THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL FOR PUBLIC AUTHORITIES

MARCH
2022

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

Controller and Auditor General, National Audit Office, Audit House, 4 Ukaguzi Road,
P.O. Box 950, 41104 Tambukareli, Dodoma. Telegram: "Ukaguzi", Telephone: 255(026)2161200,
Fax: 255(026)2117527, E-mail: ocag@nao.go.tz, Website: www.nao.go.tz

Ref.No.CGA.319/421/01A **30 March 2022**

H.E. Samia Suluhu Hassan,
The President of the United Republic of Tanzania,
State House,
P.O. Box 1102,
1 Julius Nyerere Road,
Chamwino,
40400 DODOMA.

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 2020/21

In accordance with Article 143(4) of the Constitution of the United Republic of Tanzania of 1977, and Section 34 of the Public Audit Act, Cap 418, I am pleased to submit to you my Annual General Report on the audit of Public Authorities and other Bodies for the financial year 2020/21.

I humbly submit,

Charles E Kichere
The Controller and Auditor General

ABOUT NATIONAL AUDIT OFFICE

Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 and in Sect. 10 (1) of the Public Audit Act, Cap 418.

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

To provide high-quality audit services through modernisation of functions that enhances accountability and transparency in the management of public resources.

Motto: "Modernising External Audit for Stronger Public Confidence"

Core Values

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

i. Independence and objectivity
ii. Professional competence
iii. Integrity
iv. Creativity and Innovation
v. Results-Oriented
vi. Teamwork Spirit

We do this by: -

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

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STATEMENT OF THE CONTROLLER AND AUDITOR GENERAL

I am pleased to present the Annual General Report of Public Authorities and Other Bodies for the year 2020/21.

The report covers significant audit matters noted during the year relating to internal controls and operations only to the extent considered necessary for the adequate performance of the audit to form an opinion as to whether the financial statements were prepared fairly in all material respects in accordance with the applicable Financial Reporting Framework.

The audit was carried out pursuant to the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures deemed appropriate under the circumstances.

This report looks into all significant audit matters relating to financial statements of Public Authorities and Other Bodies, controls for operations and operational efficiency of the Entities in implementation of the mandate in which they were established. It also depicts operational efficiencies of Regulatory Bodies, Water Authorities and Higher Learnings' Institutions and assessment regarding extractive industry sector, tourism sector, Government Banks and Other Financial Institutions and investments undertaken by PA & oBs.

This annual general report is a transparent tool to enable the Parliament and citizens to hold government accountable.

The financial year 2020/21 was, in many ways, dominated by the wide-ranging impacts of the Covid-19 pandemic. It has been inspiring me to see how well the Government has responding to the pandemic during this year. The Government, pulled significant resources and focused on saving the lives, concurrently maintaining a vibrant and sustainable delivery of social services. My office was not spared from the impact of the pandemic. However, through the help of Her Excellency, Samia Suluhu Hassan, we adjusted and adapted to the new working environment, which enabled us to maintain focus and energy, and we were able to attain our goals. I appreciate the support rendered to my office from the Government under the leadership of Her Excellency, Samia Suluhu Hassan, the President of the United Republic of Tanzania. I am also grateful to the Parliament for its support to ensure that I fulfil my constitutional mandate.

I also extend my sincere appreciation to the Treasury Registrar, Boards of Directors, Accounting Officers, Senior Management and all staff of audited entities for their invaluable support and cooperation during the audit.

Finally, I must recognize the important contribution of my staff members who have been working tirelessly, driven entirely by professional call, to complete the assigned audit activities while maintaining high level of quality in line with professional standards. It is a strong sense of purpose and dedication that has made it possible to deliver this report within the statutory deadlines.

Charles E Kichere
Controller and Auditor General
March 2022

BACKGROUND INFORMATION

The Mandate of the Controller and Auditor General

The Controller and Auditor General (CAG) mandate is provided under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and further elaborated in the Public Audit Act, Cap.418 and the Public Audit Regulations G.N 47 of 2009. The CAG heads the National Audit Office, the Supreme Audit Institution of the United Republic of Tanzania, and an Independent Department of the Government of the United Republic of Tanzania.

The CAG mandate extends to undertake various audits, including financial, compliance, performance, special, forensic, and any other type of audit as the CAG deems fit.

