in project cost that eroded the profit margin by 15 percent.

Failure to conduct a detailed target market analysis may result in the Corporation incurring unbudgeted costs that could affect the project's profitability since prices might not be elastic to reach the levels that would allow the Corporation to earn expected profits. Management is advised to conduct a detailed market analysis before investing in any project in order to achieve their objective of earning at least 20 percent return on investment as required by NHC investment policy.

4.8.2 Unrecoverable Amount on Sale of Small Houses-TZS 464 Million

Our audit noted a receivable balance of TZS 464 million from sale of small houses that has been outstanding for more than 24 months without being recovered. I have further noted that, there is no follow-up that has been made by Management.

To ensure these funds are recovered, Management is advised to increase efforts towards collection of these outstanding receivables to enhance the liquidity of the Corporation. Management is further advised to consider repossessing the houses from those who have not been able to repay their loans according to the agreements.

4.9 Ngorongoro Conservation Area Authority (NCAA)

4.9.1 Disputed Receivable Balance from Exim Bank

Exim Bank owes NCAA USD 741,910 equivalent to TZS 1.6152 billion. These debts were a result of a fraud perpetrated by EXIM bank employees in the financial year 2012/2013. The bank agreed to settle only USD 333,960 plus interest of 2.5 percent which is USD 8,349 out of the total amount claiming that the remaining balance (USD 404,950 and TZS 11.52 million) was not verified by the Bank's investigator. Further, the bank managed to pay USD 331,070 on 17th December, 2015 instead of USD 333,960 it had accepted to pay hence an underpayment by USD 2,890. The recoverability of the remaining balance is still questionable. Management of NCAA is advised to intensify follow up efforts to ensure the bank pays the remaining amounts, failure of which, legal action should be instituted against EXIM Bank.

4.9.2 Possibility of Loss of Revenue from Concession Fees

Hotels, lodges and campsites pay the Authority concession fees for operating within Ngorongoro Conservation Area Authority. There are two methods of charging the concession fees i.e. 10 percent of the half board per person or using an agreed fixed rate.

Examination of NCAA records revealed that the Authority had been receiving concession rates of 10 percent ranging from USD 5.66 to USD 13.11 per person from hotels whereas the facilities with Esirwa and Masek Tented Camps paid fixed rates of USD 25.00 per person per day.

During our review we learnt that, records of guests who have slept in the park are kept and declared by hotels, lodges and campsites owners and that NCAA has no any procedure to establish their accuracy, thus, it has to rely on the declarations made by those hotels. Under this situation, there is a potential possibility of loss of revenue due to inability of NCAA management to ascertain the accuracy and completeness of the records by the hotels.

We could not establish accuracy of all these transactions as NCAA has no any records of guests slept in the hotels operating within the conservation area.

Management of NCAA is advised to devise a mechanism of establishing accuracy of records of guests slept in the hotels declared by the hotels and preferably to apply a fixed rate method for imposing the concession fees.

4.10 National Ranching Corporation

4.10.1 Breach of Lease Agreement

NARCO entered into contract with M/s. Agri Vision Global Limited for development of Mabale, Kagoma and Kikulula ranches. The investor was required to build a processing facility (abattoir) at Mabale Ranch. However, the abattoir was not built at all. As a result, NARCO earns USD 72,881 while it could earn USD 996,000 as provided in the first year business plan if the facility was built. Management of NARCO has to ensure that all the provisions of the agreement with respect to construction of the processing facility are complied with as per the signed contract so as to enable the Company to generate the planned income of USD 996,000. In case the Company does not agree with the terms of the contract, NARCO has to revoke the contract due to such breach of contract by the investor which has adverse financial effects to it.

4.11 Tanzania Meat Board

4.11.1 Performance of Tanzania Meat Board

Section 25 of the Meat Industry Act of 2006 provides that one of the functions of the Board is to support various meat development activities including extension services, research, training, information, development and promotion of meat and meat products, consumption as well as export. Despite the fact that the Government has been working hard to reduce the importation of meat and support its exportation, still the importation of meat exceeded exports by 891 tons during the period under review. TMB attributed the increase to the closure of two abattoirs and a fall in production quality. TMB is advised to examine the country's meat export capacity and opportunity and formulate policies that will lead to sustained export levels of meat and reduce importation to enhance domestic meat production for the country's economic development.

4.12 Dar es Salaam Maritime Institute (DMI)

4.12.1 Risk of Tanzania to Lose its White List Status from IMO

Tanzania is a member of International Maritime Organisation (IMO), thus included in the members of White List Status. A country is included in that list status if its membership is active in terms of meeting the conditions of IMO. The pre-requisite of IMO is that a member must meet standards in terms of Maritime education, training and certification as required by standards of training and watch keeping 1978 as amended in 2010 Manila Philippines and such a member shall be subjected to IMO regular review.

During the year under review, DMI was reviewed by SUMATRA on behalf of IMO and 25 recommendations were raised. Out of the 25 recommendations, 2 recommendations (8 percent) were implemented and 23 recommendations (92 percent) have not been implemented by DMI hence posing a risk of losing its White List Status. Losing the status will lead to all certificates of seafarers issued by Tanzania (SUMATRA) to cease to be recognized internationally and DMI will close major parts of its core functions. I advise Management to implement IMO recommendations to avoid losing the White List Status.

4.13 Mwanza Urban Water and Sanitation Authority (MWAUWASA)

4.13.1 Management of Construction Project

MWAUWASA awarded a tender relating to Phase II construction of headquarters to M/S DF Mistry (1974) Limited. The project had a total cost of TZS 2.44 billion VAT inclusive. It was discovered that TZS 425.47 million was paid to the contractor for interim certificates 1 and 3 without the respective certificates being certified by the Consultant. A tender for Phase III was awarded to the same Contractor despite the fact that the Contractor had not completed Phase II of the construction. Phase III project had a total cost of TZS 960 million made of TZS 650 million and TZS 310 million awarded to the same Contractor and Consultant respectively.

Further, the cost for Phase III project was not in the annual procurement plan contrary to the requirements of the Public Procurement Act S.49 and its related Regulation No. 69 and that there was no fiscal invoice for TZS 605.47 million paid for the project. The decisions of management are contrary to cash management practices and led to diverting Authority's resources and hindered Government's efforts to collect taxes. Management is advised to maintain compliance with laws and regulations relating to procurement, taxes and best cash management practices. Further, investigation should be carried out by the Board to identify any abuse of power by Management in awarding these contracts to the same contractor.

4.14 National Social Security Fund (NSSF) - 2013/14

4.14.1 Weakness to Manage Mtoni Kijichi House Mortgages

National Social Security Fund is developing a housing project at Mtoni Kijichi worth TZS 158.50 billion which was initially planned to be sold on bank mortgages and later changed to in-house mortgage. Under in-house mortgage, the customer is required to make repayments in less than fifteen (15) years. However, it has been noted that, there is no software for tracking cost of these houses, the related data is managed through an Excel spreadsheet.

The incidence exposes the entity to data loss and disputes with its customers and borrowers which create high probability of the Fund losing in case clients go for court arbitration. Management should critically check on the risk that the Fund is facing and take appropriate measures to avoid the possible risk of losing data and its consequences.

4.14.2 Joint Venture for Development of Kigamboni Satellite City

NSSF entered into a Joint Venture with M/s Azimio Housing Estates to form a Special Purpose Vehicle Company, M/s Hifadhi Builders Limited. Under the contract, M/s Azimio Housing Estates would be responsible to develop 20,000 acres of land situated at Kigamboni of which the First Phase covers 300 acres.

In this Joint Venture, NSSF holds 45 percent while M/s Azimio Housing Estates holds 55 percent shares. The total estimated cost of the project was USD 653.44 million and the terms of capital sharing is that, NSSF will fund 45 percent of total project cost and M/s Azimio Housing Estates will fund 35 percent cash plus the value of land which will be regarded as 20 percent.

A review of title deeds submitted indicated that M/s Azimio Housing Estates owns two plots with title deeds number 81828 and 105091 for lands which are both located at Rasi Dege measuring 1.98 and 114.11 hectares respectively which were transferred to Hifadhi Builders by M/s Azimio Housing Estates for the First Phase of the project. Using a standard conversion rate of 2.47 acres per hectare, the two tittle deeds give a total of 286.74 acres which is 13.26 acres below the total land required for the First Phase of 300 acres.

I have not been availed with title deeds for M/s Azimio Housing Estates contribution which made it difficult to substantiate existence of the plots. In the absence of title deeds, ownership of 19,700 acres being 20 percent contribution by M/s Azimio Housing Estates cannot be substantiated, therefore NSSF money might be subjected to risk of loss.

Management is advised to communicate with the Ministry of Land to establish the legal ownership of 19,700 acres of land by M/s Azimio Housing Estates in the project area. Title deeds for the remaining 13.26 acres should be availed.

4.14.3 Weakness on the Financial Data Management System

Review of Accounting System of NSSF noted that, the Fund has ERP in place for Financial Management System. However, the system lacks the Financial Accounting Module for financial information recording and accounting. Due to lack of this Module, the Fund is using a spreadsheet for that purpose.

I am of the view that, using spreadsheet renders financial data vulnerable to errors or loss and thus the integrity of the financial information generated through the system may not be reliable. NSSF is advised to acquire and install an effective and reliable Financial Accounting Module to cater for its financial reporting purposes.

4.14.4 Loan Due to the Government TZS 723.22 billion

National Social Security Fund has been issuing loans to the Government to finance various projects. However, the Government does not pay back the loans to NSSF resulting in accumulation of interest and penalties up to 39 percent of the loan balance of TZS 723.22 million as at 30th June, 2014. In the meeting held on 20th October, 2014, it was agreed to convert the loans amount into Treasury Bonds by 14th November, 2014, but there is no implementation to that effect to date.

Non repayment of these loans affects the cash flow of NSSF and therefore, bringing about uncertainty on completion of its projects. Management is advised to review the current lending and recovery strategies such as suspension of new loans and make follow up to Ministry of Finance on the loan conversion.

4.14.5 Unpaid Loans by Ex-National Social Security Fund Staff

NSSF has internal arrangement to provide loans to its employees. Review of Loans amounting to TZS 827.98 million are still outstanding from staff who quitted employment with NSSF. Management of NSSF has managed to trace the current employers of the said ex-employees but has not recovered the amounts from these employers to date. The situation has been caused by inadequate loan monitoring procedures which resulted into non-recovery of loans and thereby loss of Fund resources. Management is advised to use rigorous approaches to ensure efficient collection of the outstanding staff loans.

4.15 National Social Security Fund (NSSF) - 2014/15

4.15.1 Implementation of a Joint Venture Agreement Between NSSF and Azimio Housing Estate Limited (AHEL) at Arumeru Satelite City Project

As noted in the previous year, NSSF during the year under review started another project to construct a satellite Town in Arumeru District-Arusha through its joint venture company M/s Hifadhi Builders Ltd.

According to Article 5 of the agreement, both parties mutually agreed to provide investment capital in the form of equity to the tune of USD 3,340,589,543 (TZS 7.2 Trillion) and technical advisory services for establishment of the said satellite town, of which 20 percent (equivalent to USD 668,117,908.60) has been allocated as value of land, which Azimio Housing agreed to provide 500 acres on which the project was to be developed.

During our audit I noted that, the Fund received a feasibility study from M/s Azimio Housing Estate Ltd for the proposed construction of the project through a letter dated 16th May, 2013 with reference No. AZIMIO/NSSF/ARUMERU/13/5 by which the Board of Directors approved the incorporation into the joint venture, pieces of land in Lindi, Mtwara, Mwanza and Arusha regions to be provided by AHEL for investment opportunities of the same nature.

Consultancy fee for project design was USD 218,087,643 (TZS 468.9 billion) of which TZS 2.4 billion was budgeted for the planning phase. However, the amount was increased to TZS 102 billion without Board approval. The actual consultancy fee which had been paid as at year end was USD 20.1 Million (TZS 43.9 billion) out of the revised USD 102 billion.

On 21st January, 2016 both NSSF and AHEL signed an agreement to terminate implementation of this Project by mutual consent between M/s. AHEL and the Board of Trustees of NSSF.

Management of NSSF cited the non-repayment of loans by the Government as the main reason for the termination of the project. As stated in the termination agreement, the TZS 43.9 billion paid by NSSF as part payment in respect of consultancy fees shall be converted into a loan to be recovered from Azimio's portion of the sales proceeds of houses at the Hifadhi Builder's Dege Project within three years at an interest rate of 3 percent per annum.

Entering into Projects without confirming the availability of funds to support the projects might lead to unnecessary costs and improper use of resources on the part of NSSF. Management should ensure that there is adequate funding to support planned projects before entering into any contract and ensure that USD 20.1 (TZS 43.9 billion) is recovered within the agreed time taking into account the time value of money.

4.15.2 Payment by NSSF in Excess of the Agreed Proportion USD 9.01 million

During the year under review we noted that to date NSSF has invested an amount of TZS 205.14 billion (Approximately USD 123 million). AHEL has contributed additional USD 5.5 million towards the project. The agreement between the parties is that, NSSF should invest in the project till when their investments equal the value of land, and then both parties will continue to invest proportionately. This means NSSF has contributed by USD 9.01 million more than what they were expected to contribute so as to be in line with the agreed terms of the JV agreement.

Inadequate monitoring procedures of contribution by each party in the Joint venture arrangement could lead to one part contributing more than the other party while the other party continues to enjoy the agreed sharing proportion during sale of houses.

Management is advised to ensure that there is regular review of parties' contribution towards the project and the agreed sharing of proportions are adhered to.

4.15.3 Disbursement of Loans above 50 percent of SACCOS Assets

Review of investment in loans revealed that, NSSF issued loans to nine SACCOS over and above 50 percent of their assets contrary to the requirement of NSSF lending policy. Further, preliminary reviews of the loan application had shown that, the SACCOS were ineligible for the amount they applied for. However, this advice was ignored by management and the application loan forms were approved. Ineffective loan processing procedures exposes NSSF to credit risk i.e a risk of non-recoverability of the loans. Management is advised to ensure compliance with guidelines and policies approved by the Board with respect to lending to SACCOSS. The analysis of these SACCOS is as depicted in the following table:-

Table 2: Disbursement of Loans above 50% of SACCOS Assets

S/N	SACCOSS NAME	50% OF ASSETS (TZS)	AMOUNT DISBURSED (TZS)	EXCESS DISBURSED (TZS)	% OF EXCESS
1	Bumbuli Development Corporation	51,043,808	1,000,000,000	948,956,192	1859%
2	Korongo Amcos Saccos	18,369,360	500,000,000	481,630,640	2621.92%
3	UMMA Saccos	6,531,000	70,000,000	63,469,000	972%
4	SBC Saccos Ltd	115,229,745	500,000,000	384,770,255	334%
5	Hekima Saccos	32,117,967	71,900,000	39,782,033	124%
6	Ukombozi Saccos Ltd	302,902,754	440,000,000	137,097,246	45%
7	Uzinza Saccos Ltd	80,943,104	150,000,000	69,056,896	85%
8	Harbour Saccos	193,000,000	200,000,000	7,000,000	4%
9	Umoja Saccos	247,651,403	300,000,000	52,348,597	21%

4.16 Tanzania Cotton Board (TCB)

4.16.1 Unattained Five Years Targets 2011 - 2015

Tanzania Cotton Board set targets in its five year strategic plan, 2011- 2015. These targets aimed at raising cotton yields from 750 kg per hectare to 1000 kg per hectare by 2015. However, the yields had remained 750kg per hectare in the consecutive five years. Also TCB planned to increase the national cotton output from the current 700,000 to 1,500,000 bales by 2015, but for the past five years, national output has been less than 700,000 bales and only 282,809 bales were produced in 2015. Further, TCB had to improve market system through value addition on the products and encouraging local and foreign investors to invest in textiles industry in Tanzania.

However, this has not entirely been achieved. TCB is advised to review its strategic plan and intensify efforts to bridge all the gaps and constraints which led to failure to achieve the planned targets in within the envisaged period of the Strategic Plan.

4.17 Watumishi Housing Company

4.17.1 Implementations of Key Policies Delayed by Government-WHC

Sections 9.0 of a Concept Paper of the scheme of WHC stipulates policy measures to address the demand and supply side of the constructed houses so as to make them affordable to public servants. However, the key policies had not yet been enforced by the Government, including:- exemptions of VAT on selling newly constructed houses, provision of land at free cost where possible by Local Government Authorities, Provision of utilities and infrastructures in the planned house scheme by utility agencies and local Government Authorities (this adds about 20 percent of the cost for construction) and lastly provision of tax incentives to public servants with mortgage loans by allowing a deduction of mortgage installment prior to the calculation of PAYE.

Implementations of these policies will make the value of the constructed houses to be affordable to public servants. That Government is advised to timely enforce key policy measures proposed to address the demand and supply side of the constructed houses so as to make houses being constructed by Watumishi Housing Company affordable to public servants.

4.17.2 Delays in Implementation of Planned Activities

Watumishi Housing Company had a target to construct 2,500 houses by June, 2015. However, no single house was completed by June 2015 due to delays of procurement processes. This delay has hindered attainment of the core objective of the company of enabling public servants to own affordable quality homes under mortgage arrangement through sound property development.

Management is advised to take appropriate measures in ensuring the planned activities are timely implemented to facilitate attainment of the Company's strategic goals.

4.18 Muhimbili National Hospital (MNH)

4.18.1 Long Outstanding Stock in Transit TZS 2.03 billion

We noted stock worth TZS 2.03 billion which has been shown as in transit from Medical Stores Department since May 2012.The respective stock has been captured from 23 invoices from Medical Stores Department. The situation is abnormal as it is not expected for stock to last more than one week considering the fact that Medical Stores Department and Muhimbili National Hospital are both in Dar es Salaam. The situation indicates a possibility that the consignments were lost without being noticed by Management. Management is advised to investigate the matter to establish whether the consignments are really still in transit or not.

4.19 Tanzania Civil Aviation Authority (TCAA)

4.19.1 Supplier Insolvency and Uncertainty Pertaining Completion of Projects Worth TZS 7.10 Billion

TCAA had three contracts with COMSOFT Gmbh worth TZS 7.10 billion for three tenders in respect of Billing System, ADSB Phase 1 and ADSB Phase 2, whereby two contracts were signed and one contract was yet to be signed subject to conclusion of the negotiation. The following anomalies have been noted.

The supplier declared itself bankrupt and the project by the name of ADS-B Phase 1 expected to be completed in October 2013 by the same supplier was not completed up to November 2015. Also, billing system was expected to be completed in September 2015 but in November 2015 it was still on the design stage. The cost for the ADS-B Phase 1 and AMHS as approved in the procurement plan was TZS 1.02 billion (€ 422,525) but the contract was signed at the value of TZS 3.81 billion (€ 1,580,000) without Board approval.

Also, ADS-B sensor erected did not have internet connection. Bid document submitted by COMSOFT GmbH omitted some components i.e One Local Control and Monitoring System –LCMS laptop PC at each ADS-B ground station and Display to cover eight control position). For unknown reasons the evaluation team did not pick these omissions, had the evaluation team picked them, COMSOFT GmbH would not have won the tender. On signing the contract, three (3) components were agreed contrary to five (5) found on the draft contract.

There is likelihood that the projects implemented by Comsoft GmbH will not be completed at all. Based on the shortcomings noted in the contract, even if the administrator or new buyer of Comsoft GmbH delivers as per the existing contract, users of ADS-B would not be in the position to use the facility at the optimal level due to the missing components noted above.

Management is advised to carry out a new detailed Company search on the current financial and operational capacity of Comsoft GmbH. This may need to involve Tanzania Embassy in Germany for reliable information. Also, management may consider to demand a bank guarantee from Comsoft. Further, management should consider how to manage and be compensated from delays and extensions caused by the supplier. Furthermore, the Government is advised to intervene in investing in Air Traffic Control Equipment and Systems. We also advise, going forward, as much as practically possible to deal directly with manufacturers for supply and installation of such Surveillance Systems.

4.20 Tanzania Ports Authority (TPA)

4.20.1 Missing Vessels in The Authority's Accounting Records

Our audit of revenue revealed that out of 1,253 vessels docked at the Dar es Salaam during the year, 145 vessels were missing in the revenue system. Out of these vessels, management was able to provide explanation and supporting documentation for 60 vessels. There was no supporting documentation to support the remaining 85 vessels which were missing from the revenue system.

There is a risk that revenue from the vessels could be misappropriated. Management should perform a thorough investigation of the whereabouts of these vessels. Further review of all unsupported missing vessels should be carried out and ascertain if respective revenue was earned and recorded.

4.20.2 Variances in Cargo Recorded in the Authority's Systems Against those in TRA's Systems for the Month of December 2014

Our review of cargo received in December 2014 revealed various variances between total cargo recorded in TANCIS and CMS systems as indicated in the table below:

Table 3: Variances in Goods recorder in the TPA systems against TRA systems

Total Vessels - 89	Cargo in CMS	Cargo in TANCIS	Cargo in TICTS	Difference
	(Units)	(Units)	(Units)	(Units)
Cargo in 56 Vessels that appear in both TRA and TPA	22,252	22,395	-	-143
Cargo in 15 Vessels with no goods appear in both TRA and TPA	-	-	-	-
Cargo in 12 Vessels that appear in CMS, TICTS and TANCIS	4726**	5,557	5,868	311
Cargo in 2 Vessels that appear in TANCIS and TICTS only	-	91	74	17
Cargo in 4 Vessels that appear in CMS and not in TANCIS	1,557	-	-	1,557
Total	**23,809**	**28,043**	**5,942**	**1742**

**These cargo items were reported in the TICTS column as were handled by TICTS but later transfer to ICDs'. The above differences mean that revenue may have not been properly recorded as indicated below:

- 143 cargo items mean fewer goods were recorded at CMS system than cargo discharged from TANCIS. This implies TPA had not accounted revenue for these cargo;
- 311 cargo items mean more cargo were recorded in TICTS system than cargo discharged at TRA. This implies TRA has not accounted for charges for these cargo items;
- 17 cargo items mean fewer goods recorded at TICTS system than cargo discharged at TANCIS. This implies TPA has not accounted revenue for these cargo items;
- 1,557 cargo items mean TPA has accounted for these cargo items but TRA has not. This implies TRA have not accounted for charges for these cargo items; and
- 15 vessels mean TPA and TRA may have not accounted for revenue on cargo items carried by those vessels.

There is a risk that revenue from the vessels could have been misappropriated. Management should perform a thorough review of cargo received in both systems to ensure the revenue recorded is complete. Management needs to establish proper supervision of goods that arrive at the Port to ensure services rendered by the Authority are accurately recorded and billed. Improvements in this process include the following:

i. The tallying process should be automated and the tablets provided should be effectively used;

ii. TANCIS and CMS should be immediately updated based on the tally records.

iii. A reconciliation should be performed between the tally records, CMS and TANCIS regularly. This will ensure that the number of goods handled is accurately reflected in all systems.

iv. Being a high risk process, internal audit should regularly review controls around this process in order to minimise the number of exceptions.

4.20.3 Controls on Receiving Goods at the Port are not Effective

To ensure completeness of accounting for revenue, goods received at the Port are counted by the Tally Unit in Operations Department and the count results are documented in tally sheets. Through this process, records of over landed/short landed goods are compiled. There is, however, no reconciliation between tally sheets and the Authority's revenue system, CMS. As a result we identified a large number of goods that were in tally sheets but not in CMS. See details in appendix II.

We understand that the tally unit is provided with tablets which are linked to CMS for tallying purposes. However, these tablets are not consistently used. The Authority may not be able to track the movement of goods received and serviced at the Port which may results in loss of revenue.

4.20.4 Weakness in Control Relating to the Release of Vessels at Dar es Salaam Port

We noted in September and October 2014 two vessels were released by operation staff instead of Revenue - Marine section and one vessel was released by marine staff but no notification was sent to the Revenue Department for billing. TPA procedures require that a vessel should only be released by Revenue Marine Section after notification to the billing section. These vessels were also missing in TANCIS records at TRA. The following are details of the vessels: inefficiencies

Call ID	Vessel Name	Arrival date	Time	Departure date	Time
5566	MORNING CORNET	10-Sep-14	14:41	10-Oct-14	18:00

Call ID	Vessel Name	Arrival date	Time	Departure date	Time
5480	UPO SCORPIUS	22-Sep-14	10:35	25-Sep-14	11:28
5547	COMMODORE	12-Oct-14	12:45	13-Oct-14	14:12

Management (Revenue Manager) confirmed that the above vessels were inappropriately released by the following individuals:

Call ID	Vessel Name	Staff name	Department
5566	MORNING CORNET	Said Milanzi	Marine section
5480	UPO SCORPIUS	Michael Msanga	Operation Clerk 'C'
5547	COMMODORE	Michael Msanga	Operation Clerk 'C'

This may escalate risks of Loss of revenue at both TPA and TRA. Management should ensure that appropriate actions are taken against staff who acted against their Authority. In future management should ensure that appropriate procedures are always followed. Both TRA and TPA should investigate on the lost revenue from these vessels.