The CAG is also empowered to make recommendations to prevent or minimise unproductive expenditure of public monies, maximising the collection of public revenues, averting loss by negligence, carelessness, theft, dishonesty, fraud, corruption relating to the public monies and resources. The CAG undertakes this mandate to bring accountability and transparency in the management of public resources.

Audit Standards

In discharging the functions and responsibilities, the Controller and Auditor General performs audits pursuant to the requirements of International Standards of Supreme Audit Institutions (ISSAIs) issued by International Organisation of Supreme Audit Institutions (INTOSAI).

Audit Objectives

The main objective of conducting audits is to enable the CAG to express an independent opinion on whether the financial statements have been prepared, in all material respects, in accordance with an acceptable financial reporting framework.

Audit Scope

My audit scope in this Annual general report includes a review of financial transactions, internal controls and operations only to the extent considered necessary for the effective performance of the audit to form an opinion as to whether the financial statements were presented fairly in all material respects pursuant to the applicable Accounting Framework i.e., International Public Sector Accounting Standards (IPSASs) or International Financial Reporting Standards.

Also, the audit included a review of the effectiveness of internal controls relating to the procurement of works, goods, and services to obtain reasonable assurance on whether the audited entity has complied with Public Procurement Laws. I placed special attention on accountability of revenues collected, expenses, custody, disposal, issue and proper use of public property and compliance with the applicable laws, directives, and instructions.

EXECUTIVE SUMMARY

The General Report of Public Authorities and other Bodies (PA & oBs) for the financial year ended 30 June 2021 contain 19 chapters that emanates from audit of 200 PA & oBs. The following areas have been discussed in details in this report:

Audit Opinion

During the financial year 2020/21, I completed 200 audits and issued 195 opinions to the Public Authorities and Other Bodies. Out of 195 opinions issued, 185 were unqualified, eight were qualified, two were disclaimer and no adverse opinion. I failed to issue opinion in the remaining five PA & oBs due to absence of Board of Directors for more than 12 months.

Implementation Status of Prior years' Audit Recommendations

Out of **97** outstanding key audit recommendations that I issued in my Annual General Report of the financial year 2019/20, **34 (35%)** were fully implemented, **51 (53%)** were under implementation, 11 **(11%)** were not implemented while **one (1%)** were overtaken by events.

Financial Performance of the Public Entities and other Bodies

I reviewed the financial stability of 200 PA & oBs and found that out of 200 reviewed entities 42 entities were continuously recording deficits or losses. The deficits or losses are mainly attributed to low performance, insufficient alternative sources of revenue and weaknesses in the management of expenditure and revenue. I further noted that 16 entities were financed by debts, while 10 entities had negative equity and 38 entities had negative working capital. The financial difficulties facing these entities suggest that they are not likely to survive without Government support. Also, there is a risk that these entities might not manage to effectively discharge their mandates.

Efficiency of Public Entities in Enhancing Business Environment

My review of operational efficiency of Tanzania Ports Authority (TPA), Tanzania Telecommunications Corporation Limited (TTCL), Tanzania Electric Supply Company Limited (TANESCO), National Housing Corporation (NHC), and Tanzania Railways Corporation (TRC) identified several deficiencies limiting them from creating conducive business environment.

The deficiencies include significant delay in completion of Julius Nyerere Hydroelectric Power Plant by 46.45%, extensive delay in completion of Tanzania Standard Gauge Railway (SGR) for 600 days. I also detected delays in payment of 24 Interim Payment Certificates and VAT on SGR project which had attracted interest of USD 1.34 million and TZS 8.95 billion respectively. At TPA, I learnt there is failure to expand market share for transit cargo to land locked countries which resulted in failure in reducing ship turnaround and cargo dwell time. Also, TTCL Corporation failed to install 27,581 Km of Fibre Access Network.

Revenue and Budget Management in Public Entities

My review revealed that public entities had control deficiencies in revenue collections. For instance, TANESCO lost TZS 105.49 billion due to application of unapproved tariff reduction on electric sales and service line connections, and 5,000-meter seals from TANESCO were discovered in the street shop, implying loss of revenue for the stolen and undetected meter seals. Furthermore, I observed that Workers Compensation Fund and National Sugar Institute did not collect revenue amounting to TZS 1.95 billion and TZS 193 million respectively through Government e-payment Gateway System (GePG).