4.20.5 Weaknesses Around Collections of Port Dues

TPA customers are required to pay port dues directly to TPA bank accounts based on invoices obtained from the billing section. Once this is done, customers are required to submit to TPA their respective bank deposit slips for verification before goods are released. Our review revealed 3,278 invoices were raised in the month of December 2014, which could not be matched to a payment in any bank account or traced in accounts receivable at year end.

There is a risk that the Authority's funds were misappropriated. The Authority should perform a thorough review of invoices against collected amounts and claim back unsettled invoices from the respective customers.

4.20.6 Weakness Noted on Revenue Recorded in the General Ledger

My review of revenue recorded during the period revealed the following weaknesses:

i. There are no procedures to ensure that all revenue earned through Inland Container Depots and Car Freight stations is accounted properly in the general ledger. As a result, from a sample of 130 items selected for testing for the month of December 2014, we noted 9 cargo were released without raising invoices. Also, our testing revealed a sample of 6 containers and 3 motor vehicles sent to ICDs and CFSs during the year that were issued to their respective owners without receipt of payment from them.

ii Our review of rates defined in the billing system revealed the following exceptions:

(a) Incorrect minimum pilotage fee charged on some invoice in billing system

We noted a case whereby the minimum pilotage fee charged was USD 55 as opposed to USD 150 as per tariff guide of April 2013. Upon follow up we noted that USD 150 standard rate was manually overridden and USD 55 was charged.

(b) Inaccurate computation of storage charges

We noted instances where the numbers of days charged by management on cargo, which stayed at the harbour for more than the grace period, was not accurate. The error resulted in undercharge of storage revenue to the value of USD 15,865 from sample selected.

i. Revenue transactions not properly supported from sample selected.

ii. Lack of proper monitoring and reconciliation of revenue earned during the period. For instance, we noted that there is a mathematical error on revenue recorded in the general ledger, which resulted into understatement of revenue of TZS 1.1billion. The variance in revenue recorded was caused by the fact that 309 invoices (100 for import, 24 for export and 185 for MPS) were wrongly summed up to give a revenue total of US$ 675,451 instead of US$ 1,330,645. Also, royalty revenue on motor vehicles charged to CFS has been understated due to incorrect value of vehicle delivered to CFS being used in computation.

iii. Lack of reconciliation of credit notes raised during the period between revenue journal and billing system records. For instance, some of credit notes were not reversed on the correct period and others do not reconcile with the system records.

Management should ensure that rates defined in the billing system are approved rates as per tariff guide of April 2013. Management should investigate these anomalies and take appropriate action against officers who over rode the minimum required tariff.

4.20.7 Lack of Documented Procedures on Handling Calls in HVP and CMS

My review of vessel handling process (general cargo, motor vehicles and containers) that docked at Dar Port during the year revealed that there is no formal document that outlines all procedures to be followed and controls to be exercised from the time shipping agents make calls in HVP to the point when vessels have been serviced. Furthermore, there is no independent review that ensures all procedures were adhered to.

Lack of documented procedures lead to inconsistencies in the manner that procedures are followed and controls exercised. Management should prepare detailed documented procedures on cargo handling process.

4.21 TIB Development Bank

4.21.1 Poor Performance of Agricultural Loan Given to M/S SAAFI and ECGS Loans

The then Tanzania Investment Bank was given the role of administering the financial and operational affairs of Sumbawanga Agricultural and Animal Feed Industry (SAAFI) to facilitate repayment of credit facilities previously advanced to it by the Government. Later, the Government requested the bank to advance credit facilities to the Industry, where the Bank advanced TZS 2.5 billion which has not been recovered as at 31st December, 2014.

Since the performance of M/s SAAFI was not satisfactory, the Bank decided to convert the credit facility to 20 percent equity investment. Management of Bank estimated the value of the investment at TZS 1 billion and making the provision for impairment at TZS 1.5 billion. However, TIB did not have any evidence about the value of the unquoted equity instruments of the Company.

Our further review of the Bank records indicated that M/s SAAFI as at the year end, had another outstanding balance with the Export Credit Guarantee Scheme (ECGS) of TZS 14.95 billion provided by the Government through TIB to develop an Agricultural and Animal Feed Industry. This amount has remained unpaid for more than ten (10) years.

In addition, five companies also had outstanding loans with ECGS amounting to TZS 45,712,589,000 which also have remained outstanding for more than ten (10) years without being liquidated as listed below:

Companies	Amount TZS
Financing Facility	
Arusha Blooms Ltd	2,614,000
Structured Financing Facility	
Kiliflora Ltd	11,813,123
Arusha Blooms Ltd	7,500,000
Tengeru Flowers Ltd	7,500,000
Mount Meru Flowers	16,285,466

We are concerned with the poor performance of the Company and the recoverability of this loan. Management should strengthen supervision of these loans to ensure that the objective of the Government to enhance agricultural development is achieved.

4.21.2 Overdue Loans for Agricultural Financing Window (AFW)

Loans receivable for AFW as at 31 December, 2014 was approximately TZS 34 billion, out of which TZS 11.3 billion was overdue. About TZS 7.5 billion of overdue, which according to management's approximations what is overdue for more than one year relates to SACCOS. SACCOS pledged their receivables as collateral for the Bank loan, which was also pledged as a collateral against the loan taken from other lenders without the knowledge of the Bank. This situation significantly increased the credit risk on the loans given. Management should step up efforts to recover the overdue loans on the AFW portfolio.

4.21.3 Borrowers using funds for Unintended Purposes

TIB has an Agency Agreement with the Government to provide agricultural loans through Agriculture Window for project Financing. The Agency Agreement requires TIB to ensure the borrowers fulfil the Government's objectives for which the support was sought and obtained. During the audit, it was revealed that some borrowers utilized funds advanced to them on other activities than those for which the loans were sought and granted. In some cases, SACCOS disbursed amounts which were less than the amounts which was supposed to be disbursed. We also noted that some borrowers did not keep proper records of their projects. We also noted non-compliance by TIB with the requirements of the Agency agreement with the Government regarding supervision of these borrowers. These borrowers are as listed below:

Table 4: Borrowers Using Funds for Unintended Purposes

Name of SACCOS	Amount borrowed TZS '000	Amount disbursed to members TZS '000	Remarks
Wafanya biashara Njombe SACCOS	194,000	193,110	Difference of TZS 890,000 not explained
Mtibwa SACCOS	200,880	180,580	Difference of TZS 20,300,000 not explained
TPAWU SACCOS Kilombero	199,760	174,120	Difference of TZS 25,640,000 not explained

Mpunga Mmoja	100,000	100,000	No records were kept for the progress of project
Kago Farm	400,000	400,000	Repayment of 43,190,000 were made up to December 2012 and no records were kept
Laila Agro Diary	385,170	385,170	No project records kept
Total	**1,479,810**	**1,432,980**	

TIB Management is advised to enhance monitoring of the funded projects to ensure that the funds are utilized in the manner intended by the Government.

4.21.4 Loan to PRIDE not Repaid TZS 5.3 Billion

The Bank has provided advances to Pride Rural Finance Window which had an outstanding balance of TZS 5.3 billion as at 31 December 2014. These advances are largely secured against receivables book of Pride meaning that in the event of default by the Company, the Bank may only recover the outstanding balance by collecting from the borrowers of Pride. This type of security is considered inadequate and increases the risk of loss to the Bank.

Management should increase efforts to ensure that this loan is repaid. Going forward, management should give loan to borrowers with adequate security to recover the loans in the event of default.

4.22 Tanzania Electric Supply Company (TANESCO)

4.22.1 Lack of Proper Design of Construction Work

In March 2011, Tanzania National Electric Company Limited (TANESCO) engaged M/s Aviation and General Security Consultant for supply, installation and commissioning of integrated security management system at TANESCO Headquarters, National Grid Control Centre and Kurasini Centre store at a price of USD 602,550 (equivalent to TZS 1.22 billion: VAT exclusive). The supplier was obtained through international competitive bidding and the assignment was to be conducted in two (2) phases.

However, after the completion of Phase One, which had costed USD 361,500, the Company through Tender Board cancelled the contract on the grounds of financial constraints facing the Company.

On 27th May, 2015 the Company entered into another contract with the same Contractor for the same services as engaged in March 2011 with an extended scope at a contract price of USD 975,000.

According to Management, this was attributed by lapse of four (4) years which necessitated the Consultant not to use the Survey Report of year 2011. In addition, change of scope which included re- conducting security survey and change of the duration of contract from 1 to 3 years necessitated the Consultant to repeat the already done survey.

It is evident that there was lack of due diligence with regard to scope design at the time of award of the contract. Management should in future carry out proper due diligence of the scope of the work required before initiating any procurement.

4.22.2 Fraudulent Transaction by LUKU Vendors TZS 2.76 Billion

TANESCO entered into contracts with various agents for selling LUKU. Initially agent deposits cash in TANESCO bank account, thereafter the agent posts the same into the agent's Eclipse LUKU system at his/her sales point. The sales system at vendors point will generate a deposit slip which the agent will submit to the respective TANESCO corresponding office for verification of cash deposited.

During our audit we noted that the Internal Audit of the company had revealed significant deficiencies for 381 cases on deposit confirmation with TZS 2.76 billion done more than once for a single deposit. This has been possible due to the weakness in the LUKU system (Eclipse) having a multi-database linked together. These multiple confirmations of the banked amounts by vendors amounts to financial loss to TANESCO (*Refer Appendix (iii)*. We were informed by management that all staff involved have been terminated and the matter is still under police investigation.

I recommend for management to strengthen controls over LUKU system in a way that it will not allow multiple confirmations. Further, management should initiate recovery procedures including banning all the vendors involved in the fraudulent transactions.

4.23 Tanzania Broadcasting Corporation (TBC)

4.23.1 Deficiencies noted in implementing Contract with Star Media

TBC entered into a contract with Star Media on 02 August 2011 (revised on 01 July 2014) where Star Media to carry and broadcast licensee's (TBC) program channels (TBC1 and TBC2) on the licensor's (Star Media) Digital Terrestrial Television (DTT). In consideration of the services by the licensor to the licensee, the licensee agreed to provide licensor advertisement service.

Under the contract, no cash payments are to be made to each other, a net-off process is to be done on annual basis, and the two parties are to agree on the treatment of the excess. According to the contract, the value of annual transactions between the two parties shall not exceed TZS 1.40 billion. The following anomalies were noted:

- Details and breakdown of costs for each service provided by Star Media to the Corporation were not indicated but the lump sum invoice had been raised instead;
- The Corporation provided to us a total value of airtime to Star Media of TZS 1.335 billion while the amount booked was TZS 1.40. No explanation on the difference of TZS 65 million was provided. Additionally, rates applied were not as per the Rate Card; and
- I have not been provided with a reconciliation and confirmation between these parties on the agreement of the final amount for the year ended 30th June, 2015. The contract allows settlement between parties for any differences.

The contract entered could have loss implication to TBC as breakdown of services provided has not been shown. It is advisable for each party to operate at an arm's length and off-set each other's balance basing on the actual business done.

Management needs to ensure that, analysis of costs for each service provided by Star Media are included in the contract. Also, Management should ensure that the airtime spent by Star Media are valued using the rates as per Rate Card.

4.24 Tanzania Petroleum Development Corporation (TPDC)

4.24.1 Significant Long outstanding Accounts Receivable balance - TZS 138.37 billion

We identified significant receivable balances which have been outstanding beyond the credit limits provided on the invoices. Such accumulation of Accounts Receivable balances has been caused by inefficiency in debts management. The Breakdown of the respective accounts receivable is shown below:

Table 5: Significant Long outstanding Accounts Receivable

Particulars	Amount
Songas Limited.	50,275,344,006
Pan African Energy Limited	60,665,839,011
TANESCO-Somanga Fungu.	143,194,010
Trade Receivables	17,076,268,987
Staff Receivable	412,920,214

Long-term License fees receivable	884,906,735
Long-term training fees receivable	3,456,653,543
Overdue marketing research recovery	5,451,947,252
Total	**138,367,073,758**

The amount is very significant and may have impaired the operations of TPDC as significant cash is held by its customers instead of being used to implement the Corporation's activities.

Management is advised to increase efforts on recovering these outstanding balances to enhance its liquidity to avoid jeopardizing its operations.

2.24.2 Unpaid dividend by Songas Limited of USD 476,997

During the year under review, Songas Limited paid dividend to TPDC amounting to USD. 3,873,003. On verifying the correctness of dividend paid, we requested for Songas Ltd board papers or minutes approving the dividends declared and subsequently paid but these were not availed to us. Our examination of audited financial statements of Songas for year ended 31st December, 2014 revealed that, dividend declared was USD. 15,000,000. Basing on the shareholding of TPDC in Songas Ltd of 29 percent, the re-computed dividend receivable from Songas Limited is USD 4,350,000 indicating that, there was an unpaid dividend of USD 476,997. Understated and un-remitted dividend will understate TPDC's revenue from its investment in Songas, this also indicates inadequate control by TPDC over its investment in associates.

Management should ensure that the under paid dividend is paid by Songas Ltd to enhance TPDC liquidity position.

4.24.3 Absence of share certificates

We requested TPDC for share certificates in respect of Songas Limited, Agro Eco Energy Tanzania Limited and ARTUMAS/M&P PSA. The aforementioned statutory document could not be submitted for audit verification from any of the entities in which TPDC holds shares.

In the absence of share certificates we were unable to ascertain the value of TPDC stake in these companies as reported in the financial statements of TPDC. We recommend that TPDC should maintain in safe custody all share certificates for all entities in which TPDC has shareholdings.

4.25 Higher Education Students' Loans Board (HESLB)

4.25.1 Value for Money Consideration for Loan Tracing Costs

We noted a total commission paid for debt collection to debt collection agencies amounting to TZS 1.06 billion out of which TZS 895.36 million was for tracing and TZS 164.64 million was in respect of collection. Our audit revealed that a total of TZS 615.27 million was traced and collected from government institutions which was 89 percent of the total amount paid. We are of the opinion that, HESLB through its own staff could have easily traced the same from government institutions just by following up with the Public Service Management – President Office (PSM-PO) and or Local Government Authority under the Prime Minister's Office. In case this collection was done by HESLB staff, the Board would have saved this amount which might have been used to meet other operational expenses of the Board including lending to students.

Management is advised to use its own capacity to easily trace the loan from the government and its institutions by just co-operating with relevant government institutions.

4.25.2 Deficiencies Noted in the Fixed Deposit Reserves

HESLB has been investing in Fixed Deposit Reserves (FDRs) for a number of years. During the financial year 2014/15, HESLB invested TZS 6.5 billion in FDR. These short term investments were made with Bank M (TZS 3.4 billion) for three months at an interest rate of 14 percent and Tanzania Postal Bank (TZS 3.1 billion) for six (6) months at an interest rate of 15 percent.

Our review on the management process in the FDR investments revealed that, that no criteria have been established to decide which bank should be considered in having quotes as there was no clear process to substantiate invitation for quotation. Due to absence of the policy, justification for the decisions made by management to invest TZS 6.5 billion in Bank M and Tanzania Postal Bank could not be ascertained as there were no evidence to substantiate rating of the quotes neither plausible reasons to justify the investment decisions to invest on the same.

Absence of clear process or analysis to substantiate the decisions to invest with a bank which may be offering better investment terms limits the audit trail of the decisions made. Inappropriate decisions to invest may escalate the risks of wastage of funds due to ineffective prioritisation of investment.

We recommend the management to comply with the investment policy and follow the procedures for investment in FDR, decisions of where and at what time to invest.

4.25.3 Outstanding Student Loans Receivable

Our review of students' loan receivables revealed that, HESLB had outstanding balances of TZS 2.2 trillion as at end of the year under review. We noted that, the Board had not made any provisions for impairment in respect of outstanding students' loan receivables. Further, there was no supporting schedule which makes up the students loan receivables as the reports between the loan management system and the General Ledger were not tying up.

In the absence of the loan schedule, we could not ascertain the accuracy of the reported balance.

We recommend management to:

- **i.** Develop a schedule and to reconcile the GL balance to be reported as students loan receivable against the actual student loan balances as per the Loan Management system;
- **ii.** Design and develop appropriate reports that will be used as basis to reconcile the General Ledger and the Loan Management System;
- **iii.** Management should make provisions of its outstanding students' loan receivables in its financial statements; and
- **iv.** More efforts should be exerted to collect the outstanding loan receivable balances.

4.26 Significant Matters Affecting Several Entities

4.26.1 Status Of Government Loans With Social Security Funds

Tanzania has six (6) Social Security Funds namely, PPF Pensions Fund, Public Service Pension Fund (PSPF), LAPF Pensions Fund, National Social Security Fund (NSSF), National Health Insurance Fund (NHIF) and GEPF Retirements Benefits Fund. These Funds are regulated by the Social Security Regulatory Authority (SSRA).

Our review has noted that, most of these Funds have huge sums of non-performing loans, mainly with the Government and its Institutions. This situation exposes the Funds into credit risk. The government debt at Social Security Funds as at 30 June 2015 accrued to TZS. **1,546,650,399**

Table 6: Status of Outstanding Government Loans from Social Security Funds

SOCIAL SECURITY	PRINCIPAL AMOUNT	INTEREST	PENALTY	TOTAL
LAPF	47,189,300	6,445,206		53,634,506
PSPF	97,670,000	162,380,000	88,350,460	348,400,460
PPF	21,986,441	48,836,953		70,823,394
NHIF	62,334,721	9,770,449	4,831,103	76,936,273
NSSF	525,391,587	471,464,180		996,855,767
Total	**754,572,049**	**698,896,788**	**93,181,563**	**1,546,650,400**

Note: This table does not include GEPF debts regarding loans to Government

Timely recovery of these loans is crucial the Social Security Funds to be able to maintain their required levels of liquidity and be able to pay maturing obligations including pension liabilities.

4.26.2 Delays in Completion of Construction Projects

Six Public entities entered into contracts with contractors for various construction projects. I noted delays in completion of these projects costing TZS 132.43 billion. Below is the list of the delayed projects and their respective entities:

Table 7: Delays in Completion of Construction Projects

S/N	Entity	Project	Expected Completion	Amount TZS 'Million
1	Dar es Salaam Water and Sewerage Authority	Drilling of eight (8) boreholes	May-13	7,543
2	Dar es Salaam Water and Sewerage Authority	Construction of Lower Ruvu transmission main	December-13	120,256
3	Dar es Salaam Water and Sewerage Authority	Relocation of pipe at Kigamboni Bridge	May-14	198
4	Njombe Urban Water Supply and Sanitation Authority	Nyenga Water Supply Project Phase 2	November-14	1,100
5	Arusha Urban Water Supply Authority	Drilling of eight (8) boreholes	April-15	3,190
6	Dar es Salaam University College of Education	Soil erosion conservation project	July-13	144
Total				132,431

Delays in completion of these projects might lead to costs overruns due to price escalation. Management of the respective entities are advised to comply with the requirements of Procurement Regulation 114 of 2013 in terms of effective management of their procurement contracts.

4.26.3 Efficiency in Rent Collection

Three Public entities had entered into rent contracts with various tenants whereby the tenants were required to pay rents as per contract agreements. I noted a total of TZS 18.69 billion which had for a long time been outstanding contrary to the provision of the respective contracts as shown in table 8 below. Furthermore, some of the tenants have vacated the buildings without paying their outstanding rents.

Table 8: Efficiency in Rent Collection

S/N	Entity	Period	Amount at Risk TZS 'Million	Left tenants TZS 'Million
1	PPF Pension Fund	30-Jun-15	2,040	-
2	National Social Security Fund	30-Jun-14	8,751	6,091
3	National Housing Corporation	31-Dec-14	7,900	-
Total			18,691	6,091

The situation has significant liquidity implication to the entities which will in turn affect the entities' operations as rental income has huge contribution to their incomes. Management of respective entities are advised to take extra efforts towards collecting rent including taking court measures and re-structuring contracts to include advance payments and security deposit clauses.

4.26.4 Non-Revenue Water- TZS 17.965 Billion

Analysis of water loss noted a big percent of water loss for three (3) water Authorities whose loss percentages were higher than their allowable normal losses. The total loss suffered by these entities amounted to approximately TZS 17.97 billion as summarised in table 9 below.

Table 9: Non-Revenue Water

S/N	Entity	Ministerial Target	Water Loss	Loss Amount TZS 'Million
1	Dar es Salaam Water and Sewerage Authority	25%	57%	11,580
2	Njombe Urban Water Supply and Sanitation Authority	20%	36%	175
3	Arusha Urban Water Supply Authority	35%	45%	6,210
Total				17,965

This was said to be technical and commercial water losses attributed to leakages, unregistered connections and registered ones that are regarded as inactive or disconnected hence not billed. The losses are significant and hinder the Authorities' operational performances. The Authorities are advised to reduce technical and commercial water losses at least up to the allowable normal loss levels.

4.26.5 Delays and Non Remittance of Statutory Deductions- TZS 743.4 Million

Review of statutory deductions noted some Authorities having not complied with the remittance deadlines. Employees' benefits not remitted included taxes and pension contributions amounting to TZS 743.40 million. Non-submission of deductions in time attracts payment of fines, interests and penalties which have impact on the liquidity position of these Funds resulting in failure to meet their planned activities. Table 10 below summarises employees' benefits and taxes not submitted within the statutory deadlines.

Table 10: Delays and Non Remittance of Statutory Deductions

S/N	Entity	Benefits including PAYE TZS 'Million	TAXES (VAT, WHT) TZS 'Million	Total TZS 'Million
1	COSTECH	504.39		504.39
2	TBT	69.93		69.93
3	BAUWASA	18.23		18.23
4	NIT	15.42		15.42
5	MWAUWASA		92.36	92.36
6	TNBC		9.47	9.47
7	IFM		33.6	33.6
8	TANESCO		1,360	1,360
9	TPRI	251.61		251.61
10	NIP	30.15		30.15
11	MINISTRY OF FINANCE	24240		24240
Total		**25,129.73**	**1,495.43**	**26,625.15**

The liabilities have accumulated over years which creates uncertainties regarding workers' compensation from respective Pension Funds on their retirement dates.

Management is advised to take the necessary remedial measures to ensure that salary deductions are remitted timely and thus avoiding fines/interests and penalties which may be charged by the respective authorities for failure to remit statutory deductions on due dates.

4.26.6 Absence of Board of Directors and Trustees

During the year under review, there were 22 Boards that had completed their tenure of office and that, new Boards were not appointed yet as at the time of concluding our audits in March 2016. Some of the entities have been operating without Boards for more than one accounting period. The entities that have no Boards are as shown in *Appendix IV*.

Further, some entities have Board of Directors however the Boards don't sit timely to consider, authorize and adopt audited financial statements. Absence of the Board of Directors and Trustees slackens the operational activities of the entities due to lack of the authorizing bodies. Entities with Boards that have failed to adopt their financial statements in time are as shown in *Appendix VI*.

It is our recommendation that the Government should timely appoint Boards of Directors once the tenure of the current one has expired and the appointed Boards should sit timely to authorize and adopt their financial statements to facilitate our audits to be carried out timely.

4.26.7 Audits not Performed Due to Lack of Funds

During the year under review I failed to perform 25 audits due to lack of funds.

Further, some entities did not pay timely the appointed private auditors leading to delay in the carrying out the audits. Entities that were not audited and those whose audits were delayed are shown in Appendix VI.

It is my recommendation to the Treasury to release funds timely and as per the approved budget to allow timely execution of our audit process which will enable me to meet the statutory reporting timeframe.

CHAPTER FIVE

REVIEW OF STRATEGIC AND OPERATIONAL EFFICIENCY OF PUBLIC ENTITIES

5.0 Introduction

Strategic management encompasses continuous planning, monitoring, analysis and assessment of all that is necessary for an organisation to meet its goals and objectives. Strategic management typically involves: analysing internal and external strengths and weaknesses, formulating action plans, executing action plans, evaluation to what degree action plans have been successful and making changes when desired results are not being produced.

In a business context, operational efficiency means the ratio between the input to run a business and the output gained from the business. Operational efficiency encompasses several strategies used to accomplish the basic goal of delivering quality goods or services to customers in the most cost effective and timely manner. It involves getting the most value from resources and eliminating waste in production or business operations aiming at improving productivity.

My review of operational efficiency included 8 public entities namely:

- Air Tanzania Company Ltd (ATCL)
- Tanzania Civil Aviation Authority (TCAA)
- Tanzania Communication Regulatory Authority (TCRA)
- Energy and Water Utilities Regulatory Authority (EWURA)
- Tanzania Investment Centre (TIC)
- National Development Corporation (NDC)
- Tanzania Ports Authority (TPA) and

- Reli Assets Holding Company (RAHCO)

5.1 Air Tanzania Company Limited (ATCL)

5.1.1 Review of the Privatisation Process of ATC

In 2002 as part of the Government's implementation of its privatization policy and economic liberalization, the Government of Tanzania placed 49 percent of its shares with the then Air Tanzania Corporation (ATC) and entrusted its management to South African Airways (SAA). Subsequently Air Tanzania Company Limited (ATCL) was incorporated under Cap 212 as a Private Limited Liability Company.