On trade debtors' management, I detected 93 public entities had significant trade receivables amounting to TZS 3.71 trillion, whereby, about 58% equals to TZS 1.97 trillion for 21 entities was due from other Government Entities. Inadequate collections were mainly attributed to inadequate efforts on debts collection, and unresolved contractual challenges.

Further for the year under review, I found that there was under collections of own source revenues and short releases of Government grants.

I noted that, TZS 956.88 billion (37%) out of TZS 2.57 trillion budgeted for own source was not collected in 86 PA & oBs. Furthermore, TZS 1.13 trillion (19%) out of the budgeted TZS 5.95 trillion in respect of 78 PA & oBs were not released by the Government hence there was inadequate funding affecting implementation of planned activities.

Management of Expenditure by Public Entities

In my previous reports, I reported several deficiencies in management of expenditure in PA & oBs and made several recommendations. During the year 2020/21, I observed deficiencies of ineligible compensation of USD 153.43 million by TANESCO resulted from un-procedural termination of contract against Symbion LLC. I also noted delayed payments by PA & oBs leading to accumulation of interest and penalties of TZS 95.2 billion. I further found that payments for goods and supplies were made by PA & oBs without valid contracts, amounting to USD 47.67 million as well as unsettled liabilities of TZS 7.91 trillion by PA & oBs as at 30 June 2021.

Evaluation of Internal Control, Human Resource and Governance Systems

I observed that 31 PA & oBs were operating without Oversight Bodies. Further, I observed absence of fraud policy and documented risk procedures in 10 PA & oBs.

I also noted that eight PA & oBs had accumulated outstanding staff claims of TZS 5.9 billion including salary arrears of TZS 2.72 billion. I further noted 8,356 vacant posts of staff compared to the staffing level in 29 PA & oBs, and 155 staff in 22 PA & oBs were acting in a position for more than six months. For instance, at Institute of Rural Development Planning, there were staff acting for 15 years.

Furthermore, I noted non-remittance of statutory deductions amounting to TZS 129.33 billion in four PA & oBs relating to contributions payable to Public Service Social Security Fund, National Social Security Fund, Workers Compensation Fund and Higher Education Students' Loans Board.

Procurement and Contract Management

I reviewed compliance audits on procurement processes of works, goods, and services in PA & oBs and issued 195 conclusions on compliance audits, out of which 79 were non-compliant. The deficiencies noted included: Accounting Officer interferes with the responsibility of Tender Boards for approval of award of contracts amounting to USD 1.06 million and TZS 2.79 billion; Procurements made without valid contracts amounted to TZS 9.90 billion and USD 1.42 million at Medical Stores Department. I further noted 23 PA & oBs made procurement of TZS 57.38 billion, USD 5.23 million and EURO 176,710 for 514 tenders outside Tanzania National e-Procurement System (TANePS).

In addition, I found that three projects worth TZS 2.57 billion were abandoned by contractors; one at Tanzania National Park and two at Vocational Education and Training Authority (VETA). I also found an incremental cost of TZS 3.64 billion due to prolonged procurement process and undetailed survey at Tanzania Electric Supply Company Limited. Moreover, I detected a loss of TZS 9.18 billion due to inadequate planning of projects at Marine Services Company Limited.

Tax Administration in Public Authorities

My review of tax management in PA & oBs detected 12 PA & oBs deducted Value Added Tax (VAT), Pay As You Earn (PAYE) and Skills Development Levy (SDL) amounting to TZS 90.08 billion, but did not remit the deducted taxes and income tax payable on instalments to TRA. Further, TANESCO did not charge tax amounting to TZS 17.40 billion and there was no evidence from TRA if there was exemption on staff allowance. Moreover, TTCL had filled cases in Tax Tribunal that were pending as at 30 June 2021 of TZS 17.48 billion. I further detected inappropriate use of the same TIN and VRN between TTCL and National Information and Communication Technology Broadband Backbone Infrastructure (NICTBB).

Review of Investment in Public Entities

There are Public Entities mandated to promote, facilitate and coordinate investments, technologies, industries and trade experienced challenges that impact their operations. At TIC, I detected constraints on awarding investors with strategic investment incentives and benefits. Also, I noted inadequate management and utilisation of research and technology by COSTECH and CARMATEC. At SIDO, I noted underutilisation of designated 70% of its industrial plots and 3 economic zones.