At the time of privatization, ATC had a fleet of two aircrafts, one, B737-200 owned by the company and another one B737-300 being operated under a dry lease. The privatization exercise also led to streamlining of human resources from a workforce of 493 employees to 251.

To ensure the new operational structure starts on a clean financial slate, the Government of Tanzania assumed all the liabilities of ATC by placing such liabilities under ATC Holding Company, a 100 percent Government parastatal organisation created to take over assets of ATC that were not directly linked to the core business of ATC and all of the outstanding liabilities.

My review has indicated that, although it was believed that these structural changes will bring about efficiency and increase productivity within ATCL as it had been proved with some few privatized entities, the results were actually not in line with the above assumptions.

As a result of this privatisation, the resultant changes burdened the company financially through:

- Increased management costs through management fees charged by SAA;
- Increased maintenance costs paid to South African Technical (SAT), a subsidiary company of SAA;
- Increased costs on operations such as catering, etc;
- High human capacity turnover especially on engineers; and
- High leasing costs paid to SAA on leased aircraft.

The Company continued to make losses until 2006 when the Government decided to re-purchase the 49 percent shares from SAA, once again retaining the sole shareholding of the National Carrier. At that time, ATCL had a negative equity of TZS 6.9 billion.

It is evident that the privatisation of this entity did not critically consider the immediate objectives for the privatisation, and how these related to longer term objectives including the development of the market demand within the airline industry.

There was no evidence that the government made any preliminary assessment of the benefits ATCL was to obtain from the result of the joint venture with South African Airline. Our post privatisation review conducted also revealed that the Government through PSRC did not carry out any detailed analysis to identify any potential costs and constraints as regards to achieving the expected longer term objectives of the Company.

5.1.2 Lack of Enterprise Risk Management Policy Framework

Risk management policy framework usually aligns the principles of sound corporate governance recognizing that the management of risk is an important strategy for the achievement of the organisational goals and objectives.

I have noted that, the Company has not developed a risk management framework. We noted that, there are no processes for assessment of the risks facing the Company. The Company has not established a risk management function & its structures including establishing a Risk Management Committee to oversee the whole process within the risk management cycle.

Absence of a risk management framework that details all the risk processes may impair the ability of the Company to identify, analyse or control the level of exposure to any operational and systemic risks within its business processes.

5.1.3 Unprofitable Lease of an Aircraft

My review revealed that on 9^{tn} October, 2007 ATCL signed a dry lease Agreement with M/s Wallis Trading Co. LTD for leasing airplane (Airbus A320-214 with Reg no. MSN630). However, the lease contract did not follow the necessary formal Company Standard Operating Procedures.

According to these procedures, the Technical Unit within the Company is required to carry out an investigation of the quality and information of the plane before entering into any lease agreement. On the other hand, TCAA also is required to investigate and inspect the plane to ensure that it complies with International Civil Aviation Standards before registering the respective plane in the Country.

I noted that, both ATCL Technical Unit and TCAA conducted their investigations between 14th and 22nd January, 2008 when the lease contract had been signed. The result of the inspection showed that the plane did not meet the required standards hence TCAA instructed the lessor to rectify the noted weaknesses before handing over the aircraft to ATCL. In addition, I noted that the Attorney General Chambers on 8th October, 2007 advised the Company through letter No.JC/I.30/308/3 but these were not taken into consideration when entering into this lease agreement.

To adhere to TCAA requirements following their inspection, M/s Wallis Trading Co. LTD carried out and completed the required maintenance by February 2008, however, the lessor did not hand over the aircraft to ATCL until May 2008 just after the Government had offered a letter of Guarantee of USD 60 million on 2nd April 2008.

ATCL was incurring a monthly rent of USD 370,000 such that between October 2007 and May 2008 the Company had accumulated rent amounting to USD 2,590,000 before the plane was formally handed over to ATCL. The aircraft operated for six (6) months to November 2008. In December 2008 the plane was sent to Mauritius Air for major technical check-up where it stayed up to June 2009. In July 2009 the plane was transferred to Air France for C+12 Checks. The estimated cost for these maintenances was USD 593,560 against the actual cost which increased to reach USD 3,099,495 after a comprehensive check-up was carried out. The owner had guaranteed to contribute only USD 300,000 leaving the remaining burden to ATCL.

The maintenances were completed by October 2010 but the aircraft could not be returned back to Tanzania due to ATCL failure to settle the bill. The plane stayed in France for the whole lease period up to 17th October, 2011 when the lease agreement was terminated. At the time the lease agreement was terminated, lease rental for the 43 months which the plane was under maintenance, had accumulated to USD 15,910,000 while total cost including monthly rental fee and other charges such as interest amounted to USD 42,459,316.

5.1.4 Lack of Effective Turnaround Strategy

A turnaround strategy is a process of transforming a loss making company into a profit making. Corporate turnaround is a structured, well planned methodological approach to the revival of a company and is achieved by following a step by step approach that takes time, investment and the participation of a competent work force.

Most of the causes of company failures include external factors such as; new aggressive competitors, increase in prices of supply, changes in the market demand etc. or internal factors such as management failure, failure in financial decisions, failure to cope with or ignorance of a new trend within the industry etc. Our review has indicated that ATCL is in a critical financial distress accompanied by an aged workforce in most of the key and critical functions such as Quality and Safety Unit, air craft engineers, pilots and inferior physical resource base.

ATCL has 231 staff of which 127 (55 percent) are permanent staff, 54 contract staff (23 percent) while the remaining 50 (22 percent) staff are working on temporary basis. Of the 127 permanent staff, 39 (31 percent) are close to retirement age (at or above 55 years of age). We noted that most Departments have large number of officials approaching to their retirement ages. Under the Technical Department five (71 percent) out of seven air craft engineers have more than 55 years old.

My review of the seniority list of ATCL staff noted that some of the departments are headed by staff that do not possess appropriate skills in relation to their positions. For instance, at the Directorate of Commercial, some personnel are holding very lower level of professional qualifications which do not match with their positions. For example, Director of Commercial Department dealing with Marketing, Sales and Ground Handling is a holder of National Book Keeping Certificate (NABOCE).

The Company is highly indebted such that it fails to meet its operational costs. The Company mainly depends on fund allocation from the parent Ministry which is not predictable. The Company is faced with huge maintenance costs, Inability to comply with the mandatory regulations such as IATA, IOSA, difficulty in conducting mandatory regulatory training for pilots and technical personnel, difficulty in refurbishing and facilitating resources such as airport hangars and city centre headquarters building for income generation from rent and maintenance services.

Inadequate funding impacts the operations of the Company in meeting its financial capability for acquiring the appropriate and sufficient supporting structures that would enable the Company to offer services that would be industrially competitive, as well as realize profits.

I have noted that the Management has not prepared any strategy to turn around the Company from the current loss making and financial distress to a profit making Company. Our review of the Company's two Strategic Plans 2007 to 2012 and 2015 to 2020 have not indicated any prospect of turning the Company from the current financial distress.

5.1.5 Failure to Obtain Key Aviation Certifications

I noted that the Company lacks key and prerequisite Aviation Certifications. I was informed by management that, the most important and crucial project that is supposed to be completed as soon as possible is IATA Operational Safety Audit (IOSA) Certification. According to the Standard Operating Procedures, all airlines were required to be IOSA compliant by the end of

December 2008. Because of financial constraints, ATCL could not pay for consulting services which initially were estimated at USD 1,000,000 by then in 2008 to facilitate execution of the audit.

It was noted that, as a result of non-compliance with IOSA, ATCL was suspended from IATA in December 2008 and remained in IATA only as a clearing house member. Further inquiry revealed that, ATCL does not fully comply with Air Operator Certificate (AOC) requirements. The Company is operating under a limited AOC which expired on 31st March, 2010; in order for ATCL to get full AOC about USD 1,400,000 was required by then in 2010, this was mainly for purchase of a minimum requirement of spares, putting in place an Approved Maintenance Organisation for Dash 8 aircraft, purchase of aircraft maintenance software, training of pilots and engineers which the Company could not get from the parent Ministry.

Without those certifications, the Company is risking the safety of its flight operations as well as making it difficult for the Company to modernize its fleets and embark on route network expansion program to revamp from the severe downfall the Company had been experiencing.

5.1.6 Deteriorating Financial Performance

One of the main challenges facing ATCL is the financial distress the company has been facing for a couple of years now. Based on the unaudited financial statements, I noted that ATCL has been making losses over the past nine (9) years and has never realised any profit since ever.

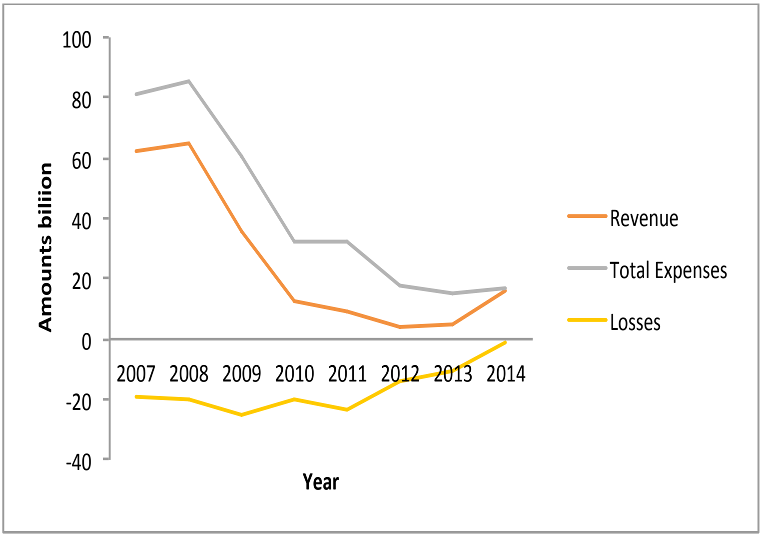
A significant portion of ATCL revenue is from sale of tickets. The revenue of the Company has been fluctuating year after year since 2007. For instance, between 2008 and 2013 the Company revenues decreased drastically. During the year 2014 and 2015 the Company's revenue improved to some extent recording sales of TZS 16.24 billion and TZS 15.01 billion respectively, from an average of TZS 5.9 billion recorded between 2011 and 2013.

ATCL total expenses have been fluctuating significantly year after year with 2008 recording the highest of TZS 85.11 billion. Table 11 and Figure 1 illustrate the revenues, expenses and losses trend of the Company.

Table 11: Trend of Financial Performance of ATCL

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
	Figures in billions									
Revenues	61.99	64.77	35.54	12.57	8.94	4.01	4.71	**16.24**	**15.01**	**223.79**
Expenses										
Production costs/ Overhead	58.91	66.01	40.19	17.89	19.96	7.75	6.74	8.96	10.48	**236.9**
Operating Costs	22.18	19.10	20.72	14.64	12.02	10.36	8.14	8.01	8.6	**123.78**
Total Expenses	**81.1**	**85.11**	**60.91**	**32.54**	**31.99**	**18.11**	**14.88**	**16.97**	**19.07**	**360.67**
Losses	**-19.11**	**-20.34**	**-25.37**	**-19.96**	**-23.04**	**-14.10**	**-10.16**	**-0.73**	**-4.07**	**-136.88**

Figure 1: Trend of Financial Performance of ATCL



Of the major bottlenecks that have contributed to the downfall of the company and uneasy access of credit is overhanging debts which has resulted into unsmooth operations of the Company. For instance, during the year 2014, the Company had a total debt of TZS 140 billion and after negotiation with creditors the debt was reduced to TZS 111 billion.

I reviewed the ATCL strategic Plan 2015/2020, Plan and Budget 2015/2016 and the Company's financial forecast document which was prepared to support a plan to obtain USD 20 million loan from TIB. I noted a significant inconsistency in the articulated strategy across the three mentioned documents which indicated lack of clarity with respect to the strategy the Company is implementing and consequently attainment of its objectives. I noted that ATCL Strategic Plan 2015/2020 document stipulated that in order for the company to have sustainable operations it needs to procure new or nearly new aircraft and the documents outline the funding requirement for purchase of the required aircraft which included, one Bombardier DHC8Q400 for USD 24,500,000 and one Boeing B737NG for USD 80,000,000.

In contrast, our inquiry from management and review of the financial forecast document, revealed that ATCL intends to buy four used aircrafts; two Boeings 737-500B each costing USD 4 million and two CRJ200 each costing USD 3 million. To finance these procurements, funds will be derived from the USD 20 million loan expected to be obtained from TIB.

There was no evidence that the Company prepared any detailed business case with all the relevant business assumptions including carrying a comprehensive sensitivity analysis to determine the implication of the change between the two business assumptions.

The inconsistency in the information found in the key documents identified may bring about conflicting ideas leading to failure to achieve the intended company objectives.

I am concerned with the financial constraints experienced by ATCL since 2007 as this suggests that the Company is unable to confidently plan strategically for business expansion to unable the Company to revamp and revive from the current downfall.

Recommendations

i. The Government should make a detailed cost benefit analysis of its proposed undertakings including privatisations and joint ventures before entering any agreements with private parties to ensure that public interests are always protected;

ii ATCL should formulate a Risk Management Framework, Policy and Strategy, establish and operationalize a risks register including reviews and updates of the same on an annual basis and establish a fully-fledged risk management function and structures. Further, management should develop an action plan that will delineate the internal processes and systems in order to modernise and improve its operational and business processes;

iii ATCL should develop a comprehensive turnaround strategy by carrying out a situation re-evaluation to identify the basic problems which led the company into the current financial distress and downfall, carry out a comprehensive crisis stabilisation analysis through restructuring of its finances and its business processes to facilitate a smooth transition to a newly functioning and profitable ATCL;

iv ATCL should institute rigorous mechanisms to build capacity of its staff or recruiting new competent staff and conduct a situational analysis to identify gaps and areas for improvements, develop a succession plan for the key position so as to have well trained, broadly experienced, well-motivated and competent staff who will be able to cope with the growing and competitive market within the industry;

v The Government, as a matter of urgency, should help ATCL to acquire the necessary certifications from IATA and ensure that it conducts IATA Operational Safety Audit (IOSA);

vi. The Government should to take up challenges ATCL is facing by devising better ways to revamp the Company through financial support and developing the appropriate and supporting structures that would enable the Company to offer services that would be industrially competitive, as well as realise profits; and

vii. ATCL should prepare a detailed business case after carrying out a comprehensive sensitivity analysis and determine the implication of the change between the two business assumptions before undertaking to obtain the loan from TIB to procure the needed aircrafts.

5.2 Tanzania Civil Aviation Authority (TCAA)

The Tanzania Civil Aviation Authority is mandated to regulate the activities of persons and institutions carrying out air services, aeronautical airport services and air navigation services as well as continue with the provision of navigation services.

My review of the Authority's operational efficiency noted the following operational weaknesses which need significant attention for the Authority to effectively discharge its mandate and achieve its objectives:

5.2.1 Absence of Airspace Master Plan

The International Civil Aviation Organisation (ICAO) promotes a global implementation of Communication, Navigation, Surveillance and Air Traffic Management. Enquiry from management revealed that, TCAA does not have an Airspace Master Plan. The master plan should be able to address any technological changes in relation to the defined investment strategies of the Aviation Authority. Due to absence of the Master Plan TAA is faced with the following risks:

(i) Inability of the Authority to harmonise implementation of the Communication, Navigation, Surveillance and Air Traffic Management system within the East Africa region as well as in the neighbouring regions;

ii Deficiencies in the installation of the Automatic Dependent Surveillance Broadcast due to poor planning and handling of the projects including feasibility and preliminary study as well as carrying out a cost benefit analysis;

iii. Difficult to achieve the CNC/ATM infrastructure modernisations as well as the achievement of its objectives in safety and navigation, infrastructure rationalisation, capacity and comparability between systems.

5.2.2 Review of Project Planning and Management Practices

Tanzania Civil Aviation Authority (TCAA) is entrusted with managing the use of Tanzania airspace for navigational purposes of which the Authority obtains 51 percent of its revenue from air navigation services. I reviewed the current capability of TCAA to provide air navigation services and the on-going initiative to improve the existing capability. We identified the basic requirement for provision of air navigation services being that, an Air Traffic Controller should have the ability to communicate to pilots in airplanes that need navigation services. We were informed that, due to lack of adequate capability, radio communication infrastructure used to be deployed to enable communication between air traffic controllers and pilots.

In an effort to develop this capability, TCAA acquired a radar system in 2002 composing both a primary and secondary radar. The primary radar provides the ability to see any object in the sky but it does not have any capability to facilitate communication between an air traffic controller and the pilot. The secondary radar provides the capability to see and communicate with aircrafts, provided that the aircraft is fitted with a specific communication device. The information coming from these two radar systems are integrated and presented on a single screen to provide integrated view to air traffic controllers.

However, I was informed that the current radar system uses obsolete technology and that its supplier is no longer supporting the system hence if the system experiences major breakdown and require some parts to be replaced, it may not be possible to get such support service and spare parts rendering the radar functionless.

Consequently, TCAA decided to acquire a satellite based system to deliver information required by air traffic controllers to discharge services competitively. TCAA engaged a German company, M/S COMSOFT GmbH, to deliver the Automatic Dependency Surveillance Broadcast (ADSB) system in two phases. The first phase of the project will deliver the ADSB system to the Eastern Sector and the second phase will deliver the ADSB system to the Western Sector. The first phase of ADSB project was completed but with major deficiencies on the deliverables.

I revealed that, the delivered ADSB system cannot provide the required integrated information to air traffic controllers, at least to match with the existing radar capability due to lack of a key component for Air Traffic Monitoring (ATM). We were informed that, further investment and work is required to provide that capability through ADSB system.

Additionally, the contractor and supplier of this system has of recent been declared bankrupt, therefore, going forward this company will not be able to support the system thus making this system as obsolete just like the current radar system since the system has not even been adopted in the operations by TCAA.

Further, I noted that, the process of initiating, executing and closing the project was done on an ad hoc basis. Consequently, there was no properly documented business case that was evaluated and approved by management in order to initiate the project.

The weaknesses noted were due to lack of proper governance and project management practice in TCAA, together with inadequate capability within TCAA with respect to technology planning.

Recommendations

i Management is advised to prepare an Airspace Master Plan to delineate, implement and improve among other things:

a Evolutions of Air Traffic Management that will explain the airspace reorganisation study and safety control to ensure the lost airspace is recovered;

b. Improve the relevant communication tools by acquiring at least two radars to replace the out dated and unserviceable one and ensure the new ADSB acquired is functioning at a full capacity to reap the benefits of having that system;

c. Continued carrying out research and development activities to be in line with the changing technologies and ensure long term evolutions and invest in training for detailed plan on the new ADSB system;

d. Adherence to the Regional and International requirements and trends (ICAO, Aviation international groups or multi-lateral agreements between civil aviation authorities); and

e. Persuade airspace reorganisations and ensure harmonisation of the implementation of CNS/ATM systems within the region.

ii. Management is advised to review the viability of ADSB project taking into consideration the effect of bankruptcy of the supplier of the system, and the total cost needed to deliver a “radar like capability” using ADSB system

iii. Management is advised to create a unit for technology planning that will be responsible for investigating and testing technology viability before any new technology is adopted by TCAA.

5.3 Tanzania Communication Regulatory Authority (TCRA)

The Tanzania Communications Regulatory Authority (TCRA) is a quasi-independent Government body responsible for regulating the communications and broadcasting sectors in Tanzania. The Authority is a statutory body established as part of the Government Policy reforms in the Communications sector with the aim of improving the availability of the info-Communications services to the public as well as allow new players into the market.

5.3.1 Preparation and Operationalization of Annual Action Plan

Actions or Operational Plan details the activities to be carried out by an entity or project including, time frames, planned inputs and funding sources in order to generate outputs in relation to the outcome. It also serves as good reference for monitoring progress later in the year. The planned activities are derived from the Strategic Plan which integrates the strategic objectives of an entity.

Review of the Authority's action plan and performance reports for the year 2014/15 revealed that, some activities as agreed in the action plan were not implemented or achieved as planned. We also noted that, some activities to be implemented by the Authority lacked relevant performance indicators, base lines and targets.

I also noted that, the Authority had not prepared an action plan framework to address challenges it is facing and how the performance achievements will be measured.

Non achievement of the activities planned to be executed in the respective year may hinder the Authority to achieve its main strategic objectives. Also, absence of performance indicators, baselines and targets for planned activities suggests that, the Authority might not be in a position to measure actual performance of its activities against its targets, hence failure to achieve the intended objectives.

5.3.2 Failure to Conduct a Feasibility Study before Implementation of TTMS Project

A feasibility study aims at objectively and rationally uncovering the strengths and weaknesses of a proposed venture, opportunities and threat present in the environment, the resources required to carry a project through, and ultimately the prospects for success of a project.

TCRA entered into an agreement with Societe Generale de Surveillance (SGS) to undertake a Telecommunication Traffic Monitoring System (TTMS) project under Build, Operate and Transfer (BOT) arrangement.

My review noted that Annex VII of the contract agreement which describes the investment cost of the project indicated that feasibility and environmental studies were part of the project costs with a budget of USD 100,000. I was not provided with any evidence in the form of a report to justify that this activity was performed before the project was implemented.

In addition, I could not get any evidence to substantiate that a comprehensive and proper business case was prepared to support the decision to implement the project. Without a comprehensive feasibility study and business case, there is the risk that a project may be implemented without considering the proper needs of the Authority and other stakeholders.

5.3.3 Implementation of Airtime Revenue Monitoring Solution (ARMS)

Airtime Revenue Monitoring Solution (ARMS) is an idea to develop a system for revenue assurance based on the subscribers' airtime usage. In year 2014 a Committee was formed to develop recommendations through consultation meetings between TRA, TCRA, Ministry of Communication, Science and Technology (MCST) and Ministry of Finance (MoF) so as to collectively and jointly agree on the modalities for implementing the system.

My review of the recommendations issued by the Committee revealed that the recommendations emphasised on the full engagement of TRA in the TTMS agreement, as a key stakeholder and in essence takeover the procurement of the system including entering into contract with the consultant. The following are the actual recommendations issued by the Committee:

- Since TRA is the main beneficiary of ARMS, TRA may consider to be incorporated as a part to the TTMS agreement;
- TRA to enter into agreement with ARMS provider for provision of ARMS services;
- TRA may look for a best technology which can lead to direct access of information from telecom operators. Some of the options are:

a. TRA can directly link with all operators and use TCRA racks available at operators’ sites. This will involve setting up links between different operators and TRA central site.

b. TRA can use the existing infrastructure (links and racks) at TCRA, which will involve accessing all the information from TCRA HQ.

- TCRA to provide to TRA all information on the current TTMS capabilities so that TRA can be aware of the functionalities of TTMS. This will help TRA in developing further requirements as needed for ARMS;

- TCRA to invite TTMS Consultant for further clarification on the TTMS contract implementation of ARMS within the TTMS agreement framework;

- In case TRA becomes part of the TTMS contract, TCRA and TRA will need to agree on the appropriate ARMS procurement procedures.

Evaluation of the Committee recommendations revealed that, the Committee did not consider aspects of governance and management of the ARMS project since this project spans into multiple agencies with distinct leadership and management.

5.3.4 Need for Effective Utilisation of TTMS Modules

Tanzania Communication Regulatory Authority (TCRA) is implementing the Telecommunications Traffic Monitoring System (TTMS) which monitors international and interconnect telecommunications traffic from licensed operators. The implementation of the system involved installation of five modules namely the Local and International Traffic Monitoring System, Fraud Management System, Quality of Service (QoS) Monitoring Platform, Mobile Money Monitoring Platform and Device Detection System also known as Central Equipment Identity Register (CEIR).

Our review of the extent of the usage of the above modules revealed that some of the modules are effectively being utilized. For example, Local and International Traffic Monitoring system is a very valuable module to TCRA than any other Authority. However, there is still room to expand its usage to TRA for verification purposes with respect to telecom operators, local and international calls revenue.

Fraud Management System usage is closely correlated with the Local and International Traffic Monitoring system, therefore its utilization is at an acceptable level. Quality of service (QoS) Monitoring Platform fits nicely in the core activities of TCRA, however we believe there is room for further improvement by reconsidering the rules around the quality of services offered by telecom operators and the existing technical capability that this subsystem is providing. Mobile Money Monitoring Platform provides visibility to mobile payment transactions over time.

I believe the potential user of this subsystem is the Bank of Tanzania (BoT), since this system provides technical capability that could dramatically improve regulations of mobile money banking. If additional business analytics are built on top of this module, some important questions with regard to money supply such as mobile money velocity in relation to monetary base, impact of default or failure in mobile money platform hosted by telecom operators impact to exchange rate as a result of cross border mobile transactions, money laundering and illicit transactions through mobile money and cross border currencies could be easily investigated.

I also noted that, TRA is not effectively using this module to establish tax revenue due from transaction costs being charged by mobile operators. Device Detection and Identification System provide the capability to evaluate authenticity of mobile devices used in mobile operators' network. This subsystem fits very well in the core activities of TCRA; however, its successful implementation requires broader participation of stakeholders from the telecom sector such as mobile customers and telecom operators.

I am of the view that, TTMS utilization can be further increased by bringing in other beneficiaries such as Bank of Tanzania and TRA, as well as develop business capability through modification of rules and processes of TCRA.

5.3.5 Lack of Proper Communication among Project Key Stakeholder

Our review of implementation of the Telecommunication Traffic Monitoring System(TTMS) revealed several deficiencies including lack of proper communication among the stakeholders within the public sector such as; Bank of Tanzania, Tanzania Revenue Authority, Tanzania Telecommunication Company etc.

This weakness has resulted into not including in the Bills of Quantities (BoQ) of the TTMS contract for some key modules responsible for revenue assurance ie. Airtime Revenue Monitoring System (ARMS) such that TCRA and TRA are planning to have a separate agreement with the TTMS Consultant to include this module within TTMS by adding some functionalities to enable TRA to have a system that will be capable of performing revenue assurance in the telecommunication industry and definitely this will lead to additional costs.

It is in my view that, costs would have been reduced if this module was provided together with the currently operating five modules.

According to Section B. (vii) of the Specific Conditions of the contract, among the areas which TCRA had agreed with the Consultant was to enhance it to know “The real time generation of call detail records (CDR) for the purpose of calculating the total airtime revenues of the network operators (domestic and international)”.

I have noted that to date, the Consultant has not implanted a component which will capture domestic revenue accruing to telecom companies. In addition, according to the contract agreement, one of the purpose of the contract was "to assist and facilitate the development and implementation of clear process for ensuring regulatory compliance in terms of revenue declaration, quality of service performance and general standards for compliance on the part of licensed operators with license terms and conditions".

I also noted that one of the objectives of the Agreement was to eliminate and prevent revenue loss to the operators and the United Republic of Tanzania. We have not established how the Consultant has addressed this objective through provision of this system.

Among the responsibilities of the Consultant was; "to perform all such activities required for international traffic revenue assurance, quality of service (QoS) monitoring of traffic, tracking and detecting bypass fraud, monitoring mobile money transactions, ensuring fair international transit practices among operators and the detection of SIM card profile and Terminal Equipment Identification details".

Annex VII to the contract agreement provides an analysis of investment costs in which, one of the software components was for billing (International and national traffic) which had a provision of USD 2,722,605.50.

I could not establish whether or not this component for billing was to be used to determine the amount of revenue due to TCRA from both local and International calls. Further, the reason behind TCRA including only a requirement for the system to only monitor international traffic revenue assurance while excluding the local component for revenue assurance could not be ascertained.

It is evident that TCRA and other key stakeholders had not clearly specified their requirements in terms of deliverables from the start of the project, instead it is likely that TCRA concentrated on inputs and the mechanics of delivery; this weakness could lead to the risk that the key public sector stakeholders and the Government may end up with a project that does not meet their real needs.

5.3.6 Failure to Conduct Project Risk Assessment.

Appropriate allocation of risk between the public and private sectors is a key requirement if the public/private finance and concessions approach is to deliver better value for money.

Our enquiry from management could not confirm whether TCRA carried out any risk assessment and whether the Authority made appropriate allocation of the project (TTMS) risks between the two parties. We could not establish whether successful management of the assessed risk have been maintained throughout the project's lifetime.

We could not establish whether TCRA had optimally transferred the relevant risks of the project, after measuring the cost of transferring them to the private sector against itself bearing those risks which it could best be placed to manage, taking into account that any private sector partner will have to charge a premium including higher rate of revenue generated by the project for accepting such risks.

Section 22 (a) of the General Terms of the TTMS contract agreement provides a modality by which the Consultants SGS/GVG shall be remunerated. These payments are further analyzed in Annex X to the contract, where the consultants are entitled to an initial CAPEX offer of USD 48,000,000, a final CAPEX price of the contract of USD 20,655,839.24 and monthly payments of USD 0.04/Minute for 0-32,500,000 Minutes/Month and US $ 0.02/Minute for Minutes in excess of 32,500,000 per Month.

Total project cost net of discount was USD 20,655,839.24. This amount included contingencies of USD 300,000 which was also included in arriving at the final CAPEX price of the contract.

There was no appropriate evidence to support the basis for how this remuneration was determined and whether any cost benefit analysis was carried out to establish the amount each party to the contract would be entitled to. Further, I could not establish whether the amount for contingency was incurred in the TTMS project construction.

Recommendations

For TCRA to improve its operational efficiency and properly control and manage its operations, Management is advised to:

i. Management should develop an action plan that is achievable and continue to monitor the implementation of its activities throughout the year for successful achievement of its strategic objectives;

ii TRA needs to ensure preparation of the annual action plan is improved by including baselines, indicators and targets in each of their activities to be implemented;

iii Management should establish a cross-cutting governance and management structure to lead and direct the ARMS project and conduct a risk assessment of the whole project cycle to enhance control over tax revenue collection; and

iv Management should develop an action plan that would enable expansion of the utilization of TTMS modules to an optimal level through engaging other stakeholders such as telecom operators and other Authorities such as TRA and BOT;

v It is important that communication among the Key stakeholders be strengthened to ensure that all the specific requirements in terms of deliverables are identified from the start of the project to avoid having a project that does not meet their real needs;

vi Going forward, public entities should consult with all relevant stakeholders to help ensure that projects being implemented on a Public Private Partnership arrangements produce the appropriate specifications for the project to ensure that the project realizes value for money;

vii It is of vital importance that a comprehensive feasibility study be carried out and a more detailed business case be developed prior to the decision to implement any major project to ensure projects are implemented successfully and ensure the intended project benefits are realized; and

viii Management should always assess and optimally allocate all project risks ie. allocating individual risks to that party which is best placed to manage them before the start of any project. Further, management should ensure that the risk allocation remains optimal throughout the project lifetime and any retained risk is properly managed.

5.4 Energy and Water Utilities Regulatory Authorities (EWURA)

EWURA was established under EWURA Act, Cap. 414 of the laws of Tanzania, and started its operations in June 2006 as a Multi-Sector Regulatory Authority. The Authority carries out economic and technical regulation of the energy (electricity, petroleum, and natural gas) and water sectors. My review has identified the following key strategic management issues which need to be addressed for the effective achievement of the Authority's operations:

5.4.1 Ineffective Risk Management Process within the Authority

EWURA Risk Management aims at providing guidance for management to effectively deal with uncertainties associated with risks and opportunities thereby enhancing the capacity to achieve the Authority's objectives. The Risk Management Framework is meant to serve as a guide for the Authority's risk management processes and create a mechanism for management to operate more effectively in an environment filled with risks.

I noted that, despite the Authority having a Risk Management Framework in place since April 2013, it has not established a risk register and a Risk Management Committee to oversee the whole process of risk management cycle through identification of risk, assessment of risk, prioritizing the risks, taking action and monitoring of risks.

Further review of the Petroleum annual performance review revealed that, the Authority does not have a documented risk assessment process used during inspection to guide teams on the systematic identification of petrol stations and dealers basing on identified risk of non-compliance. Consequently, selection of petrol stations for non-compliance inspection has been done on haphazard basis and sometimes depending on complaints received from the consumers.

Lack of a documented risk based assessment policy and guidelines with regard to identification of non-compliant dealers may cause the task of monitoring the petroleum supply chain to be ineffective and risks of non-compliance within the sector may not be reduced to acceptable levels.

5.4.2 Non Preparation of Performance Review Reports for Regulated Sectors

Performance Review Reports present highlights of regulatory activities related to the Authority's regulated sectors which include electricity, petroleum, natural gas, Water supply and sanitation. The reports should cover the details of the executed activities, achievement, challenges encountered and the way forward for the respective financial year.

Enquiry from management indicated that, the Authority prepares performance reports for Petroleum and Water & Sanitation only, while no performance reports are being prepared in respect of the remaining sectors of Electricity and Natural Gas sectors.

Non preparation of performance review reports for the rest of the regulated sectors impairs the ability of the Authority to effectively measure the implementation of the planned activities for those two sectors. It was also noted that the Authority had not prepared an actions plan to address all challenges it is facing in implementing its annual work plan.

5.4.3 Review of Procedures Over Complaints Handling Mechanism

EWURA has a dedicated Unit under the Directorate of Legal Affairs which attends to complaints against suppliers within all the regulated sectors. The Unit as part of investigation, attempts to resolve the received complaints in an amicable manner within sixty (60) days from the date of filing the complaint.

During the year 2014/15, EWURA registered about 80 complaints in its three regulated areas of Petroleum (16), Electricity (48), Water Supply and Sewerage (16). Out of these 80 complaints, only 50 complaints equivalent to 62 per cent were resolved. We were informed by management that, the remaining complaints were at various stages of mediation and hearing; and that Section 35 (5) of the EWURA Act, Cap 414 which sets a time frame of 60 days for a dispute to be resolved applies during the mediation session is generally silent on the timelines for determining complaints hence does not provide conclusion on the timeline for determination of complaints.

I am concerned with the time taken to handle these complaints as it has exceeded the Board established time limit of six months from the date of filing the complaints.

Recommendations

i. Management of the Authority should operationalize the risk management framework including establishment of a risk register and a Risk Management Committee to ensure that its business processes, operational and systemic risks are effectively controlled and managed;

ii. Management should develop and document risk based assessment procedures for identifying dealers in the petroleum sector with high risk of noncompliance;

iii. Management should develop a comprehensive, measurable, attainable, and time bound action plan that will clearly define the key strategic objectives and ensure that Performance Review Reports are prepared for all the sectors being regulated;

iv. Management should abide with its Consumer Complaints Settlement Procedures by timely resolving all the complaints being filed by consumers.

5.5 Tanzania Investment Centre (TIC)

Tanzania Investment Centre (TIC) is the primary Agency of Government to coordinate, encourage, promote and facilitate investments in Tanzania and to advise the Government on investment related matters. TIC is the focal point and first point of call for potential investors; it is a "one stop facilitative centre for all investors. Our review of operational efficiency noted the following;

5.5.1 Ineffective Monitoring and Evaluation System within TIC

I reviewed 45 Investors who were given certificates of Incentive by TIC in order to assess whether TIC conducted Monitoring and evaluation as required by Section 17(10) of Tanzania Investment Act of 1997. My review revealed that out 45 investors, four investors (9 percent) notified the Centre on the commencement of the projects, while 41 investors (91 percent) did not notify the Center on the commencement of their projects. We noted that TIC did not make any follow up to ensure that investors notify the Centre upon the commencement of their projects.

Further, no regular site visits were conducted to ensure that the incentives are properly being utilised in accordance with the given licence. According to the law, a holder of a certificate is required to inform the Centre in writing of the date of commencement of investment and the Centre shall forthwith verify the commencement of the operations. Management attributed the matter to the shortage of staff in the Investment and Care Department of TIC.

There is difficulty in tracking the efficient utilization of incentives and whether investors are conducting their operations as approved under the incentives guidelines.

5.5.2 Lack of data Integration between TIC and Tanzania Revenue Authority (TRA)

During our review, we noted that investors submit a list of capital goods for tax exemption where the Centre recommends to TRA for approval. During the period between July 2012 and June 2015 TIC registered 2,095 projects whereby, TRA approved the related exemptions.

I revealed that the Centre has no system to review the approved exemptions for each investor as approved by TRA system and hence the Centre is unable to determine with accuracy the amount of exemptions granted to investors and how the exemption has been used. This is mainly attributed by absence of Memorandum of Understanding between TIC and TRA to guide the responsibilities and communication with respect to the exemptions.

Lack of data integration impairs ability of TIC to reconcile the tax exemption granted to investors by TRA against their records.

5.5.3 Non Submission of Investor's Reports and Returns to TIC

My review revealed that, no semi-annually reports had been submitted by the investors to the Center as required by the notification of award issued to investors. According to award notification of incentives, investors are required to submit in every six months a progressive report which will show the implementation status of the project. Of the 45 investor files reviewed, no investor had submitted the required six month progressive reports to the Centre in respect of the year 2014-2015. This was due to lack of obligation awareness by investors and initiative by the Centre to make follow up on the progress.

The failure of submitting semi-annual reports to the Centre resulted in inefficient monitoring of the status of the projects.

5.5.4 Lack of Awareness by Investors on Activities of Tanzania Investment Centre

We visited 29 samples of investors who received incentives from the government through the Centre. On inquiry, we noted that all investors are not aware of the principal functions of the Center; such that investors were not fully using TIC as their one stop Center to coordinate, encourage, promote and facilitate their investments as per Section 5 of the Tanzania Investment Act, 1997.

We learnt that, without limiting other functions listed in Section 6 of the Act, the Centre is required to initiate and support measures that will enhance investments, collect, analyse and disseminate information about investments and opportunities in the country, assist investors in obtaining permits, licenses, approval consents, authorization, registration and all matters as required by law.

This has been caused by lack of publicity on TIC incentives to the existing and newly promoted investors willing to invest in Tanzania.

The Center may fail to achieve its main objective of being a one stop center and the primary Agency of the Government in coordinating, encouraging, promoting, facilitating and solving any setbacks encountered by investors.

Recommendations

i. We recommend Tanzania Investment Centre to;

   a. Develop a strong system to ensure that investors who obtain incentives submit notifications on commencement of their projects and the Centre verifies the projects before commencement of their operations and,

   b. Develop internal capacity to be able to conduct regular site visits to verify whether the projects which benefited from tax exemption utilize the same for the intended objectives.

ii. The Centre should liaise with Tanzania Revenue Authority on getting proper and appropriate access to necessary information of project's investors so as all crucial information become available especially during monitoring progress.

iii. The Center should impose appropriate measures against investors who fail to submit semi-annual reports including penalties and other sanctions.

iv. The Centre is advised to increase the awareness to the public for activities it is undertaking by providing and disseminating up to date information to investors on the benefits or incentives that are available within the country. Further, the information has to be disseminated in a timely manner.

5.6 Reli Assets Holding Company (RAHCO)

Reli Assets Holding Company Limited (RAHCO) was established by an Act of Parliament, the Railways Act (No.4) of 2002. RAHCO took over the functions, assets and liabilities of the former Tanzania Railway Corporation (TRC).

The Company is wholly owned by the Government of the United Republic of Tanzania. The management and operations of the Company are guided by the Company's Memorandum and Articles of Association and the Laws of Tanzania. The Company was registered on 31st May, 2007 under the Tanzania Companies Act, 2002 and issued with a Certificate of Incorporation No. 60587.

5.6.1 Deficiencies in RAHCO Actions Plan

Reli Assets Holding Company (RAHCO) had the following four Key Performance Indicators (KPI) during 2012/13-2014/15;

- To track speed restriction per Kilometer (km),
- Upgrading number of Kilometres of fiber optical cable,
- Uprooting the old and damaged railways line and lay down a new one for efficient performance of the locomotives,
  Spending enough capital for improvement of infrastructure

My review of the Company's Performance Reports for the year 2014/15 which detailed the executed activities and achievement of the objectives set, revealed the following:

Company highlighted four (4) Key Performance Indicators (KPIs) to measure the four activities in line with the strategic objectives. The KPIs could not determine how the intended results will be measured, instead, the Company's KPIs were general statements that explain the objectives but could not detail how those objectives will be achieved. The Company objectives and targets for each KPI were partly implemented as noted below:

RAHCO aimed at reducing restrictions to zero along the rail line which was due to poor infrastructure, but the Company managed to reduce the number of kilometres with speed restrictions from 139.2km in June 2014 to 94.8 km only by June 2015. For three years (2013-2015) the Company did not have any target. I failed to understand how the Company could achieve its objectives if no targets were set and also we could not understand how KPIs could be used to measure performance which had no targets.

Further, RAHCO intended to change from copper fiber to optical fiber which could not easily be destructed but there was no progress regarding the number of kilometres of fiber optic cable upgraded. We noted that, the Company set targets in 2013, 2014 and 2015 to achieve 120, 150 and 170 km of fiber optic cable upgrade respectively; however, the same were not achieved for all those years.

The Company had the objective of uprooting the old and damaged railways line and lay down new for efficient performance of locomotives. In 2013 the company targeted to lay down 29 Kilometres, while in 2014 the target was to lay down 100 Km. However, the same were not done at all. The company also planned to spend enough capital expenditure of TZS 60.7 billion for improvement of infrastructure, however, we noted that its capital expenditure went down from TZS 29.4 billion in the year 2013/14 to TZS 11.2 billion in the year 2014/15.

Management of RAHCO attributed the noted anomalies to lack of funds from Government.

We are concerned with the deficiencies noted in setting of targets, and weak Key Performance Indicators as all these impair the ability of the Company to effectively measure the implementation of its planned activities.

5.6.2 Failure to Implement its Development Strategies

The Company had Objectives to achieve for economic development which were grouped into three corridors namely Southern (Mtwara corridor) - Mtwara-Songea-Mbamba bay with spurs to Liganga and Mchuchuma iron and Coal railway development, Northern Corridor (Northern Railway line) Tanga-Musoma with spurs to Engaruka and Minjingu railway project and Upgrading/Construction of Central railway line (Central corridor) to standard gauge.

We noted that the Company faced several challenges which included failure by the concessionaire (TRL) to pay concession fees and other statutory obligations, Railway Infrastructure Fund (RIF) not being operational, capacity of RAHCO to take on-board other national initiatives and huge investments required in development of railway network. Further, the Company had not prepared an actions plan to address all the challenges it faced in implementing its annual work plan.

Due to these challenges, RAHCO failed to achieve the planned objectives. We are concerned with the performance of RAHCO as this impedes the operational efficiency to attain its strategic objectives.

Our review of records at Tanzania Ports Authority (TPA) indicated that only less than 1 percent of the Cargo from TPA were transported using railway indicating failure by both RAHCO and TRL to achieve their longer term wider objectives of making railway a reliable mode of transport.

Recommendations

i. Management should ensure that it implements its planned activities in accordance with the annual work plan and budget.

ii. Management should assess its performance in line with the existing challenges and develop a comprehensive, measurable, attainable and time bound action plan with targets which clearly link to the objectives to achieve the intended level of development.

iii. The Government should review its decision to separate the two entities (RAHCO and TRL) by assessing the pros and cons of having these two (2) entities operating separately.

5.7 Tanzania Ports Authority (TPA)

Tanzania Ports Authority (TPA) was established by the Ports Act No. 17 of 2004 to take over the functions and responsibilities of the then Tanzania Harbours Authority, which ceased to operate from 14th April, 2005. TPA is fully owned by the Government of Tanzania and a significant part of the equity is contributed by the Authority operations, Government and grants.

5.7.1 Non-Attainment of Key Performance Indicators (KPIs)

TPA has set several Key Performance Indicators in order to monitor and measure performance of its project activities as listed below:

i. Panamax ships handled at berths 13 & 14 by 2016

a. The following new sub-components were added to the DMGP as follows:

ii. Development of Berths 13 -14;

iii. Relocation of KOJ;

iv. Strengthening of Berths 8 -11;

v. RoRo berth constructed by 2014;

vi. Construction of four additional berths- Two additional berths to be completed at Mtwara port by June 2014;

vii. Dredge entrance channel to 13 CD by 2015;

viii. Upgrading of berths 1-7 to handle bigger vessels- Berth 1-7upgraded by 2016;

ix. KOJ shorten to allow bigger vessels to pass through the berths 13 & 14 by 2014;

x. Increase KoJ flow meters capacity from 740 cubic meters per hour to 1,500 cubic meters per hour by 2013;

xi. Increase capacity to handle fertilizer grain and clinker by 2015;

xii. Good roads gates available by 2013;

xiii. Development of Floating dock at Dar es Salaam port by 2013; and

xiv. Reviewed investment policy by December 2011.

My review of TPA Port Master Plan implementation and Key Performance Indicators revealed that most of the key performance indicators were not achieved as detailed in *Appendix VII*. We are concerned that non-attainment of the KPIs impairs the ability of the Authority to achieving the intended objectives identified in the Port Master Plan.

5.7.2 Inadequate Management of Dar es Salaam Port Dockyard

In my previous report of 2011, I had concerns over the existing and out-dated small dry dock which was built in 1950s and recommended that, Tanzania Ports Authority (TPA) set phases to overhaul the dockyard to increase its efficiency of operation.

I have further learnt during the year under review that, the dockyard is still not operational as currently the facility is obsolete, deteriorated beyond economic repair and some of the facilities were removed following the development of berths 13 & 14. I also noted that the repair of TPA marine crafts, has been for a long time being at Mombasa port. We noted an expenditure of TZS 1,327.14 million which was incurred in respect of repairing and maintenance of marine crafts.

I am of the view that implementing a modern dockyard facility will facilitate optimal operational equipment, availability of marine crafts and enhance port operational efficiency as well as reduce maintenance costs incurred annually to service the facility abroad.

Lack of operational dockyard hinders some ships to dock at Dar es salaam port due to lack of maintenance assurance on their ships in case maintenance is needed and eventually loss of revenue; and also maintaining the TPA marine crafts abroad increases costs to the Authority.

5.7.3 Unrealistic Capital Development Budget

Port Master Plan is a long term plan of 18 years that formulates the Authority's strategic objectives. TPA budget structure of 2014/15, which reflects the Port Master Plan, was based on the five years Corporate Strategic Plan (Medium Term Plan) of 2011/12-2015/16 accommodating all ports and headquarters.

My review of the integrated planning and budget objectives for implementation of the Corporate Plan revealed that, each objective had financial resources required for the implementation of the intended strategic objectives for each goal. I noted that 85 percent (USD 2,020.45 million equivalent to TZS 4.24 trillion) of the estimated resources required is from external sources and only 15 percent is from internal sources.

Further review of the Authority's Medium Term Plan noted that the estimated annual resources to implement the planned activities was USD 475.4 million of which 15 per cent to be mobilized internally from own source while 85 percent is external source through loans and PPP arrangement.

In this respect, it appears that the Authority's annual budget was formulated without adequately considering challenges in the solicitation of external financing and level of expertise needed to implement the respective strategic objectives for each goal identified in the Port Master Plan.

I am concerned that the set budget allocation criteria is unrealistic, which may result into over ambitious planning which may adversely impact on the accuracy of the budgeted capital development costs.

The Authority needs to consider establishing a Resource Mobilization Strategy (RMS) within the Planning Department specifically for diversifying the lenders-base; and developing improved cross-Authority capacity to mobilize resources and manage lenders relations.

5.7.4 Inadequate Projects Implementation Earmarked in the Port Master Plan 2028

TPA began to implement its Ports Master Plan in 2010 as a key part of a programme of major changes to improve management of its operations and its performance reporting as well as increasing efficiency of the operations of the Port.

I reviewed the progress made by TPA in implementing its Ports Master Plan, specifically on the earmarked projects. We revealed that the initiatives to implement the Ports Master Plan face a number of significant challenges as evidenced from eight (8) projects whose implementation was either behind the planned schedule, suspended or on hold for a number of months. This situation may prevent TPA from achieving the intended objectives identified in the Ports Master Plan.

The details of the projects reviewed and their drawbacks are as illustrated bellow:

(a). Construction of berth 13 &14

The Ports Master Plan provides milestones for implementation of new berths 13 & 14 at Dar es Salaam port. According to the plan, the new berths had to be implemented within a period of five years from 2010 to 2016, at an estimated cost of USD 524 million. However, their implementation has been suspended for a period of four years now due to the following reasons:

i. Disqualification of a Chinese company M/s. CCCC due to being debarred by the World Bank/PPRA from tendering process in 2010 due to noncompliance with World Bank (WB) guideline 1.14 (a) (ii); that indicated fraudulent practice" of a misrepresentation or omission of facts in order to influence a procurement process or the execution of a contract;

ii. Also in May 2013, another Chinese company M/s. CHEC succeeded M/s. CCCC to furtherance development of the project under EPC model. However, legal contractual engagement with M/s. CHEC could not be effected because it was later discovered that M/s. CHEC was a substantive subsidiary company of the debarred Chinese Company M/s. CCCC.

I revealed that the Authority took an initiative to implement berth 13 &14 under Public Private Partnership (PPP) arrangement under Design Build Operate and Transfer (DBOT) model. However, the project could not take off as the Authority decided to put the procurement processes on hold following a number of queries raised by shortlisted bidders demanding detailed designs of the project on technical issues regarding relocation of Kurasini Oil Jet (KOJ).

It is my concern that the Authority did not adequately involve the technical experts during the design stage and also did not conduct intensive feasibility study as evidenced from bidders' demands. The bidders' demands could have been noticed during the feasibility study prior to the procurement process.

(b). Construction of Bulk Liquid Storage Facility/Construction of CUSTODY Transfer Tank Farm Project

TPA planned to implement this project by 2015 at an estimated cost of USD 20 million aiming at improving management of its fuel storage system from commercial fuel importer companies. However, we revealed that the project was not implemented due to cancellation of the procurement process to allow further feasibility study and survey works to be completed on bathymetric, hydrodynamic and geotechnical designs.