I further found that industries owned by public entities were not operating or commenced production due to various challenges, including delayed procurement and delivery of factory machines. Such industries include Mamba Miamba Ginger Factory, Simiyu Medical Product Factory, Mponde Tea Factory, and Mkulazi Holding Company.

Performance of Government Banks and Other Financial Institutions

From the review of Bank and other financial institutions I detected deficiencies and scope for improvement in different areas, such as inadequate loan management and performance whereas, I observed a continuous trend of Non-Performing Loan (NPL) to 51.62% (TZS 327.3 billion) by TIB Development Bank in 2020 from 41.48% (TZS 260.85 billion) and TCB (formerly TPB Bank Plc) from 5.87% (TZS 24.69 billion) in 2019 to 15.1% in 2020 (TZS 93.29 billion). I further detected slow rate of insured deposit compensation payment for the financial 2020/21 DIB paid TZS 24.59 million (0.7%) out of TZS 3.42 billion claims.

Furthermore, my review of Social Security Schemes found; long outstanding loans issued by Pension Funds of TZS 1.50 trillion, low funding level of PSSSF of 22% instead of required 40%, insufficient liquidity of the PSSSF to pay benefit obligations whereas the Fund for the financial year 2020/21, benefit incurred exceeded contribution income by TZS 767 billion, and un-identified operation status of employers with long outstanding unpaid contribution fees of TZS 6.37 billion for Workers Compensation Fund.

Review of Tourism Sector in Tanzania

Tourism is one of the most important sector for Tanzanian economy. The Government through its Five-Year Development Plan III of 2021/22 to 2025/26 aimed to promote new tourism product development and diversification from sustainable growth under which by 2026 a total number of tourists is expected to reach 5 million while its corresponding revenue will be USD 6 billion. These initiatives will increase the percentage of contribution from tourism sector to GDP from 6 recorded in 2019/20 to 11 by 2025/26.

I observed issues which might have long term repercussions on the sustainability of the National Parks and Conservation area, if there is no dedicated intervention from the Government, the intended objectives will not be met.

For instance, under funding of the infrastructures and facilities for which in 2020/21 the Ngorongoro Conservation Area Authority budget was TZS 31.21 billion. The Government released TZS 10.27 billion (33%) only. Further, I observed road accident involving wild animals as an alarming issue at National Parks. In 2020/21, Mikumi National Park, 535 wild animals were killed by Motor Vehicles, an increase of 429 (405%) compared to the incidents recoded in 2019/20 when 106 wild animals were killed.

Further, Ngorongoro Conservation Area and Saadani National Park are experiencing increased human activities that undermine conservation effort, and endanger the ecosystem. For example, at Saadani National Park, the Mining and Agricultural activities are undertaken in strategic wildlife areas within the National Park. Also, I noted inadequate preparedness by National Parks to respond to natural disasters such as wildfire that are widely and rapidly spread, invasive alien species, and increasing a number of encroachers who have been invading the National Parks and Conservation Areas.

Consequently, COVID 19 had badly hit the tourism sector and led to decline in revenue from TZS 394.49 billion recorded in 2019/20 to TZS 88.4 billion recorded in 2020/21 a decline of TZS 306.09 billion (78%).

Performance of Water Authorities

Water Authorities have not fully implemented recommendations in my previous year's report to address the problem of non-revenue water and low coverage of sewage networks as the same deficiencies were noted in 22 Water Authorities which incurred loss from non- revenue water of TZS 175 billion during the year 2020/21.

I further noted shortage of water supply in 17 out of 23 Water Authorities ranging from 28% to 50% of water demand. Unsatisfactory level of debt recoverability in all 23 Water Authorities with a cumulative total debt of TZS 104.96 billion was not collected by 30 June 2021. I also noted delays in the implementation of water projects in various Water Authorities amounting to TZS 37.1 billion and USD 6.05 million.

Review of Higher Learning, Training and Research Institutions

During the review of Higher Learning and Research Institutions, I found ineffective management of subsidiary companies and other centres operated by the institutions, as well as low level of consultancies and research activities. At Vocational Education and Training Authority (VETA), I learnt that the Authority conducted quality audit for only 73 out of 779 training centres equivalent to 9% instead of 50% of annual target in 2020/21.