I am concerned that the Authority engaged in the procurement processes without prior performing thorough feasibility studies on the project which resulted into suspension of the project and thus the intended objectives may not timely be met.

(c). Development of Trucks Parking Area Outside the Port

The Ports Master Plan of 2028 requires the Authority to develop parking areas outside the port to provide, among others, high level of cargo storage. Review of the Strategic Plan of 2011/12-2015/2016 noted that the Authority allocated a budget of USD 55 million for the project which was due to be implemented by 2014.

However, I noted that, the project was not implemented due to Temeke Municipal denial to TPA's request to invest the project in their area since there was no agreement between the two parties.

I am concerned that, the Authority did not seek Municipal Council's agreement in terms of Memorandum of Understanding (MoU) prior to initiating the procurement in respect of processes for this project. The Authority may not implement the project as identified in the Corporate Plan eventually the intended objectives of the project may not be achieved.

(d). Development of one berth for fish terminal outside DSM port project

The Authority's Corporate Strategic Plan provides some milestones for implementation of one berth for fish terminal to be implemented by 2014 at an estimated cost of USD 21 million. The project entailed relocation of the existing fish market for port security purposes.

However, as at the time of the audit in February 2015, the project was still pending on the ground that there were ongoing dialogues with other key stakeholders who were overlooked prior to the procurement process.

I am of the view that, the discussion could have been held and concerns of the stakeholders been cleared prior to the initial actions towards implementation of the project. This could let smooth implementation of the project.

(e) Improvement of Lighter Quay Project

TPA planned to implement this project by 2015. However, the project was postponed pending completion of the on-going port modernization programme, (DMGP). We are of the view that, non-involvement of technical experts at the stage of planning and designing resulted into failure of the project implementation and the intended objectives may thus not be achieved.

We attributed the matter to non-involvement of the projects technical experts during the planning stage which resulted into oversight of pre contract activities. Also the Authority did not conduct intensive risk assessment during the initial planning and designing stages which is vital for the viability of any project and minimization of risks of unforeseen events.

Further, TPA Corporate Strategic Plan may seem to be over ambitious with a number of projects that need technical expertise and intensive resources. We are also of the view that, there is inadequate coordination and communication between TPA and other implementing partners.

Delay in implementation of capital development projects may impact the Authority in achieving its intended objectives in a timely manner and limit wider port operations. Inadequate coordination and communication of TPA with other implementing partners may limit smooth implementation of the project as evidenced from the Fish Market project and Temeke parking area project. Further, the delays in implementing these projects may lead to increased costs and undermine the confidence of TPA's stakeholders including donors.

5.7.5 Deficiencies in the Contract Entered Between TICTS AND TPA

On 5th May, 2000, the Government of the URT through PSRC, Tanzania Harbours Authority on the one hand and International Container Terminal Service Inc, (ICTASI) and Tanzania Internal Container Terminal Services Limited (TICTS) on the other hand, entered into a ten (10) year-lease Agreement to operate and manage the Container Terminal and the Kurasini Inland Container Depot (KICD). The lease also covered managing berth 9-11. Designated Area together with identified equipment and spares were handed over to TICTS on 10th September, 2000, which was the effective date of the lease with consideration of fixed annual payment of USD 3,680,000 to be paid on the first day of the twelfth month thereafter.

Review of the lease agreement noted the following shortfalls:

(a) Lack of Oversight of Containers Handled at TICTS

Tanzania International Container Terminal Services (TICTS) has an agreement with TPA which allows TICTS to provide handling services of containers on behalf of TPA. TICTS pays royalties and wharfage for each container handled. We noted that TPA does not have controls to monitor total number of containers handled at TICTS. TPA only relies on information received from TICTS and does not reconcile this with the actual number of containers handled by TICTS.

Management explained that, TPA has limited access rights of TANCIS which is mostly for TPA Container Terminal. However, despite repeated requests to TRA for TANCIS rights extension to cover TICTS Terminal, nothing has been granted to date. This makes it difficult to independently monitor TICTS container throughput submitted by TICTS via daily transfer lists and monthly reports that TPA is forced to rely on. Currently, TPA is following up for access rights from TRA after filling the required forms in December 2015.

(b) Change of Ownership Along with Changing the Lease Period

On 31st October, 2001, just 20 days from the effective date of the lease, we noted that Addendum No 1 was signed to change the ownership of the lease contract from ICTSI to transfer 51% shares in TICTS to Hutchison International Port Holding.

We further noted that, on 30th December, 2005, five years before the expiry of the terms of the lease agreement, Addendum No 2 to the lease agreement was executed, where, the lease period was extended from 10 to 25 years and TICTS were given an additional operational area comprising of berth No.8 and its surrounding/back up area together with Ubungo Inland Container Depot which were not previously in the lease agreement. According to clause 9.1 of the lease agreement, amendment to the term of the lease is not permitted.

One of the objectives of privatisation was for the Government to sell or enter into a joint venture with private companies for all public entities or any line of production which was not efficiently performing in order to enhance their efficiency and increase productivity. Contrary to this objective, the lease agreement covered managing berth 8-11 including the current container terminal, Kurasini and Ubungo Inland Container Depots, areas which according to management were very productive.

We noted that TPA proposed to PSRC (Government) to engage a Consultant to establish the overall effect and modality of the new lease. The consultant recommended for the project level of traffic in respect of the new designated area i.e berth 8-11 to be 500,000 Twenty Feet Equipment Unit (TEU) which according to the Consultant, the area indicated providing super profit, hence, the Government should be paid USD 50-100 million as extension fee. However, the same amount was not paid to the Government as a result of this extension. It is evident that, the privatisation of these production lines did not consider the wider privatisation objective as provided in the Parastatal Sector Reform Policy.

(c) Fall in Performance Targets by Lessee Below Agreed Threshold

Clause 7.4.2(2) of lease agreement states that; the lease may be terminated if the performance targets in any one year falls short of the target for that year by more than 25 percent.

We noted that, in the year 2007, TPA conducted an analysis of TICTS performance since 2000 and based on the poor performance observed, TPA communicated the same to TICTS. TICTS declared that the targets were not met as per the lease agreement.

The TPA Board of Directors submitted a proposal to the Ministry of Infrastructure in Sept 2007 recommending for the review of the Lease Agreement including, removal of the exclusivity clause, increase performance targets, increase the amount paid as royalties, require TICTS to return all life expired equipment belonging to TPA, to require TICTS to submit an Investment plan which will include procurement of new equipment, to add a provision on mid-term review of the Agreement after every five (5) years.

In 2008, TPA served TICTS with a notice of intention to terminate the lease agreement pursuant to Article 7.4.2 (2) due to poor performance as the agreed targets fell by 26 percent. Pursuant to Article 7.4.2(2), the lease may be terminated if the performance targets in any one year falls short of the target for that year by more than 25 percent. However, the Government through the Ministry of Infrastructures directed TPA to put the notice on hold to pave way for negotiations between the parties. The negotiations were held and culminated in the review of the agreement in 2009 where by other issues under negotiation were concluded in the MOU signed on 5th October, 2009 as working guidelines to improve performance.

d) Failure to Widen the Ownership Structure of TICTS by Offering Shares to the General Public

Clause 6.1.6 of Addendum 2 to the contract requires the lessee to widen the ownership of TICTS preferably by offering shares to the general public. According to the Agreement, the lessee was required to include a number of Tanzanian shareholders in TICTS by 31st December, 2011 so that Tanzanian shareholders own at least 40 percent of total shares by the said date and such increase shall be inclusive of any share contemplated to be held by employees under any employees' participation ownership structure. For the avoidance of doubt, upon increase of Tanzanian shareholders to 40 percent, all the lessee obligations under the article shall be deemed to have been fully discharged.

However, up to the time of concluding this audit in February 2016, there was no evidence of TICTS shares having been offered to the General Public as per the lease agreement.

5.7.6 Construction of Kisarawe Cargo Freight Station

Kisarawe Cargo Freight Station entails the provision of a dry port at Kisarawe North (35 Km away from Dar es Salaam) as an extension of Dar es Salaam Port to cater for containers and vehicle traffic to and from upcountry and for transit goods. The main components of the project include: rail shuttle transport linkage; re-alignment of existing container yard at Dar es Salaam port; new terminal, new trunk road access, new mainline (RAHCO and TAZARA) spur lines, freight station, customs and clearing and forwarding building, truck parking and associated facilities. The Cost to construct this freight station is estimated at USD 280 million.

During our review, we noted that, while the project was at Phase II of the design (developing feasibility study), it was suspended by the Government.

The Ministry of Transport was instructed to suspend the project, because there was a private company M/S BlackIvy from the United States of America, which is ready to construct a dry port at Soga at its own cost. There was no evidence to show how this Company was obtained and whether it was obtained through a competitive bidding process.

This project had been approved in the Ports Master plan and was expected to be financed by the World Bank. In addition, Funds for pre-feasibility study had been released by the World Bank. A feasibility study was undertaken and the area identified. The decision to give this project to a private company without considering the cost so far invested by TPA may not be economically justifiable and may impair implementation of TPA longer-term wider objectives as provided in the Ports Master Plan.

Funds already paid to the consultant in respect of carrying out the feasibility study becomes fruitless from which the Authority has not realised any value.

5.7.7 Operationalization of Inland Container Depot and Car Freight Stations

Our review of the operationalization of Inland Container Depots (ICDs) and Car Freight Stations (CFSs) revealed the following weaknesses which need management attention for improvement;

i. We noted that ICDs and CFSs are being underutilised, such that, most of these ICDs and CFSs were operating under low capacity some of them below 40 percent of their full capacity. We also noted that, in some instances, transfer of cargo from TPA to ICDs/CFSs is done without considering the ability of TPA in terms of idle capacity it has to handle the cargo being sent to those ICDs and CFSs.

   It is likely that, these ICDs and CFSs were established without taking into consideration the quantum of the cargo being hauled from Dar es Salaam port to those ICDs and CFSs

ii. Absence of the integrated computerised system between TPA and owners of ICDs and CFSs which leads to difficulty in reconciling their information against TPA data.

iii. We were informed by Management that, TPA has no extended control over ICDs and CFSs such that in some cases they delay to release the cargo being handled by them aiming at maximising storage charges at the expense of TPA customers and thus transferring their inefficiency to TPA.

iv. There are no clear procedures and basis by which the cargo is allocated among ICDs and CFSs. We were informed that, in some cases Shipping Line Companies in collaboration with the owners of the ICDs and CFSs agree on the destination of the cargo right from the time of loading the cargo at the Country of Origin without the involvement of TPA.

We recommend for management:

i. To establish a mechanism to ensure that project risks assessment and intensive feasibility study are conducted and included in project proposals for smooth implementation of its projects;

ii. To ensure that, there is adequate coordination and communication between TPA and all other stakeholders such as Ministry of Finance, Treasury Registrar, Ministry of Transport and other implementing partners during the planning process and the execution of all development projects;

iii. Management is advised to comply with its corporate plan by allocating resources towards implementation of the Ports Master Plan or consider reviewing the Corporate Plan and make it more realistic;

iv. To ensure that construction of berths 13 & 14 is completed since it deters most of key performance indicators to be achieved as most of these depend on completion of berths 13 & 14;

v. TPA as a matter of priority should expedite the process of modernizing the Dar es Salaam dockyard to make the port more competitive in the region;

vi. The Authority should collect data from TANCIS showing all containers handled at TICTS and reconcile this information with actual containers received at TICTS;

vii. he Government should review TICTS lease agreement with a view to ensuring that public interests are protected in the agreement. The legal implication of the extension of the lease agreement before the first lease agreement had expired should be considered and evaluate the possibility of terminating the lease agreement;

viii. TPA management should closely follow up with the matter with TICTS to ensure that TICTS abides to the terms of the lease agreement;

ix The Government should revisit its decision to stop TPA from carrying out Kisarawe Cargo Station Project to ensure that the Authority implements its wider objectives and enhance its operational efficiency;

x TPA and ICDs & CFSs should establish an integrated system that will be able to reconcile their information relating to cargo being sent to ICDs and CFSs;

xi TPA should develop clear procedures and basis for allocating the cargo among ICDs and CFSs;

xii TPA should review its contract with ICDs and CFSs to enhance their performance and avoid the tendency of ICDs and CFSs shifting their inefficiency to TPA; and

xiii TPA should revisit the viability of the number of ICDs and CFSs being established taking into account the available capacity to handle the cargo at TPA and at ICDs/CFSs.

5.8 National Development Corporation (NDC)

5.8.1 Feasibility and Resource Assessment Studies not Conducted by NDC

Review of overall processes and operations of projects under NDC revealed that techno-economic feasibility studies and resource assessment of four (4) projects out of five (5) were undertaken by joint venture companies which in most cases are significantly owned by private partners. All expenses relating to such studies and prospect details identified are always borne by the private investors through the formed JVC than NDC which in most cases has a minor controlling interest.

I noted that, the feasibility studies estimated budget for 4 projects namely Mchuchuma coal & Liganga Iron ore, Mhukuru and South Ngaka Coalfields, Maganga Matitu coal, and integrated palm oil projects out of the 5 were not established due to NDC poor monitoring and evaluation of costs of joint venture companies. On the other hand, Engaruka Soda Ash project required a budget of TZS 1.0 billion to finance techno-economic and environmental and social impact assessment studies which NDC could not afford. Inquiry from management revealed that, lack of funds hindered NDC to carry out such studies.

I am of the opinion that, NDC's public private partnership program lacks a comprehensive feasibility studies database which could be used as a source of revenue and can easily attract investors and increase government bargaining power.

NDC's bargaining power in the shareholding agreement may be limited. Further, Projects cannot be implemented unless an investor injects funds to finance the feasibility study.

5.8.2 Insufficient Projects Financing

For the past four (4) years NDC has been experiencing a huge budgetary deficit in relation to its requirements with a total budget deficit of TZS 109.5 billion resulted from under release of funds from the government as shown in the table below:

Table 12: A Four Year Comparison of Budget vs Actual Release

Year	Required budget	Approved Budget	Actual Receipt	Budget deficit
2011/12	33,758,000,000	7,063,835,401	2,900,000,000	30,858,000,000
2012/13	28,967,000,000	7,960,000,000	6,738,373,750	22,228,626,250
2013/14	49,141,800,000	19,900,000,000	13,128,180,000	36,013,620,000
2014/15	24,253,000,000	8,896,000,000	3,890,000,000	20,363,000,000
Total				**109,463,246,250**

Review of the budget performance and the overall Corporation processes and operations revealed that, despite several projects being implemented under NDC supervision, government share of equity mostly remains in the form of resources available for extraction. Contribution of funds is mostly done by private investors which in most cases become the majority shareholder and automatically control the formed joint venture company.

Inquiry from management revealed that, lack of funds hindered NDC to acquire majority shareholding in various projects since no funds are always set aside specifically for investment.

We believe, the private sector is dependent upon commercial banks to raise funds to finance these PPP projects. Funding PPP projects using borrowed funds is normally expensive in terms of interest payment, the effect of which results into reduced Government take in those joint venture projects.

5.8.3 Underutilization of Vested Kilimanjaro Tools Company (KMTC)

As per government notice No.237 of 24th June, 2009, assets of Tanzania Automobile Manufacturing Co.LTD (TAMCO) and Kilimanjaro Tools Co. LTD (KMTC) were vested into NDC mandate. The factory has been operating at a very low capacity thus failing to achieve the intended goals.

The factory progress reports indicate a low production capacity whereby from July 2014 to November 2015 total revenue collected was TZS 77,198,032.22 which is less compared to a turnaround plan projected sum of TZS 500,000,000.

On 16th January, 2013 NDC contracted a consultant named Jackson G Majura for TZS 36,795,000 to come up with an operational pre-feasibility study and a turnaround business plan which will help to revive KMTC. Among other things, the study indicated NDC is in need of TZS 3,100,000,000, to build a foundry plant which will increase production and automatically sales revenue. However to date, no funds have been solicited for this purpose.

As at the end of this audit, a total of TZS 187,544,480 had been spent for rehabilitation of KMTC Building Moshi by contracting G.E Engineering Co. LTD as per an agreement made on 26.08.2013. Moreover, no new investor has shown interest to form a joint venture with NDC as no efforts were evidenced to be done in that respect.

5.8.4 Absence of Monitoring and Evaluation Mechanism of Joint Venture Costs

Reg.46 (2) of PPP regulations, 2011 stipulates that the contracting authority shall, in collaboration with the private party, prepare a monitoring and evaluation framework which shall be comprised of a Project Management Plan, performance criteria, external audit and reporting requirements, submission of progress reports, verification of project assets and stakeholders communications.

Review of the structural arrangement of projects implemented under joint ventures revealed that, NDC has a governance structure of subsidiary companies which is in place so as to govern the whole exercise of monitoring and evaluation of the progress of these projects but yet it is not followed as most of its guidelines are not being implemented.

Furthermore, the governance structure lacks most of the directives required by Reg.46 (2) of PPP regulations, 2011. Also there is no monitoring and evaluation plans, reports and JVC Management responses on any evaluations made.

It was learnt from management that, except for Liganga and Mchuchuma project whose private partner company M/s Tanzania China International Mineral Resources Limited (TCIMRL) has a governance structure, NDC uses only audited financial statements and annual general meetings to monitor its joint ventures.

Monitoring and evaluation initiatives enable assessment of work programmes, evaluation of costs, and revenue collected which play a crucial role in managing results and promoting learning to improve on-going and future projects.

In the absence of an M & E System, Project's progress cannot be tracked, as to make sure the project can prosper and meet the intended objectives. Also, costs and revenues associated with given projects cannot be verified by the Government on time, hence relying exclusively on information provided by the majority shareholders of the Joint ventures (private companies) which in most cases, take charge of PPP operations. This has a negative impact with regard to the overall project payback period when the project is deemed to be transferred to the Government.

5.8.5 Deficiencies in Acquisition of Shares of General Tyre (EA)

Clause No.2(5) and 9(14) of the agreement reached on 30^{tn} April, 2015 between the Government and Continental AG for purchase of 26 percent of shares of General Tyre East Africa (GTEA) require neither party to have any right to enter into any negotiation or transaction with a third party regarding the sale of shares of GTEA for the period of 90 days after the date of the agreement, and if any party defaults in the payment when due of any sum payable under the agreement ,its liability shall be increased to include interests on such sum from the date when such payment falls due until the date of the actual payment.

Our review of the sale transactions for this Company revealed that, the agreed price for the acquisition was USD 1,000,000 which was supposed to be paid not more than 30th July, 2015 if no interest was to accrue.

The Ministry of Industry and Trade and Treasury Registrar in July 2015 approved NDC's loan acquisition from any private bank to enable acquisition of 26 percent shares owned by Continental AG. After contacting a number of banks it was revealed if such loan will be acquired, interest of about USD 60,000 will be accrued if repayment is made on time, any delay will trigger an increase of the interest to be paid. Moreover, Government guarantee was also needed to ensure smooth release of funds to secure the private bank from credit risk exposure.

Due to time constraint to meet payment deadlines, it was agreed to borrow part of the retention funds to finance a contract for designing, fabricating, supplying, installing, testing and commissioning of an industry for Biolarvicides Manufacturing by Biological and Pharmaceutical Laboratory (LABIOFAM) worth € 16,832,377.52 which was expected to be refunded by the Ministry of Finance through normal release of government subvention as part of budget. Thus a total of USD 1 million was transferred to Continental AG on 30th July, 2015 from FDR No.13200236008 opened at Bank of Africa (BOA) by NDC.

My review noted that to date, no such funds have been released by the Government despite efforts made through the Ministry of Industry and Trade by reminding the Ministry of Finance through letter with reference number CAC 111/188/01/82 of 20th August, 2015.

5.8.6 Prolonged Government Decision to Start Up Various Projects

a) Unreleased Government Notice which Vest GTEA assets to NDC

According to letter with reference CAC 315/406/01 dated 28/5/2012 from the Ministry of Industry, Trade and Investment, General Tyre East Africa Limited (GTEA) the ownership of the Company was shifted to National Development Corporation for revival and putting it back into operation.

Review of processes and procedures followed before vesting GTEA to NDC revealed some shortfalls which need to be addressed before thinking of looking for potential investors or self-managing the Company.

Neither feasibility study of resource availability nor valuation report which show the value of all assets vested to GTEA were presented during our review. Also, to date, no new investors have shown interest to form a joint venture with NDC despite being under its supervision since 2012.

However, no any formal Government notice has been issued to transfer the full ownership of GTEA assets to NDC after issuance of a government notice has been evidenced despite the factory being under NDC for over 3 years. To date, a total of TZS 380,666,820 has been spent for rehabilitation of the factory building, construction of fence wall and renovation of toilets by contracting M/s Concrete Design LTD as per agreement made on 27.08.2012. Also, a total of TZS 662,936,482 was spent for supply of electrical equipment as per agreement made on 28.06.2013 between NDC and Urban and Rural Engineering Service LTD.

Further information entails market assessment survey, business plan and a review of assets and technical rehabilitation study was done so that the factory can be revived by 2017 at a total rehabilitation cost of TZS 23,445,797,000 which NDC is still looking for.

Delay in implementing the project may result into additional cost as price of factors of production may rise. The desired targets of the project may not be met as planned.

However, no any formal Government notice has been issued to transfer the full ownership of GTEA assets to NDC after issuance of a government notice has been evidenced despite the factory being under NDC for over 3 years. To date, a total of TZS 380,666,820 has been spent for rehabilitation of the factory building, construction of fence wall and renovation of toilets by contracting M/s Concrete Design LTD as per agreement made on 27.08.2012. Also, a total of TZS 662,936,482 was spent for supply of electrical equipment as per agreement made on 28.06.2013 between NDC and Urban and Rural Engineering Service LTD.

Further information entails market assessment survey, business plan and a review of assets and technical rehabilitation study was done so that the factory can be revived by 2017 at a total rehabilitation cost of TZS 23,445,797,000 which NDC is still looking for.

Delay in implementing the project may result into additional cost as price of factors of production may rise. The desired targets of the project may not be met as planned.

b) Over 7 Years Redundancy in Rubber Plantation Investment

As per letter with reference number CCB 63/406/01 of 27th March,2009 from the Ministry of Industry, Trade and Marketing which vested Kalunga rubber plantations located in Kilombero district in Morogoro region and Kihuhwi rubber plantations located in Muheza district in Tanga region to NDC, the corresponding Government Notice No.266 was published on 17.07.2015 which is seven (7) years since respective lands were transferred, thus NDC did not have mandate to use such farms for investment purposes until when a complete transfer has been made.

Moreover, no feasibility studies for future prospects of all rubber plantations vested into NDC were presented during our review. We noted that valuation of land and plantations was conducted as per report of 01st March, 2013 which estimated the economic life of the rubber trees to be around 32 years which is comprised of up to 7 years of immature phase and about 25 years of productive phase.

To date, no new investors have been obtained in both farms, unlike Kalunga rubber plantations which are under NDC and does not have title deed, Kihuhwi rubber plantations is under a caretaker.

According to management, delay in getting government notice, absence of title deed and lack of funds to conduct some studies were the main reasons for the delay in getting potential investors.

c) Three Years Delay in Approving 4000 Hectares of Land resulting to Un-implemented Integrated Oil Palm Project

An integrated oil palm project involves a partnership between NDC and a private investor M/S NAVA Bharat Singapore PTY LTD for acquisition of 10,000 hectares of land by NDC, construction of oil refinery factory and a 10MW biomass power generation by a private investor whereby, an output of 58 million litres of palm oil was expected to be produced upon project completion.

However, to date the project is yet to start as NDC has encountered some bureaucratic procedures which led to a delay of nearly three (3) years. As per letter with reference number KSW/130/Vol III/1 of 06.12.2012 from Kisarawe District Commissioner to the Ministry of Land, House and Human settlement presenting a request for transfer of 4000 hectares (out of the required 10,000 hectares) at Kimala Misale to NDC. It took a year for the respective ministry to respond by officially accepting the project and sent to the President's office through a letter with reference number LD/314579/21 for final approval.

Furthermore, NDC received a letter with reference number CEA 110/302/V/01/32 dated 29.12.2015 from the President's Office informing the former that a letter was sent to Kisarawe District Commissioner in order to obtain information before the transfer of the land could be done as per S.114 (1) of the Land and Village Act which allows transfer of village land to general or reserved land and vice versa for public interest.

Nearly three (3) years have passed and NDC is yet to get an approval of the 4000 hectares thus increasing uncertainties on the implementation of the project. Moreover, a process for requesting the additional 6000 hectares from Dutumi and Madege villages could not be started as the previous 4000 hectares do not have a title deed and compensation to owners is yet to be paid.

The delay in effecting the transfer of the land will lead to increase in land compensation costs to individuals who surrendered their land ownerships to enhance project kicking. This may further result into the delay in realising the expected benefits which would have accrued from the project.

d) A Four Year Delay in a Decision to Guarantee a Concessional Loan For Wind Power Generation

On 07^{tn} of February, 2013 NDC, TANESCO and Power Pool East Africa signed a joint venture agreement which established Geo Wind Power Tanzania Limited with ownership structure of 60 percent, 20 percent and 20 percent respectively for 50MW power generation.

After a successful feasibility study and environmental impact assessment was done by Power Pool East Africa, a request for a concessional loan for USD 136 Million from Exim Bank of China to finance the project was made to the government through the Ministry of Energy and Minerals as per letter of 16^{th} of December, 2011.

A year later, MoF accepted the request and on 19^{th} of December, 2012 wrote a letter with reference number TYC/N/40/6 to Exim Bank requesting disbursement of loan which was accepted under a condition of 1% interest rate and payable within 25 years.

After a process delay of nearly 3 years, the Prime Minister through letter with reference number PM/P/1/569/31 of 28^{th} of March, 2015 directed MoF to complete the loan acquiring process.

However, due to the delay in the Government processes and mainly Government guarantee, on 26th August, 2015 Exim Bank (China) wrote a letter to MoF with amended loan terms to 2% interest rate and payable within 20 years.

On 05th of January, 2016, four (4) years since the initial MEM's request was sent to MoF, the Ministry (MoF) wrote a letter with reference number CEA 228/476/V/01/04 to inform stakeholders that the Government has decided not to guarantee the project and that NDC had to look for other alternatives which has led to increased cost of borrowing and delay in the expected benefits which would have accrued from the project.

A decision to approve or disapprove should have been made earlier to reduce unnecessary time lag and project cost overruns hence improving government trust towards PPP projects implementation.

5.8.7 Improper Procedures on € 16.8 Million Injected in Redundant Malaria-Vector Control Project

On 29tn April, 2010 NDC entered into a Contract for designing, fabricating, supplying, installing, testing and commissioning of an industry for Biolarvicides Manufacturing with Biological and Pharmaceutical Laboratory (LABIOFAM) worth € 16,832,377.52. The intention was to reduce malaria to the minimum level and hence reducing government expenditures on medicines and other costs attached with fighting malaria whereby, upon completion of the project LABIOFAM will transfer technology and knowledge to Tanzanians for 10 years.

During our review we noted that, prior to project initiation, NDC neither conducted a feasibility study nor environmental impact assessment. The two studies were made in 2010 and 2011 respectively after the initial agreement with LABIOFAM was signed.

We noted that, NDC transferred 90 percent of the contract sum to LABIOFAM without any security or performance bond to cover it from any default. Whereby 75 percent of the contract sum amounting to €12,624,283.21 was sent through Bank of Tanzania on 15th July, 2010 the remaining 15 percent balance amounting to € 2,524,856.63 was transferred directly from the Ministry of Finance to LABIOFAM.

All transfers were made to Bank BICSA, of Ayestaran y20 de Mayo, Havana, 10600, Cuba, with Swift code BIDCCUHHXXX to Account number 43323020024003 owned by LABIOFAM.

Despite an official opening ceremony which was made on 2nd July, 2015, to date, the Industry is yet to start production due to technical problems with regard to the installed equipment which were noted during machine testing some days before the opening ceremony event.

Apart from other utility costs, NDC still pays salary to the project manager who is still on site and it has formed Tanzania Biotech Products (Managing Director TRUST 1 percent, and NDC 99 percent), which went on recruiting over 130 employees who are paid on a monthly basis despite the project not having started production.

With an on-lending agreement between the Government and NDC signed on 9th July, 2010, NDC is supposed to repay the loan through semi-annual installments to cover the principal amount and accrued interest at a rate of 11.7935 percent per annum as stipulated in article 4.01 of the agreement. Also, according to article 4.03 of the agreement, all payments were subjected to a grace period of two (2) years and supposed to be paid within ten (10) years inclusive of grace period. The contract duration was 19 months, however to date, six (6) years have passed, and no a single installment has so far been made.

As it stands, NDC is in a losing position as the contractor has already pocketed over 90 percent of the contract value, what is with NDC is the retention money which is only 10 percent of the contract value.

As per letter with reference CA/137/339/08 of 20tn January, 2016, currently there is a disagreement between LABIOFAM and NDC as the former claims to have overspent by a total of USD10 million which was however never verified or approved by NDC despite the maximum additional cost per contract being stipulated as 10 percent of the contract value, €2,230,768.2.

Management wrote a letter to the Ministry of Finance requesting extension of the loan repayment period but no reply was obtained. From NDC point of view, in terms of cost incurred and projected revenue expected to be obtained the Corporation is incurring a loss of over TZS 230 million per month since July, 2015 which as at 31st December, 2015 it amounts to TZS 1.5 Billion. Also, despite expenditure disagreement between NDC and LABIOFAM, the two are still in negotiations to ensure a consensus is reached.

NDC continues to incur unnecessary costs in terms of interest charges on the outstanding loan amount which is piling up in line with a persistent weakening in the exchange rate for TZS against other foreign currencies including the Euro in which the payments are supposed to be made to liquidate the loan. Also, the delay to settle the matter leads to increase in employees labour charges as they are being paid without production. This also will result into delays in expected benefits which should have accrued from the project, which may in turn result in both the equipment and the technology being obsolete.

5.8.8 Irregularities in Implementation of Mchuchuma and Liganga Projects

a) Project Financing of USD 2.4 billion

On 21st September, 2011, NDC, Sichuan Hongda (Group) Company Limited and Tanzania China International Mineral Resources LTD (TCIMRL) signed a joint venture agreement which relates to operations of Tanzania China International Mineral Resources LTD, a special purpose company formed to carry on Mchuchuma and Liganga projects.

As per para 2.9 of the agreement, Sichuan Hongda (Group) agreed to contribute up to USD 600 million of equity to TCIMRL, to be applied in accordance with the progress of the implementation of the project. In addition the Company will seek for a debt financing of up to an aggregate of USD 2.4 billion, to be secured by the assets of the JVC including the mining rights owned by the JVC in connection with the project and guaranteed by Hongda.

Review of NDC operational processes and controls revealed that, there was no mechanism in place to verify and approve the amount injected by Hongda to date as part of its agreed equity of USD 600 million towards the implementation of the project. The only means of getting information is through annual general meetings and annual audit reports which comes a year later after transactions have occurred. These reports cannot give NDC any assurance to prove if transactions for which payments were made are allowable as per JVC agreement and which form part of the capital injected.

In addition, review of JVC agreement revealed that, Hongda Sichuan (Group) owned 80 percent majority share of TCIMRL while 20 percent is owned by NDC, yet additional financing of up to USD 2.4 billion will be secured using the assets of the Joint Venture Company including the mining rights of the project instead of Hongda Sichuan (Group) resources.

We are of opinion that, share distribution comes with financial responsibilities thus, if a loan is to be secured against Tanzania resources, NDC on behalf of the government should have become TCIMRL majority shareholder as the value of unexploited resources is worth more than what Hongda Sichuan (Group) has promised to inject USD 600 million.

Absence of a tracking mechanism for verification and approval of the expenditure incurred by the investor in the project has a negative impact on the payback period and the cost which NDC is incurring taking into account that all costs being incurred by the investors are treated as recoverable costs.

b) Unimplemented Activities in Regards to Mchuchuma and Liganga Projects

Review of Mchuchuma and Liganga projects in regards to the required activities to be implemented by both parties (i.e. NDC and Hongda) as per the contract signed between them, the following defficiences were noted:

(i) Unpaid Compensation for Mchuchuma Coal to Electricity Project and Liganga Iron and Steel Project amounted TZS 13.31 Billion

Our review has revealed that, compensation and revaluation report undertaken by Iringa District Council (Valuation Section) on August, 2015 on Mchuchuma Coal to Electricity Project and Liganga Iron & Steel projects which amounted to TZS 4.472 billion and TZS 8.836 billion respectively aiming at compensating citizens around the project areas was submitted to NDC for implementation.

However, to date, NDC has not arranged for compensation payments with a period of six months already lapsed since the issuance of the revaluation report. The delay may lead to an increase in compensation costs in line with requirement of the Land Act No. 4 of 1999 and Land Acquisition Act No. 47 of 1967.

(ii) Delay in signing an MoU and PPA Term Sheet between TANESCO, NDC and JVC

The review of Mchuchuma and Liganga Iron Ore Project revealed that there were no agreements reached between TANESCO, NDC and JVC in relation to a Memorandum of Understanding (MoU) and Purchasing Power Agreement Term Sheet for a 600 MW production entered.

The agreements have been kept on hold due to the fact that TANESCO needs to carry out a due diligence against the Hongda Sichuan (Group) although the same has already been undertaken by NDC at early stages.

Further, it has been noted that TANESCO has recommended the discussion on PPA to start on January, 2017 after completion of the feasibility study of a transmission line between Mchuchuma and Makambako. If the proposed schedule will be followed it will automatically delay all the processes and hence an increase in project costs.

Unnecessary limitations may cause delay in project implementation as per the work programme scheduled in the contract and hence an increase in costs. Bureaucratic processes may lead to unnecessary increase in Government expenditures.

Recommendations

- **i** Management is advised to look for an alternative source of funds to finance its studies on various prospects. Prior information on reserve prospects will increase the bargaining power and government share of equity in the joint ventures;

- **ii** In order for NDC to attract investors and preserve government take in PPP projects, funds should be set aside and participate in operations within the Joint ventures to increase government participation and shareholding in those projects;

- **iii** NDC needs to raise funds to enable acquisition of the foundry plant at KMTC which will make the factory to run at its full capacity;

iv We advise management to come up with a policy or frame work which will provide guidance to the whole exercise of monitoring and evaluation of projects as required by Reg.46 (2) of PPP regulations, 2011;

v NDC should enhance the monitoring and evaluation process by adding a clause which regardless of the number of shares NDC has in a joint venture, should on regular basis be able to review and approve expenditure and revenue reports of the joint venture in order to ensure there is no inflation of cost or understatement of revenues for royalty payment, tax purposes and dividend distribution;

vi The Government is advised to release the required funds to enable NDC control the operations of General Tyre (EA);

vii The Government is advised to speed up its processes so as GTEA to be in good position to attract investors and improve its general performance;

viii A comprehensive feasibility study needs to be conducted at KMTC to assess the market demand and the project prospects to identify value added investments which will give NDC an assurance that the venture will be a profitable business;

ix The Government is advised to fast track the process of transferring the rubber plantations to NDC to enable it attract investors and improve the plantation performance;

x The Government is advised to harmonise its ministerial operational activities in respect of Integrated Oil Palm Project so as to avoid unnecessary delays. As it stands, the investor will cover all project costs, remedial action should be taken before an investor pulls off the project as it could be difficult in terms of time and fund to allocate another willing investor;

xi The Government is advised to act timely with regard to decision taking in respect of Integrated Oil Palm Project to avoid unnecessary project cost overruns and delay by the project to realize the expected benefits;

xii If NDC still sees the Wind Power Generation Project as viable, it has to liaise with other shareholders to look for external sources of fund before cost overruns ruin the project;

xiii Management is advised to remind the Government through the Ministry of Foreign Affairs to communicate with the Government of Cuba on how the Malaria-Vector Control Project could be completed without further increase in costs;

xiv Management is advised to communicate with the Government to agree on the new loan payment terms upon start of the Malaria-Vector Control Project;

xv An assessment should be made to establish the current position and market status to establish the repayment schedule to be in a position to establish if the Malaria-Vector Control Project is still in the right track;

xvi Management is advised to take immediate measures by establishing proper mechanism that can assist on evaluation and monitoring of cost incurred by the Malaria-Vector Control Project and expected revenue;

xvii Management is advised to assess possibilities of ensuring that the Government stake in the Tanzania China International Mineral Resources Ltd is not at risk by having negotiations with the private sector partner to ensure if there is no any other means of securing the debt financing other than the mining rights of the project as suggested in the contract then the percentage ownership should be changed to reflect the value of mineral resources used to secure the loan;

xviii Management is advised to raise the required funds and promptly honor the compensations in respect of the Mchuchuma Coal to Electricity Project and Liganga Iron & Steel projects to avoid any future claims from citizens who were evacuated from that land; and

xix We recommend that NDC liaises with TANESCO management to establish a dialogue which will assist parties to reach into a proper agreement on the Power Purchase Agreement in respect of Mchuchuma and Liganga Iron Ore Project.

5.9 Tanzania Electric Supply Company (TANESCO)

5.9.1 Review of the Company's Profitability and Operational Efficiency

I have noted that the Company is yet to register net profits despite recording notable improvement in other areas during the current period as summarized below:

Table 13: Profitability and Operational Efficiency of TANESCO

Key Amounts	18 months to 30.06.2015	12 months to 31.12.2013	12 months to 31.12.2012
	TZS' M	TZS' M	TZS' M
Sales	1,957,756	993,525	820,436
Gross profit/(loss)	186,414*	(483,990)	(342,001)
Operating profit/(loss)	263,462*	(386,653)	(175,568)
Net Loss	(35,123)	(467,704)	(178,454)
Accumulated losses	(1,573,476)	(1,450,380)	(982,676)
Performance Indicators			
Annualised increase in revenue	40%*	13.80%	50.40%
Current ratio	0.81*	0.66	0.48
Debt to equity ratio	1.40*	1.51	0.6

We were informed by management that, the Company has been incurring losses due to cost of production being higher compared to the selling price especially for electricity produced by Independent Power Producers (IPPs) and Emergency Power Producers (EPPs).

Management has also affirmed that, the Company is in the process of shifting from expensive fuel-based generation to gas-based generation in most of its power plants and also add new gas generating plants like Ubungo 1 Gas Plant, Ubungo II Gas Plant and Kinyerezi Gas Plant in a bid to relieve the Company from costly fuel.

According to Management, the Company has implemented various projects categorized as short and medium term in order to improve performance as

- **i** Construction of a 150MW gas-fired power plant to be installed at Kinyerezi I;
- **ii** Construction of a 300MW gas-fired power plant to be installed at Kinyerezi III phase one;
- **iii** Construction of a 240MW combined cycle gas-fired power plant to be installed at Kinyerezi II;
- **iv** Implementation of the ongoing Backbone Transmission Investment Project (BTIP); mainly, the construction of 400kV transmission line and its substations from Iringa to Shinyanga;
- **v** Rehabilitation of substations and construction of new lines and substations in Dar es Salaam funded by the Government of Japan through JICA; and
- **vi** Planned increase in customer base that will raise annual revenue.

According to Management, the projects mentioned above especially for new plants will increase power available for sale and raise revenue, reduce dependence to lenders and also improve reliability of the power supply. In addition, the Company expects reduction in debts through cash build up reserve account in liquidating long term loans and shifting from expensive fuel-based generation to gas based generation.

It is in our view that, the losses are increasingly eating into Company's capital which in turn increases the liquidity risks of the Company and reduces the ability of the Company to effectively and efficiently carry out its operations, this also has a negative effect on the ability of the Company to borrow from the market.

Management should continue taking appropriate short and long term measures to ensure the Company's financial performance is improved by identifying all the possible bottlenecks and setbacks which hinder its operational efficiency.

CHAPTER SIX

POST PRIVATIZATION MONITORING AND EVALUATION

6.0 Introduction

The Government ceased operations of the Consolidated Holding Corporation (CHC) on 30th June, 2014 and transferred the Corporation's remaining activities to the Treasury Registrar (TR) effectively on 1st July, 2014. The Permanent Secretary of the Ministry of Finance requested the Controller and Auditor General (CAG) to carry out a special audit of the CHC to verify the Corporation's financial state of affairs including assets and liabilities and all remaining activities in order to identify gaps and their impact on the Corporation's operations. The audit aimed at facilitating TR's follow up and to take required actions on identified matters for smooth and effective continuity and finalization of the Corporation's remaining activities.

6.1 Key Findings and Recommendations

6.1.1 Monitoring Performance of Divested Entities

Post privatization monitoring and evaluation of divested public enterprises is necessary for an informed view on expected results of the divestiture and to ensure compliance with key covenants in the sales agreements. Implementation of investment plan in specific timelines is one of the key covenants in the sales agreement. Non-compliance with the investment plan by the investor constitutes a breach of the contract that could result in termination of the agreement by the Vendor.

As at 30th June, 2014, 331 enterprises out of 360 specified have been divested and the remaining 29 are at various stages of divestiture. Even though Ex-CHC has a Monitoring and Evaluation Department to follow-up operational and financial performance of divested enterprises as per sales agreements in order to report on pre- and post- divestiture performance, only 180 entities had been evaluated up to the time of the review which is 54 percent of the 331 divested enterprises. Inadequate post divestiture monitoring as explained by Ex-CHC management is due to limited human resources to regularly perform Monitoring and Evaluation activities.

We observed inadequate post divestiture monitoring of investment plans of divested public entities to ensure that investors had fully made investment in respective assets as per sales agreements. I recommend the Government to ensure adequate resources are set for effective post divestiture monitoring and evaluation of privatised entities. Alternatively, the government should consider outsourcing post divestiture M&E activities.

6.1.2 Incomplete Transfer of Plots Related to Divested Tobacco Authority

Tobaco Authority had had three land properties plot No. 346, 347 and 348 located in Kurasini before divesture to Tanzania Leaf Tobacco Company (TLTC) which were not part of the sales agreement with the buyer, TLTC. TLTC to continued owning the two plots Plot No. 346 and 347 while plot No. 348 was illegally encroached by other property developers who could not be identified.

As part of PSRC/CHC initiatives to own back the three plots, PSRC entered into a legal dispute with the Registrar of Titles and five others land case number 241/2004 PSRC. The High Court ruled the case on 8th November, 2007 in favour of PSRC that two plots No. 346 and 347 have no any dispute thus be issued and transferred back with titles to Tobacco Authority (CHC/GoT) while status of dispute related to plot No. 348 could not be established and the transfer status of plot No. 346 and 347 is still unknown. I advise the Government through the Treasury Registrar to make follow up and take requisite action in respect of these plots.

6.1.3 Missing Title Deeds and Un-Recorded Assets Held for Sale

Ex-SIMU 2000 handed over 32 title deeds to Ex-CHC, out which, only 25 titles were cited and verified and 7 titles were missing and claimed to have been handed over to respective owners. However, there were no evidence of handing over to the respective owners. I advise the Treasury Registrar to make follow up of the 7 missing title deeds allegedly to be released to owners to satisfy that the titles were not misappropriated. With regard to the cited 25 titles still under custody, there is a need to establish whether these relates to sold landed properties but they are yet to be collected by owners.

6.1.4 Physical Verification of Securities and Titles

Physical verification of Ex-NBC, outstanding loans together with corresponding securities/titles revealed different issues listed below for the attention of TR to follow up:

- Some customers are not aware of the outstanding loan amount with CHC. Some of these are willing to pay their respective outstanding amounts;
- Some debtors whose securities have been verified are not traceable and no information of their whereabouts is available;
- Some debtors claim to have fully paid their debts but their titles are still retained with CHC;
- There are some debtors with bare land as securities with traditional titles;
- There are some debtors who have never been visited by either CHC staff or CHC debt collector since transformation of Ex-NBC;
- Some customers claim to have fully paid their debts to either CHC staff or CHC debt collector; and
- There are also customers who claim to have bought properties and possess them legally.

I advise the Treasury Registrar to take note of these issues of securities and title deeds and make effective follow ups to resolve the pending matters including debt recovery and verify and clean up the debtors' ledger where there is evidence of fully paid debts.

6.1.5 Trade Debtors under Liquidated Public Enterprises

Trade debtors amounting to TZS. 328 million under liquidated public enterprises (PEs) had not been included in the Ex-CHC accounts and that these debtors were handed to LART for further action after liquidators failed to recover due to difficulties in tracing the debtors hence absence of clear understanding on action against these trade debtors. The debtors are likely to have been fraudulently deleted by dishonest staff without approval.

There is no evidence on the status of those trade debtors submitted to LART for further action which in turn were supposed to be handed over to Ex-CHC. Follow up on the status of these debtors should be instituted. For PEs under liquidation, proper recording of reported debtors and recoveries need to be instituted.

6.1.6 Unrecorded Realisation Proceeds of Liquidated Public Enterprises

We noted that financial information of two PEs' under liquidation; BASOTU plantation and NAPOCO had not been included in the Ex-CHC statement of affairs as at 30th June, 2014. Whereas the liquidation process of BASOTU plantation has been concluded, the liquidation of NAPOCO has yet to be finalised due to non-cooperation of the liquidator. Due to non-submission of financial information of BASOTU and NAPOCO as at 30th June, 2014, we were unable to ascertain their financial state of affairs hence difficult to ascertain their realisation proceeds. I advise the Government through the Treasury Registrar to ensure that the financial state of affairs of BASOTU and NAPOCO is established for inclusion in the Ex-CHC statement of affairs.

The Treasury Registrar should enforce legal procedures to compel NAPOCO and BASOTU liquidators to comply with liquidation procedures.

6.1.7 Non-Reconciling of Ex-CHC Accounts and Liquidators Statement of Affairs

We have noted that liquidation proceeds of PEs under liquidation recorded in audited financial statements of the principal Ex-CHC do not correspond to the realisation amounts reflected in the statement of affairs of the PEs under liquidation. We also noted inconsistencies in records of PEs under liquidation between Ex-CHC liquidation department and finance department. Non reconciliation of liquidation records between accounts section and liquidation department may lead to misstatements/omissions of relevant financial information in the audited financial statements.

I recommend the Treasury Registrar to reconcile financial information between the PEs under liquidation and his records to avoid possible omissions/misstatement of financial statements.

6.1.8 Government Interference with Corporate Mandate over Specified Entities

The Government through respective ministries spearheaded the privatisation process of Kiwira Coal Mine Limited and Kilimanjaro Hotel Limited contrary to the Ex-PSRC/CHC Act. Such action compromises the Government oversight role through Ex-PSRC/Ex- CHC mandates.

Further, the oversight role of Ex-PSRC/Ex-CHC over Board and Management of specified corporations is not well set out in the Public Corporations (Amendment) Act 1993, leaving Ex-CHC in a weak position to exercise effective oversight over management decisions that may affect divestiture. I recommend that the Government should review the Public Corporations (Amendment) Act 1993, in order to ensure strengthened oversight role of TR over specified public corporations for effective divestiture process of remaining future Entities. For effective execution of TR's mandate including continuity and finalisation of Ex-CHC remaining activities, the Government should ensure that TR executes its mandate independently without interferences in accordance with powers granted under Section 10 (2) of the Treasury Registrar (Powers and Functions) Act Cap.370 of 2002 (amended in 2010).

6.1.9 Lack of Proper Controls over Rental Income and Tenant Bills

We noted that 3 unsold Ex-Mwanza RTC properties after divestiture of Ex-Mwanza RTC to MZARTC have currently been rented to various tenants without any lease agreements between Ex-CHC and MZARTC and that part of rental income proceeds is utilized to settle taxes and maintenance costs of the buildings. In the absence of lease contract, Ex-CHC is exposed to risk of losses of the rental income or potential misappropriation of the buildings. We also noted outstanding electricity bills of TZS 19 million relating to rented part of Samora building to EDC Polytechnic for the period from April 2011 to June 2014.

There is an urgent need for entering into a lease contract between the Government and the care taker (MZARTC) of the unsold 3 Ex-Mwanza RTC buildings to ensure that the rental income from the unsold properties is properly accounted for. There is a need to exert more pressure to EDC Polytechnic to ensure full payment of the electricity dues.

6.1.10 Divestiture Strategy and Choice of Sales Methc

We have noted absence of divestiture strategy and choice of sale method for each specified public corporation and criteria applied by the vendor in deciding on the method of sale, including the pursuit of any wider objectives of the privatisation programme. This may result in un-optimal decisions and inadequate attention to key policy objectives of the Parastatal Sector Reforms. The Government should ensure there is a well-documented thought out divestiture strategy for each corporation at the outset of divestiture. The strategy should demonstrate cost benefit analysis of sale options and choice of optimal sale method addressing key privatisation policy objectives and how these will be evaluated and monitored.

6.1.11 Ownership and Management of Divested Enterprises

Ex-PSRC/CHC was responsible for ensuring that Tanzanians with managerial and entrepreneurship ability succeed in participating in ownership of privatised entities through influencing selection of enterprises for divestiture, the type of sale used and the timing of divestiture. My review of ownership structure of the privatised public enterprises revealed that some privatised entities were 100 percent foreign owned contrary to a wider privatisation objectives of ensuring participation of local entrepreneurs.

The Government should ensure realisation of the wider Parastatal Sector Reform Policy's objectives of widening indigenous ownership and control through instituting certain bid evaluation criteria in bidding requirements and/or information memorandum, such as local preferences/ weighting and restrictions to stop indigenous buyers subsequently selling to foreigners without prior appropriate approval.

6.1.12 Collection and Banking of Divestiture Sale Proceeds

We noted that Ex-CHC did not open and operate a special account for collections and banking of sale proceeds contrary to section 34(2) of the Public Corporation (Amendments) Act No. 16 of 1993. Instead, proceeds arising from divestiture of public enterprises were deposited in a general account. I recommend that for future divestures, all divestiture proceeds should be banked into the special account as per requirement of section 34(2) of the Public Corporation (Amendments) Act No. 16 of 1993 and remitted to the Treasury as per section 34(1) of the Public Corporations (Amendments) Act No. 16 of 1993.

6.1.13 Sale of Farm at Discount Rate

Sales offer of Gomba Farm was required to have Government approval but no cited evidence of the Government approval was available. Ex-CHC management did not communicate the matter to the Board of Directors when it came to their knowledge on 19th May, 2010. The offered discounted sales price of TZS 83.7 million in 2013 for purchaser development costs of USD 30,000 was based on the outdated 2007 valuation which established the farm value at TZS 152 million. There were no evidence substantiating Executive Management and the Board of Directors' approval of the sale offer vide letter by Ag. Director of Divestiture to Gomba with reference No. CHC/DV/1/13/288, dated 15th April, 2013 for sale of the farm at TZS 83.7 million as required by the divestiture procedures.

I recommend assessment of the legal implication of nullifying the whole process and initiating a new process that will follow proper sale procedures including requisite approvals and deriving the estate sale price from current market valuation; and alternatively, based on competitive bidding, Gomba be given the first refusal option to match the current farm market price and pay the difference.

6.1.14 Purported Sale of Shirika la Usafiri Dar Es Salaam (UDA) Shares

UDA had authorised share capital of 15,000,000 shares at par value of TZS 100 per share, of which, only 47.5 percent shares (7,119,697) were issued out of which 51 percent shares (3,631,046) to DCC and 49 percent shares (3,488,651) were issued to the Government of Tanzania. The remaining 52.5 percent of total authorised shares (7,880,303) were un-allotted and subsequently sold to Simon Group Limited by UDA Board of Directors.

- Following parliament questions in July 2011 regarding the purported sale of unallocated UDA shares, I was requested to investigate the transaction and the following key observations were noted;

- UDA Board of Directors was not authorised to sale UDA shares and disregarded CHC advise to sale shares on competitive manner using open tender method and proceeded to sale UDA shares to Simon Group Limited at TZS 298/share, discounted by 60 percent based on October 2009 valuation instead of valuation report which valued UDA at TZS 744.79/share and TZS 656.15/share (October 2009 and November 2009 respectively). Finally, Simon Group paid TZS 145/share (TZS 285 million) against a valuation of TZS 744.79 or TZS 656.15 per share.

- GoT being a 49 percent shareholder did not appoint its representatives to UDA Board of Directors for years 2009 and 2010. No evidence on approval of sale of UDA shares by the Treasury Registrar and CHC.

- UDA's un-allotted shares were sold to Simon Group at TZS 1,142,643,935. Simon Group paid only 24.9 percent of the agreed sale price (TZS 285 million) into UDA CRDB account 01J1021393700. There is no evidence for payment of the remaining 75.1 percent (TZS 858 million).

- UDA Chairman Mr. Simba received TZS 320 million into personal account for purported consultancy services from Simon Group Limited, the amount which is claimed by Simon Group to be part of payment of sale of UDA shares.

I advise the TR to note and make follow up on whether the remaining balance of sale of UDA shares 75.1 percent (TZS. 858 million) have been fully paid to date and whether my recommendations have been fully implemented in respect of sale of purported UDA shares.

CHAPTER SEVEN

OTHER SIGNIFICANT AUDIT MATTERS

7.0 Introduction

This Chapter covers a summary of other Significant Matters revealed during the audit which are analysed in the table below:

S/N	ENTITY	OTHER SIGNIFICANT MATTER	RECOMMENDATIONS
1.	**LAPF PENSION FUND**	**Non- taxing Staff Loans**	
		The applicable statutory interest rate issued by the Bank of Tanzania in year 2015 was 16 percent. Moreover section 27(1)(b)(ii) of income tax Act 2004 requires an employer who issues loans to staff at a rate that is lower than the statutory rate, the difference should be accounted for as a benefit and included in the computation of the respective employee's tax on employment income. During the year of review, the fund had staff loan portfolio amounting to TZS 11 billion (2014: TZS 9 billion) issued at a rate of 5 percent. The difference of 11 per cent was not accounted for in the employee tax obligation and thus interest benefits amounting to TZS 1.21 billion (TZS 11billion * 11 per cent) was not subjected to tax. This may amount to tax evasion which exposes the fund to interests and penalties as stated in section 100 of the Income Tax Act 2004.	LAPF management has a duty to ensure the interest benefit is included in the computation of employees' Pay As You Earn (P.A.Y.E) tax. Also Tax Revenue Authority has to impose fines and penalties on those who contravene tax laws leading to tax evasion.

2.	KIGOMA UWASA	Unsupported balance of receivables account- TZS 952.15 million	
		The Authority reported a balance of TZS 1.88 billion due from customers. However, available records of receivables could support only TZS 925.63 million hence resulted into unsupported balance of TZS 952.15 million. The Authority was thus unable to justify existence of the same.	KUWASA Management have to make sure accounts receivables balance is adequately supported with genuine documents, reconciled, properly analyzed, regularly communicated to the Board for decisions and properly reported in the financial reports.
3.	**OCEAN ROAD CANCER INSTITUTE**	**Acute shortage of medicines**	
		During the year under review, Ocean Road Cancer Institute requested from the Government through MSD a total of 54 lines of cancer treatment medicines. By 30th June 2015, the Institute received 19 lines of medicine in full (35 percent), 8 lines were partially received (i.e. 15 per cent of total requested) and the rest 27 lines (50 percent) were not received at all.	Given that the Ocean Road Cancer Institute is the only Government Institute specialized in Cancer diagnosis and treatment in Tanzania, management need to continue to make follow up to ensure sufficient cancer medicines are available.
4.	**DAR ES SALAAM INSTITUTE OF TECHNOL OGY**	**Accreditation of DIT by NACTE**	
		DIT Mwanza Campus is the only place in the country with facilities that can be used for leather technology training. Currently the campus is certified to offer short term courses only. The institute has not been granted accreditation by NACTE and its provisional registration expires in September 2016. For the institute to be qualified to offer long term courses on leather technology, it is required to have qualified staff on leather technology. Lack of the required qualified staff, delays the institute in implementing its strategic plan to be a centre of leather technology trainings for both short and long term training.	Management is advised to liaise with the Government to obtain the required training funds, train staff to acquire required qualifications in leather technology to enable the institute to qualify for being granted accreditation by NACTE.

5.	COLLEGE OF BUSINESS EDUCATION (CBE)	Unbanked students fees amounting to TZS 251.03 million	
		Finance office at CBE issued receipts to students amounted to TZS 251.03 million without the same being deposited in to the college account. The three accountants involved were terminated and the campus chief accountant was demoted and transferred to Mwanza campus. Up to now the management has managed to collect only TZS 68.29 million from the students.	Management has to develop an action plan that delineates the timeframe and way forward to ensure that the defrauded revenues are recovered.
6.	**CAPITAL DEVELOPMENT AUTHORITY (CDA)**	**Completed projects not handled over yet to the Municipal Council**	
		The Board of Directors directed Capital Development Authority to hand over all completed projects and other facilities to Dodoma Municipal Council in the meeting. Correspondences between CDA and the Council revealed that, the Council requested CDA management to hand over 32 completed facilities and infrastructure. Up to the time of my audit in November 2015, the handovers process of the projects had not been completed yet. Further, CDA had not prepared a list and values of completed projects. Non-compliance with the Board's directives led the Authority to continue incurring maintenance cost of the projects which were supposed to be borne by the Council.	The management is advised to comply with Boards directives and hand over the 32 completed facilities to reduce burden.
		Full Payment of contract price before completion	

		Procurement Regulation No. 114 of 2013 requires a procuring entity to be responsible for effective management of any procurement of goods, services or works which it is undertaking. The Authority entered into contract for consultancy service with M/s Africa Property Ltd involving valuation of fixed Assets and preparation of Fixed Asset Register for contract price of TZS 33.39 million. The service was expected to be delivered by August 2015. However, the Fixed Asset Register and valuation report were yet to be submitted by the Consultant as at October 2015. while 100 percent of payments was already made. This might result in loss of public money if the suppliers fail to deliver.	The Authority is advised to ensure proper monitoring of contracts from commencement to completion and pay as per partial completion of contractual assignment.
7.	BABATI URBAN WATER SUPPLY AND SANITATION AUTHORITY	Late payment of accumulated interest TZS115.97 million	
		Babati Supply and Sanitation Authority has had accumulated interest debt of TZS 115.97 million due to failure to settle certificates of construction work in time. Payment of the interest will adversely affect liquidity and thus impacting operational efficiency of the Authority.	Management is advised to make close follow up with the Ministry of Water to ensure that all certificates are paid on time to avoid further accumulated interest.

8.	MUSOMA URBAN WATER SUPPLY AND SANITATIO N AUTHORIT Y	Failure to meet operational target	
		The Authority failed to meet the operational target as set in the MoU with the Ministry of Water. The Proportion of the population living within the area with water network was achieved by 40 percent compared to the target of 82 percent, Proportion of population with access to water supply has been achieved by 76 percent as compared to the target of 78 percent. Metering ratio achieved by 76 percent as compared to 90 percent set as target.	Management has to ensure that the operational targets are met as set in the MOU between the Ministry of Water and Authority.
9.	**TANZANIA FISHERIES RESEARCH INSTITUTE (TAFIRI)**	**Abandoned boat used for research and fishing**	
		We revealed that Marine vessel by the name of MV TAFIRI II held at Mwanza Center that has not been operating since 2004 and management has not made any effort to repair it. The boat was used for research and fishing activities along lake Victoria thereby generating revenue to the entity. The engine of the boat has started to rust indicating worsening of the condition of the boat. There is a risk of further deterioration in the value of the vessel if no immediate actions are taken to repair it.	Management need to take immediate action to repair the vessel before its condition becomes worse.

10.	BENJAMIN MKAPA HIV/AIDS FOUNDATION (BMAF)	Delays in completion of construction projects	
		Our review of construction projects for theatres and maternity wards under MFP II – WAVE I and staff houses in Nkasi, former Mpanda, Mafia, Bagamoyo, Simanjiro, Kiteto and Hanang, and Ngorongoro under GLOBAL FUND ROUND 9 phase I & II has delayed for about three years indicating that the contractors of these projects are not fulfilling their contractual obligations. Untimely completion of the projects may hinder achievement of the same due to escalation of costs which may not be possible to be covered by donors.	Management need to fast tract the process of completing the on-going delayed projects and ensure its completion without any further delays.
11.	**MWANZA URBAN WATER SUPPLY AND SANITATION AUTHORITY (MWAUWASA)**	**Improper management of staff advances**	
		Review of staff receivables and imprests of Mwanza Urban Water Supply and Sanitation Authority noted that TZS64.5 million is composed of non-performing receivables (debts aging more than one year). The figure includes TZS 28.09 million from three (3) staff that are currently no longer working with the authority. On a separate note, one staff was given an imprest of TZS 12.50 million to pay casual laborers for Lamadi project. Of this amount, only TZS 4.09 million was paid to casual laborers leading to an unaccounted amount of 8.41 million which was not certified by the supervisor.	Management is advised to ensure outstanding imprests are retired.

		Anomalies on the tendering procedures	
		MWAUWASA indicated in its annual procurement plan that it will use framework contract as a method of procurement of pipes and fittings. However, we noted that, pre-qualification method was used despite the fact that it is above the limit provided by the Section B of the Sixth (6th) Schedule of the Public Procurement Act, 2011. The Annual Procurement Plan of MWAUWASA is within the range of 5 to 10 billion which gives the Accounting Officer a limit of using pre-qualification method up to TZS 500 million. LPOs totaling TZS 955.42 million for pipes and fittings were issued to one supplier during the year. This is non-compliance with the Public Procurement Act, 2011 and may have caused the entity not to receive maximum value for money due to violations of tendering procedures.	The management is advised to comply with regulatory framework guiding procurement to ensure efficient use of public money
		Procurement of pipes and fittings on emergency	
11		A procurement of pipes and fittings amounting TZS 528.86 million were made on emergency procurement basis though not qualified basing on criteria set in Section 65 of the Public Procurement Act, 2011. Competitive procurement procedures were not followed, therefore, it is possible that the authority did not derived maximum value for money from the respective procurements.	**The management is advised to ensure compliance with regulatory framework guiding procurement to ensure fairness and efficient use of public money.**
		Compensations for acquisition of properties around Butuja sewer ponds	

		MWAUWASA had an obligation to compensate land owners on acquired land in order to clear way for capital infrastructure development. The budgeted amount of TZS 1.18 billion set aside in 2014/15 was not used for the purpose. This delay was mainly caused by budget constraint. The delay may cause the compensation costs to increase as the value of land appreciates with time.	Government is advised to consider compensation for Butuja land acquisition as a key priority because the population in Mwanza City expands hence increases the demand for areas of sewer disposals.
12.	**OPEN UNIVERSITY OF TANZANIA (OUT)**	**Issuance of staff loans without a governing policy**	
		Loans of TZS 165.45 million were advanced by the Open University of Tanzania to the staff but there is no specific policy governing provision of such loans. Apart from that, loans amounting TZS 132.68 million had already fallen due but not recovered from the respective staff yet. Absence of policy suggests improper management of loans hence recoverability of the same could not be achieved	Management is advised to establish a staff loan policy and make efforts to collect the loans already matured.
13.	**KIBAHA EDUCATION CENTRE**	**Lack of loan agreement with NHIF**	
		Kibaha Education Centre obtained a loan in form of medical equipment amounting to TZS 360.7 million from the National Health Insurance Fund. We were not provided with the loan agreement which provides the terms of the loan.	Management is advised to make follow up with NHIF in order to draw and sign the loan agreement.

14.	MOSHI CO-OPERATIVE UNIVERSITY	Long outstanding accounts receivables	
		Moshi Co-operative University had outstanding accounts receivable balance of TZS 1.93 billion (net of statutory receivables). Aging analysis indicated that TZS 755.45 million (39 percent) was outstanding for more than 12 months. Majority of such receivables are from the Treasury for various staff entitlement. Receivables for the year of review include accruals for gratuities that are to be financed by the Treasury.	Management need to develop action plans that delineate how the outstanding receivables will be collected and enforce the same to collect those receivables.
15	**TANZANIA CIVIL AVIATION AUTHORITY (TCAA**	**Inadequate security and the quality assurances activities**	
		Review of security and quality assurance noted that, security inspections were not done in accordance with the Action plan. 205 security and assurance activities were planned but only 166 were implemented. The activities had a purpose of safeguarding passengers, ground personnel, crew as well as the general public against any acts of unlawful interference, taking into account safety, regularity and efficiency of flights as provided in the ICAO policy. This is non-compliance with ICAO policy for civil aviation on security and quality assurance on aerodromes, aircrafts, handling companies and other operators. We are of the view that non-performance of security and assurance activities impair the safety and quality of the aviation activities	I recommend the Authority to ensure all scheduled and ad-hoc inspections are done as scheduled to ensure safety and improve the quality of service.

16	TANZANIA COMMUNICATIONS REGULATORY AUTHORITY (TCRA)	Weakness on accounts receivable management	
		TCRA had trade receivable balance of TZS 57.53 billion as at 30 June 2015. This is an increase of 16% from prior years. Of the balance TZS 31.54 billion balance ages more than one year. This creates a risk of non-recovery of respective debts by the Authority.	The management is advised to institute a vigorous process on its debt recovery strategies which will enable them to realize cash and hence facilitate their operations.
		Under-utilization of Telecommunication Traffic Monitoring System (TTMS)	
		TCRA installed Telecommunication Traffic Monitoring System (TTMS) at the Cost of USD 20.66 million. The purpose of installation is to monitor telecommunication traffic and it covers in areas of Revenue Assurance, Quality of Services, Mobile Money Monitoring, Automatic Detraction and Fraud Management. However, our service noted that the system does not have local Airtime Revenue Monitoring Solution Module to guarantee accuracy of Revenue despite that the system can accommodate it. Delay in installing this module hinders revenue collection efforts by the Government	The management is advised to speed up the implementation of Revenue Assurance module to be able to obtain the advantage of revenue increase.

17	MUHIMBILI NATIONAL HOSPITAL (MNH)	Development fund not remitted by the government TZS 9.20 billion	
		Significant part of activities of Muhimbili National Hospital are financed through government subvention. The hospital budgeted TZS 9.20 billion during the year for its development activities but did not received the amount from the government. As a result, the hospital was not able to implement its strategic development plan.	We advise the Government to remit funds as per budget, further management of MNH to make efforts to increase internally generated revenue to finance its development projects.
		Stock in transit TZS 2.03 billion	
		Stock worth TZS 2.03 billion was shown as stock in transit from Medical Stores Department since May 2012.The stocks were captured from 23 invoices from Medical Stores Department. The situation seems abnormal as it is not expected for stock to last more than one week considering the fact that Medical Stores Department and Muhimbili National Hospital are both situated in Dar es Salaam. The situation indicates either the stock was lost or proper reconciliation was done. This might impair hospital's ability to operate. We are also concerned that significant stock might be lost without being noticed by management of MNH.	Management is advised to do reconciliation with Medical Stores Department so as to establish the actual stock in transit and notice some abnormalities.

18	MEDICAL STORES DEPARTMENT (MSD)	Long outstanding trade receivables from donor funded projects	
		Medical Stores Department has a balance of trade receivables amounting to TZS 453.41 million which has been outstanding for more than one year. This amount relates to service rendered to multinational donors projects in previous years. The respective donors include UNICEF, WHO, NORWEGIAN PEOPLE AID, ITALIAN CORPORATION - MALARIA, UNFPA and DANIDA KAGERA PROJECT. There is a risk that the amount might not be recovered from respective donors as the amount has been outstanding for so long and some of the projects might have been closed.	Management need to speed up the process of follow up to recover the outstanding receivables. Management is also advised to keep intact and up-to-date all records related to donor programs for smooth reconciliation and recovery of funds spent by Medical Stores Department on donor funds.
19	**TANZANIA STANDARD NEWSPAPERS LIMITED (TSN)**	**Unsupported VAT payments made to clearing agent**	
		Payment amounting to TZS 238.02 million had been made to a clearing agent by the name of Walmax Freight Forwarders Co. Limited. The amounts had been paid basing on the tax invoice from Walmax but are not accompanied by TRA Tax Assessment Report and Payment Note. This brings uncertainty as to whether the amount paid to Walmax has been submitted to TRA or not because there were no supporting documents for the payments to TRA. This is contrary to best practices on cash management since valid supporting documents were supposed to be availed before payment is made.	Management is advised to request respective supporting documents or recover the money from the clearing agent.

20	TANZANIA BUREAU OF STANDARDS (TBS)	Lack of access to TANCIS	
		In order for TBS to control all consignments received at the border, management shall require information on all the goods imported and cleared at all destination points. This information is maintained in TRA's TANCIS system. We noted in our review that such information is not available to TBS staff despite that the log in credentials to the system is provided. As a result of the above, some of the consignments are released by the TRA without TBS' attention.	Management is advised to make enthusiastic efforts to obtain access on TANCIS from TRA as both agencies are dealing on the matters of national interest
21	**SHINYANGA URBAN WATER SUPPLY SEWERAGE AUTHORITY (SHUWASA)**	**Water network coverage**	
		The Ministry of Water was supposed to release fund for network expansion at Shinyanga Municipality through WSDP phase II. However, this fund was not remitted which limited the authority's capacity to expand water network. Through internal capacity, the Authority managed to increase the network by 3.2 kilometers. The network has now reached 61 percent of the population remaining with 39 percent of population which has not been reached. The situation reduces the authority's revenue and also denies the society's right to have clean and safe water.	The Government needs to release fund as per budget. Management is also advised to develop internal capacity by making effort so as to reach 100 per cent of the population.

22	LINDI URBAN WATER SUPPLY AND SEWERAGE AUTHORITY (LUWASA).	Financial constraints facing the entity	
		Lindi Urban Water Supply and Sewerage Authority (LUWASA) had payable balances of TZS 445.10 million with TANESCO and TZS 901.17 million with a contractor which were outstanding for so long. This has been caused by financial constraints faced by the entity due to unstable collection from customers and budget constraints.	The management is advised to speed up the process of collecting its receivables from its customers. Also, the Government is advised to finance the authority so that it can be able to deliver safe and clean water to the society.
23	**KAHAMA URBAN WATER SUPPLY AND SANITATION AUTHORITY (KUWASA)**	**Weakness on cash collection**	
		Kahama Urban Water Supply and Sanitation Authority (KUWASA) had a trade receivable balance of TZS 679.13 million that has been outstanding from its customers for more than one year. Furthermore, the balance of trade receivable increased by 41 percent while revenue increased by 27 percent compared to last prior year. This has been caused by ineffective debts collection techniques by the authority which has liquidity constraints in return.	Management need to fast track the process of collecting receivables from its customers..
24	**TANZANIA NATIONAL PARK (TANAPA)**	**Overpayment of rental expenses**	
		TANAPA circular number TNP/HQ/A.10/01 relating to house allowance, approved rate of TZS 600,000 per month to be paid to its employees as housing allowance. During the review of housing allowance I realized that rental fee of US$ 1,120 per month equivalent to TZS 2.26million was paid to one of its Directors as rental fee contrary to the above circular. There was overpayment by TZS 19.48 million for the year.	There is a need to make sure that public funds are used properly so as to allocate funds to the planned activities.

25	UNIVERSITY OF DODOMA	Handling of house rent contract	
		University of Dodoma rented houses from NHC BK A MEDELI AND NHC BK B MEDELI (Land Lord). We noted the following weaknesses; tenants started to occupy suit premises two years before signing of the contract, contract were signed before the lease agreement to be made, renewal of the contracts were signed before tenure end of the initial contract. For both Land Lords lease were made on 27.11.2012 for lease tenure from 01.03.2010 to 31.03.2013. Both contracts were signed on 18.12.2012 and renewed on 20.07.2013 for renewal tenure to 30.04.2016. These circumstances make the contract void.	I advise management to make sure that terms of contracts are followed.
26	**NATIONAL INSTITUTE OF MEDICAL RESEARCH (NIMR)**	**VAT Collected not shown in EFD Receipts**	
		Suppliers collected VAT from NIMR but did not issue EFD receipt; they issued manual receipt or tax invoices. In another situation, suppliers collected VAT from NIMR and issued EFD receipt that indicates that the VAT charged is zero which is contrary to invoice issued earlier by them. The invoice issued indicates there is VAT component. Total amount of VAT paid by NIMR to 53 suppliers but not submitted to TRA was TZS 120,169,190.	The Government need to set measures to ensure that VAT paid by NIMR to vendors is remitted to TRA.

27	TANZANIA BROADCASTING CORPORATION (TBC)	Weakness in management of trade receivables	
		TBC Financial Procedural Manual requires management to obtain confirmation from its customers at every year end. Furthermore, the Credit Policy of the corporation requires credit appraisal to be performed. The following weaknesses were noted in relation to trade receivables: • There is no evidence indicating that confirmation of trade receivable was done. • There is no evidence that credit appraisal was performed. • Trade receivables amounting to TZS 1.76 billion was outstanding for more than six months. This increases the risk of non-recovery from respective customers.	Management should enhance efforts in following up long outstanding debtors balances. Also, Management should ensure that the Corporation's policies and procedures are adhered to.

28	DAR ES SALAAM WATER AND SEWERAGE CORPORATION (DAWASCO)	Long outstanding accounts receivable TZS 29.63	
		As at 30 June 2015, DAWASCO had outstanding accounts receivable balance of TZS 51.71 billion, out of which TZS 29.63 billion (57.10%) was outstanding for more than 12 months. I am concerned with the recoverability of these amounts as they have remained outstanding for such long period without being collected.	The corporation is advised to increase efforts to recover long outstanding debtors and ensure stringent measures are adopted to prevent non-recovery of the debts.
		Non-submission of HESLB deductions	
		DAWASCO notified the Higher Education Students' Loans Board it employed sixty six (66) beneficiaries of high education student loan as required by S. 20(1) - (2) of the HESLB Act, 2004. However, it has been noted that deduction is done only for fifteen (15) employees out of those notified to the Board. This is non-compliance with the HESLB Act and may attract penalty as per requirement of S. 21.	Management of DAWASCO is advised to ensure that all students loan beneficiaries from HESLB are deducted and deductions timely be submitted to the Loan Board.
29.	**NATIONAL SOCIAL SECURITY FUND (NSSF)**	**Management of houses for sale at Mtoni Kijichi is not in line with BOT and SSRA investment guidelines**	
		NSSF is running phase iii project of houses for sale at Mtoni Kijichi with an estimated cost of TZS 137.7 billion. As at 30 June 2015 the Fund had spent about TZS 79 billion on the construction of those houses and decided to handle the sales internally instead of following the directives of the regulators for using banks or mortgage Companies as provided in the regulation 13 of SSRA and BOT investment guidelines.	Management is advised to comply with applicable laws and regulations and directives/guidelines issued by the regulators. Any act of non-compliance need to be communicated in writing to the sector regulator and agree timeframe for compliance.

		Procurement of Land on Single source Basis- TZS 15.16 billion	
		NSSF had a budget of TZS 1.6 billion for land acquisition through competitive tendering method. However, during the procurement process it used a single source method for the acquisition of land costing TZS 15.16billion. We noted that PPRA was not notified, contrary to Regulation 87 of PPR, 2013 requiring submission of notification of contract award to PPRA to be made not later than seven days on the procurement process once single source method is used.	Management of NSSF should in future comply with its plan, budget, provision and PPR, 2013, and ensure that procurements are carried out on a competitive basis to ensure that it enjoy the best economical prices.
30.	**MWALIMU NYERERE MEMORIA L ACAEDMY**	**Underutilisation of the Academy**	
		During the year under review, the Academy had a total of 1,548 students for all courses while it had a capacity of 5,020 students for both Zanzibar and Kigamboni campuses. This is only 31 percent of full capacity utilization leaving 69 percent capacity utilization of the Academy not utilized. Zanzibar campus had 150 students by September 2015 against a capacity of 2,520 students. This under admission has direct effect on the volume of revenue from tuition and other fees, and	The academy has to focus on expanding and diversifying the number of courses offered through setting various marketing strategies including advertising in local and other regional newspapers and the Academy website.

31.	PUBLIC SERVICE PENSION FUND	Control Deficiency on Identification and Authentication on ePEN System	
		The result of our inspection of members' information in ePEN noted 311 members were hired with an age less than 18 years, 2,213 members were hired with an age equal or above 60 years and 520 members were registered without any information regarding their birthdates, while 17 pensioners had birthdates later than their hired dates, 47 members become pensioners while they made contribution of less than 180 months and 553 became pensioners while they resigned before they attained the age of 55 years contrary to PSPF policy and regulations.	PSPF needs to have a clean database of its members in ePEN system. This can be achieved through physical inspections which need to be conducted to the employers of members to avoid any possibility of incorrect gratuity or pension payments which may lead to loss of funds due inaccurate data being entered into the system.

32	Tanzania Port Authority (TPA)	Weaknesses around collections of Port dues	
		TPA customers are required to pay port dues directly to TPA bank accounts based on invoices obtained from the billing section. Once this is done, customers are required to submit to TPA their respective bank deposit slips for verification before goods are released. Our review revealed 3,278 invoices raised in the month of December 2014, which could not be matched to a payment in any bank account or traced in accounts receivable at year end. There is a risk that the Authority's funds were misappropriated.	The Authority should perform a thorough review of invoices against collected amounts and claim back unsettled invoices from the respective customers.

CONCLUSION

This part deals with conclusions regarding matters that have been detailed in this report and which require attention and action of the Government, Parliament, Board of Directors (BoD) and Management of the respective Public Authorities and other Bodies (PA&oBs).

Most of the recommendations given in this report have been derived from audit results of individual management letters and audit reports which were communicated separately to the respective Boards of Directors of PA&oBs and other pertinent current issues which are of interest to the general public. Section 12 of PAA, 2008 empowers the CAG to make recommendations for the purpose of preventing or minimizing unproductive expenditure of public moneys, maximizing 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.

For the report to be useful and add value to the accountability of public resources and improve performances of PA & OBs', it is essential for the Government and Public Authorities to prepare an annual action plan to implement my recommendations in time. The action plan may also include a timeframe and periodic status of implementations. For those observations that have been outstanding for a number of years, I advise the Government to exert more efforts to ensure that these recommendations are cleared as narrated in this report.

My post privatization audit noted a number of non-compliance with respective sale agreement by owners of the privatized entities. I call upon the Government and the Treasury Registrar to carry out adequate performance reviews in all privatized public enterprises with a view to determining the status of their performance and compliance to the terms stipulated in the sales agreements.

My review of operational efficiency has revealed that most of the entities I reviewed experienced inadequate planning and control over implementations of their respective strategic plans, including inadequate supervision of these entities by those charged with governance.

Specific examples include Air Tanzania Company Limited (ATCL) and Tanzania Ports Authority (TPA). ATCL is faced with persistent financial distress, management has not developed adequate plans to rescue the national carrier from this financial mess which has persisted for quite a long time.

I advise Management to develop a comprehensive turnaround strategy by carrying out a situation re-evaluation to identify the basic problems which led the company into the current financial downfall to facilitate a smooth transition to a newly functioning and profitable ATCL.

TPA had several targets and Key Performance Indicators (KPIs) to implement in its five year Strategic Plan. I have noted that the Authority has not fully implemented the agreed KPIs as per its Strategic Plan including overhauling berth 13 & 14.

Management of TPA should ensure that it implements its planned activities in line with its strategic plan.

Finally, supervision by the Boards of Directors of all public entities should be strengthened in order to ensure that these entities continue to carry out their mandates in line with their establishment Acts and corporate strategies.

APPENDICES

APPENDIX I - Analysis of Audit Opinions Issued in 2014/2015

SN	Public Authorities	Opinion
1	Ardhi University	Unqualified Opinion with Emphasis of matter Paragraph
2	Arusha International Conference Centre	Unqualified Opinion with Emphasis of matter Paragraph
3	Arusha Technical College (ATC)	Unqualified Opinion with Emphasis of matter Paragraph
4	Arusha Urban Water Supply and Sanitation Authority (AUWSA)	Unqualified Opinion
5	Babati Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph
6	Benjamin W. Mkapa HIV/AIDS FOUNDATION	Unqualified Opinion
7	Capital Development Authority	Unqualified Opinion with Emphasis of matter Paragraph
8	Capital Markets and Securities Authority (CMSA)	Unqualified Opinion
9	Cashew nut Board of Tanzania	Unqualified Opinion with Emphasis of matter Paragraph
10	Centre For Agricultural Mechanization and Rural Technology (CAMARTEC)	Unqualified Opinion
11	College of Business Education	Unqualified Opinion
12	Contractors Registration Board	Unqualified Opinion
13	Dar es salaam Institute of Technology	Unqualified Opinion with Emphasis of matter Paragraph
14	Dar es salaam Maritime Institute	Unqualified Opinion
15	Dar es Salaam stock exchange (DSE)	Unqualified Opinion

16	**Dar es Salaam University College of Education (DUCE)**	**Unqualified Opinion**
17	Dar es salaam Water and Sewarage Authority	Unqualified Opinion with Emphasis of matter Paragraph
18	Deposit Insurance Board	Unqualified Opinion
19	Dodoma Urban Water Supply and Sanitation Authority	Unqualified Opinio
20	Energy and Water Utilities Regulatory Authority	Unqualified Opinion
21	EWURA Consumer Consultative Council	Unqualified Opinion
22	Fair Competition Commission	Unqualified Opinion with Emphasis of matter Paragraph
23	Gaming Board of Tanzania	Unqualified Opinion
24	GEPF Retirement Benefits Fund	Unqualified Opinion
25	Insitute of Finance Management	Unqualified Opinion
26	Institute of Accountancy Arusha	Unqualified Opinion
27	Institute of Social Work	Unqualified Opinion
28	Iringa Urban Water Supply and Sanitation Authority	Unqualified Opinion
29	Kahama Urban Water Supply and Sanitation Authority	Unqualified Opinion
30	Kibaha Education Centre	Unqualified Opinion with Emphasis of matter Paragraph
31	Kigoma/Ujiji urban Water Supply and Sanitation Authority	Qualified Opinion
32	LAPF Pensions Fund	Unqualified Opinion
33	Lindi Urban Water Authority	Unqualified Opinion with Emphasis of matter Paragraph
34	Marine Parks and Reserves Unit	Unqualified Opinion with Emphasis of matter Paragraph
35	Masasi Nachingwea	Unqualified Opinion
36	Mbeya University of Science and Technology	Unqualified Opinion
37	Medical Store Department (MSD)	Unqualified Opinion with Emphasis of matter Paragraph
38	Morogoro Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph
39	Moshi Cooperative University (MUccoBS)	Unqualified Opinion with Emphasis of matter Paragraph
40	Moshi Urban Water Supply and Sanitation Authority	Unqualified Opinion

41	**Mtwara Urban Water Supply and Sanitation Authority**	**Unqualified Opinion with Emphasis of matter Paragraph**
42	Muhimbili University of Health and Allied Sciences (MUHAS)	Unqualified Opinion
43	Musoma Urban Water Supply and Sanitation Authority	Unqualified Opinion
44	Mwalimu Nyerere Memorial Academy	Unqualified Opinion with Emphasis of matter Paragraph
45	Mwanza Urbarn Water Supply and Sanitation Authority	Unqualified Opinion
46	Mzumbe University (MU)	Unqualified Opinion with Emphasis of matter Paragraph
47	National Arts Council	Unqualified Opinion with Emphasis of matter Paragraph
48	National Board of Accountants and Auditors	Unqualified Opinion
49	National Bureau of Statistics (NBS)	Unqualified Opinion with Emphasis of matter Paragraph
50	National Council for Technical Education (NACTE)	Unqualified Opinion with Emphasis of matter Paragraph
51	National Examinations Council of Tanzania (NECTA)	Unqualified Opinion
52	National Housing Corporation (NHC)	Unqualified Opinion with Emphasis of matter Paragraph
53	National Institute of Transport	Unqualified Opinion with Emphasis of matter Paragraph
54	Ngorongoro Conservation Area Authority	Unqualified Opinion
55	NHC-PPF Investment Company	Unqualified Opinion
56	Ocean Road Cancer Institute	Unqualified Opinion
57	PPF Pensions Fund	Unqualified Opinion
58	Public Procurement Appeals Authority (PPAA)	Unqualified Opinion with Emphasis of matter Paragraph
59	Public Procurement Regulatory Authority (PPRA)	Unqualified Opinion
60	Public Services Pension Fund (PSPF)	Unqualified Opinion with Emphasis of matter Paragraph
61	Rasilimali Ltd	Unqualified Opinion
62	Same Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph
63	Shinyanga Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph

70	**Surface and Marine Transport Regulatory Authority (SUMATRA)**	**Unqualified Opinion with Emphasis of matter Paragraph**
71	Tabora Urban Water	Unqualified Opinion
72	Tanga Urban Water Supply and Sanitation Authority	Unqualified Opinion
73	Tanzania Coffee Board	Unqualified Opinion
74	Tanzania Commission for Science and Technology	Unqualified Opinion with Emphasis of matter Paragraph
75	Tanzania Communication Regulatory Authority	Unqualified Opinion
76	Tanzania Education Authority	Unqualified Opinion
77	Tanzania Fisheries Research Institute (TAFIRI)	Unqualified Opinion with Emphasis of matter Paragraph
78	Tanzania Food and Drugs Authority	Unqualified Opinion
79	Tanzania Institute of Education	Unqualified Opinion with Emphasis of matter Paragraph
80	Tanzania National Business Council	Unqualified Opinion with Emphasis of matter Paragraph
81	Tanzania Postal Bank	Unqualified Opinion
82	Tanzania Revenue Appeals Board	Unqualified Opinion
83	Tanzania Smallholders Tea Development Agency	Unqualified Opinion
84	Tanzania Telecommunication Company Ltd	Unqualified Opinion with Emphasis of matter Paragraph
85	Tanzania Women's Bank Plc	Unqualified Opinion
86	Tax Revenue Appeals Tribunal	Unqualified Opinion
87	Tea Board of Tanzania	Unqualified Opinion with Emphasis of matter Paragraph
88	TIB Development Bank Ltd	Unqualified Opinion
89	Twiga Bancorp	Qualified Opinion
90	UTT Asset Management and Investor Services	Unqualified Opinion
91	UTT-Projects and Infrastructure Development PLC	Unqualified Opinion
92	Universal Communication Access Fund (UCSAF)	Unqualified Opinion

93	**Lindi Urban Water Authority Supply and Sanitation Authority**	**Unqualified Opinion with Emphasis of matter Paragraph**
94	Tabora Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph
95	Open University of Tanzania (OUT)	Unqualified Opinion
96	DAWASCO	Unqualified Opinion with Emphasis of matter Paragraph
97	Kahama Shinyanga Urban Water	Unqualified Opinion with Emphasis of matter Paragraph
98	Mbeya Urban Water Supply and Sanitation Authority	Unqualified Opinion with Emphasis of matter Paragraph
99	National Development Corporation (NDC)	Unqualified Opinion with Emphasis of matter Paragraph
100	Tanzania Commission for Universities (TCU)	Unqualified Opinion
101	Watumishi Housing Company	Unqualified Opinion
102	National Institute of Medical Research (NIMR)	Unqualified Opinion with Emphasis of matter Paragraph

Appendix II: List of cargo in tally sheets but not in CMS

Vessel name: Weser wolf										
Missing Containers in the CMS										
SN	**Container ID**	**SIZE**		**SN**	**Container ID**	**SIZE**	**SN**	**Container ID**	**SIZE**
1	PCIU8608213	40		29	TGHU1548790	20	57	PCIU462885	40
2	PCIU8662512	40		30	PCIU1226559	20	58	BMOU4975156	40
3	PCIU8142526	40		31	PCIU2082733	20	59	FCIU9845841	40
4	PCIU8335799	40		32	PCIU2128156	20	60	PCIU9371245	40
5	PCIU8168217	40		33	PCIU2690902	20	61	PCIU9983381	40
6	TGHU6735638	40		34	TRHU1332061	20	62	PCIU889600	40
7	PCIU8511558	40		35	PCIU2847329	20	63	TGHU9879733	40
8	GLDU9063361	40		36	PCIU3193310	20	64	PCIU8304406	40
9	TENU6797520	40		37	PCIU3070660	20	65	CXOU2053546	40
10	CXDU2124634	40		38	PCIU2571251	20	66	PCIU8132008	40
11	PCIU8406681	40		39	PCIU2723610	20	67	PCIU2880421	20
12	TENU4302811	40		40	PCIU1802649	20	68	PCIU8299946	40
13	PCIU2618240	20		41	PCIU1522397	20			
14	PCIU1099808	20		42	PCIU8294072	40			
15	GESU2298970	20		43	PCIU8518819	40			
16	PCIU2195982	20		44	PCIU8091814	40			
17	PCIU1174060	20		45	PCIU8317429	40			
18	CRXU3200340	20		46	PCIU8245519	40			
19	PCIU2745190	20		47	PCIU8210153	40			

20	**PCIU1065069**	**20**		**48**	**PCIU8206240**	**40**			
21	PCIU1242225	20		49	PCIU8172860	40			
22	TEMU4593759	20		50	PCIU8866162	40			
23	PCIU2698462	20		51	TENU5120323	40			
24	PCIU1623983	20		52	PCIU8157660	40			
25	PCIU1893079	20		53	BMDU4084660	40			
26	PCIU2644430	20		54	PCIU8645632	40			
27	PCIU2173495	20		55	PCIU3080948	40			
28	PCIU1629045	20		56	PCIU8482296	40			

Appendix III - Fraudulent Transactions Due to Double confirmation

OCCURANCE TIME STAMP	AUDIT _LOG	OPERATOR NAME	STATION	STATION CODE
5/08/2014 12:54:33 PM	The deposit was confirmed for TZS3,122,950.82 by Operator	PERPETUAL ONDITI	ONLINE LUKU SMS3	LC T3
5/08/2014 3:10:52 PM	The deposit was confirmed for TZS3,122,950.82 by Operator	PERPETUAL ONDITI	ECLIPSE REPORTS	HQH
11/10/2014 4:51:32 PM	The deposit was confirmed for TZS14,053,278.69 by Operator	PERPETUAL ONDITI	ONLINE LUKU SMS3	LC T3
11/10/2014 5:40:59 PM	The deposit was confirmed for TZS14,053,278.69 by Operator	PERPETUAL ONDITI	NEWREPORT	HQI
1/6/2014: 9:10:52 AM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
1/6/2014: 9:11:21 AM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/9/2014: 7:49:20 AM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH

1/9/2014: 7:50:20 AM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/14/2014: 5:15:19 PM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
1/14/2014: 5:15:57 PM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/17/2014: 5:37:56 PM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
1/17/2014: 5:38:45 PM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/23/2014: 4:12:06 PM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/23/2014: 4:12:06 PM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/28/2014: 4:35:35 PM	The deposit was confirmed for TZS7,266,885.24 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
1/28/2014: 4:39:41 PM	The deposit was confirmed for TZS7,266,885.24 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
2/1/2014: 1:32:23 PM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
2/1/2014: 1:35:16 PM	The deposit was confirmed for TZS5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3

5/08/2014 12:54:33 PM	The deposit was confirmed for TZS3,122,950.82 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
5/08/2014 3:10:52 PM	The deposit was confirmed for TZS3,122,950.82 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
11/10/2014 4:51:32 PM	The deposit was confirmed for TZS14,053,278.69 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LC T3
11/10/2014 5:40:59 PM	The deposit was confirmed for TZS14,053,278.69 by Operator	EMILIAN MLOWE	NEWREPORT	HQI
1/6/2014: 9:10:52 AM	The deposit was confirmed for TZS14,053,278.69 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
1/6/2014: 9:10:52 AM	The deposit was confirmed for TZS14,053,278.69 by Operator	EMILIAN MLOWE	ECLIPSE REPORTS	HQH
2/20/2014:1 1:04:56 AM	The deposit was confirmed for TZS6,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LCT3
2/20/2014:1 1:00:34 AM	The deposit was confirmed for TZS 6,245,091.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LCT3
2/12/2014 10:19:12 AM	The deposit was confirmed for TZS 5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LCT3

2/12/2014 10:16:18 AM	The deposit was confirmed for TZS 5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS2	LCT2
2/7/2014 6:40:17 PM	The deposit was confirmed for TZS 2,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS3	LCT3
2/7/2014 6:37:45 PM	The deposit was confirmed for TZS 2,245,901.63 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS2	LCT2
2/1/2014 1:35:16 PM	The deposit was confirmed for TZS 5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS 3	LCT3
2/1/2014 1:32:23 PM	The deposit was confirmed for TZS 5,204,918.03 by Operator	EMILIAN MLOWE	ONLINE LUKU SMS 4	LCT4

Appendix IV: Public Entities with no Board of Directors and Trustees

1	Tanzania National Parks (TANAPA)
2	Tanzania Posts Corporation (TPC)
3	Makambako Urban Water Supply and Sanitation Authority
4	Tanzania Fertilizer Regulatory Authority
5	Bariadi Urban Water Supply and Sanitation Authority
6	Tanzania Cotton Board
7	Tanzania Cereals Board and Other Produce
8	Geita Urban Water Supply and Sanitation Authority
9	Tanzania Tourist Board
10	National Museum of Tanzania
11	Tanzania Sisal Board
12	Tanzania Trade Development Authority (TANTRADE)
13	National Land use Planning Commission
14	College of African Wildlife Management- Mweka
15	Centre for Foreign Relations (CFR)
16	National Sugar Institute
17	Tanzania Wildlife Research Institute (TAWIRI)
18	Mpanda Urban Water Authority
19	National Health Insurance Fund (NHIF)
20	Tanzania Railway Limited (TRL)
21	Kariakoo Market Corporation
22	Muhimbili National Hospital (MNH)

Appendix V: Entities with Boards but did not Sit on Time to Adopt and Approve the Financial Statements

SN	Public Entities
1	College of African Wildlife Management- Mweka
2	Copyright Society of Tanzania
3	Engineers Registration Board
4	Export Processing Zones Authority (EPZA)
5	Institute of Adult Education (IAE)
6	Mkwawa University
7	National Environment Management Council - NEMC
8	National Institute of Productivity (NIP)
9	National Ranching Company
10	National Sports Council
11	RELI Assets Holding Corporate (RAHCO)
12	Rufiji Basin Development Authority-RUBADA
13	Tanzania Atomic Energy Commission
14	Tanzania Bureau of Standards
15	Tanzania Civil Aviation Authority
16	Tanzania Diary Board
17	Tanzania Electric Supply Co. LTD (TANESCO)
18	Tanzania Fertilizer Co.
19	Tanzania Investment Centre (TIC)
20	Tanzania Pesticides Research Institute (TPRI)
21	Tanzania Tobacco Board
22	Tanzania Standard Newspapers
23	VETA

Appendix VI: Audits which could not be conducted Because of Lack of Funds

S/N	Name of the Entity	Remarks/Status of un audited entities
1	STAMICO	The following activities were suspended due to budget constraints: Audit of Mining Contracts, Revenues and Visits to TANZANITE GOLD Mining
2	Tanzania Petroleum Development Corporation	Due to budget constraints, we were unable to audit the following areas: Gas Pipeline, Contracts and Pipe line Site Visits
3	TANESCO	Audit of Contracts, Visits to Dams and Audit of Operational efficiencies
4	Tanzanaia Civil Aviation Authority (TCAA)	Budget Constraints result into non audit of Performance Efficiency, Audit of Contracts, Audit of the Aviation Regulatory functions, Review of Safety compliance
5	Namtumbo Urban Water Supply and Sanitation Authority	Statutory Audit not conducted due to budget constraints
6	Co-operative Audit and Supervision Corporation (COASCO)	Statutory Audit not conducted due to budget constraints
7	Tukuyu Urban Water Supply and Sanitation Authority	Statutory Audit not conducted due to budget constraints
8	Makambako Urban Water Supply and Sanitation Authority	Statutory Audit not conducted due to budget constraints
9	Rufiji Basin Development Authority-RUBADA	Statutory Audit not conducted due to budget constraints
10	Tanzania Tourist Board	Statutory Audit not conducted due to budget constraints
11	BAKITA	Statutory Audit not conducted due to budget constraints

12	**Tanzania Sisal Board**	**Statutory Audit not conducted due to budget constraints**
13	National Museum of Tanzania	Statutory Audit not conducted due to budget constraints
14	Bariadi Urban Water Supply and Sanitation Authority	Statutory Audit not conducted due to budget constraints
15	Tanzania Fertilizer Regulatory Authority	Statutory Audit not conducted due to budget constraints
16	Geita Urban Water Supply and Sanitation Authority	Statutory Audit not conducted due to budget constraints
17	Tanzania Forest Research Institute(TAFORI)	Statutory Audit not conducted due to budget constraints
18	Tanzania Engineering and Manufacturing Design Organization (TEMDO)	Statutory Audit not conducted due to budget constraints
19	Air Tanzania Company Limited	Statutory Audit not conducted due to budget constraints
20	Tanzania Library Services	Statutory Audit not conducted due to budget constraints
21	Korogwe Urban Water	Statutory Audit not conducted due to budget constraints
22	Kyela Urban Water	Statutory Audit not conducted due to budget constraints
23	Mpanda Urban Water Authority	Statutory Audit not conducted due to budget constraints
24	Njombe urban	Statutory Audit not conducted due to budget constraints
25	Nzega Urban Water Supply and Sewerage Authority	Statutory Audit not conducted due to budget constraints

APPENDIX VII: Non-attainment of KPIs

S/N	Key Performance Indicators	Status
01	Panamax ships handled at berths 13 & 14 by 2016 The following new sub-components were added to the DMGP as follows: • Development of Berths 13 - 14 • Relocation of KOJ • Strengthening of Berths 8 - 11	The time for attaining this KPI has been extended to 2016.
02	RoRo berth constructed by 2014	Not completed. The procurement is still under tendering process whereby evaluation of the 2nd stage technical memorandum proposal is being finalized.
03	Construction of four additional berths- Two additional berths to be completed at Mtwara port by June 2014	Not completed. There was cancellation of tender since the responsive bidder did not meet the requirement at the negotiation stage. The plan is now to construct one (1) additional berth using TPA's internally generated revenue in 2016/17

04	Dredge entrance channel to 13 CD by 2015	Not completed. The project is now under DMGP through World Bank financing. However, the Dredging and widening works of the entrance channel are expected to commence in September 2016.
05	Upgrading of berths 1-7 to handle bigger vessels- Berth 1-7upgraded by 2016	Not completed. The project is expected to be completed by May 2016. Deepening and strengthening works are expected to commence in July 2016.
06	KOJ shorten to allow bigger vessels to pass through the berths 13 & 14 by 2014	Not completed. The plan now is to relocate the KOJ. Feasibility study and detailed engineering design is expected to be completed by June 2016. Relocation of the KOJ by constructing a new Oil Jetty and Tank Farm is expected to commence in financial year 2016/2017
07	Increase KoJ flow meters capacity from 740 cubic meters per hour to 1,500 cubic meters per hour by 2013.	Yet to be completed. New flow meters have been procured, installation to be completed by March 2016.
08	Increase capacity to handle fertilizer grain and clinker by 2015.	Yet to be completed. Implementation of the project will be after the deepening and strengthening of berths 1-7 and construction of RoRo berth.

09	Good roads gates available by 2013	Yet to be completed. The status is over 90% expected to be finalised this year
10	Development of Floating dock at Dar es Salaam port by 2013	The project is yet to be finalized. Currently; RFP document has been issued to the entitled Institutions for submission by end of March 2016.
11	Reviewed investment policy by December 2011	The 1st TPA Investment Policy was finalized by March, 2011. Preparation of the 2nd TPA Investment Policy Contract has been commissioned to the University of Dar es Salaam to review the Policy for completion by April, 2016.