I established that Local Government Authorities were not disbursing funds to implementers of educational projects or schools on time, whereby TZS 1.6 billion released by Tanzania Education Authority (TEA) for implementing 24 education projects through Local Government Authorities were disbursed to schools or Implementers after four months.

I also noted that Higher Education Students' Loans Board (HESLB) had a low traceability level of loan beneficiaries, whereby HESLB traced 46% of 5,842 employers cumulatively and 76% of 35,000 loans beneficiaries with matured loans annual targets.

Efficiency of Regulatory Bodies in Executing Their Mandates

Despite the good intention of the Government in empowering the regulatory authorities, I noted a number of inefficiencies and ineffectiveness from the regulatory authorities in executing their mandates and Government directives, such as registration, licensing, monitoring, inspection and imposition of penalties for non-compliance.

I noted that services such as licenses to investment companies were provided after delays; domestic natural gas market was not regulated through the indicative prices; challenges facing the regulatory authorities in implementing the Government directives that are issued from time to time such as that of fuel marking due to lack of manpower, equipment and automated system; and insufficient documented policies and procedures to carry out adequate inspections. I further noted data centres of eight insurance companies were hosted outside the country.

Efficiency of Public Entities in Health Sectors

Benefit expenses in the National Health Insurance Fund (NHIF) have been growing at higher rate than growth in contribution income for over the past five years resulting in a deficit of TZS 59.03 billion in 2020/21, which threatens sustainability of the Fund. I also noted that NHIF has a long outstanding debt from the Government's Institutions amounting to TZS 209.70 billion, out of which, TZS 79.47 billion had already matured as at 30 June 2021. Further, my review of Medical Stores Department (MSD) revealed that advance payment of TZS 14.89 billion was made to suppliers without contract or evidence of delivery of goods in respect of the advance payments. Furthermore, I noted that MSD managed to fulfil only 34% of total customers' order for 43,180,884 items, leaving 66% of orders unfulfilled. Besides, I noted that MSD and Muhimbili National Hospital warehouses stored expired medical products valued at TZS 23.04 billion.

Review of Crops and Produce Boards

I reviewed performance of Crops and Produce Boards and other entities engaged in ensuring improvements and development of the Agricultural Sector. I continue to note declining production trend of cash crops. For stance, for four years, the trend of production of cashew nuts declined by 33% from 313,826.39 metric tonnes in 2017/18 to 210,785.84 metric tonnes in 2020/21 respectively. Similarly, the production of pyrethrum flowers declined from 2,510 tons to 2,412 tons in 2019/20 and 2020/21 respectively. There was still laxity in improving seeds and seedlings for tea, coffee and inadequate supervision of tea contract farming which resulted in long outstanding farmers' claims unpaid by the buyers.

Performance of Extractive Industry

My review of extractive industry noted that, there were still anomalies to be addressed to improve the performance of the sector for social and economic benefits. I noticed delayed operations of Kiwira and Mchuchuma coal mines as well as Liganga Iron and steel projects due to reasons of ownership and legal requirements; inadequate linkage of power supply to the mining sector where by TANESCO has failed to connect 25 mines to the National Grid due to budgetary constraints.

I also noted inadequate enforcement of the 16% Government's undiluted free carried interest shares in mining companies where the Treasury Registrar had not acquired Share Certificates in respect to the Government shareholding in 62 mining companies licensed after amendment of the Mining Act in 2017. Further, I continued noting weaknesses in enforcing agreements in natural gas sub-sector including delayed discussion of the expiring power purchase agreement between TANESCO and Songas and unresolved conflict of production sharing agreement between TPDC and PAET.

Special and Forensic Audit

I conducted forensic audit at Tanzania Ports Authority (TPA), Mwanza Port from July 2015 to March 2020 and noted cash transferred to Mwanza Port exceeded the approved amount by TZS 2.086 billion, I also noted misappropriation of TZS 8.38 billion from Mwanza Port that were withdrawn without approval and supporting evidence for being withdrawn i.e. payment vouchers. Further, non-consideration of guidelines for writing, publishing and distribution of textbooks for primary and secondary schools resulted in a loss of TZS 25.57 billion by Tanzania Institute of Education.

Conclusion

In respective chapters I have explained in details the anomalies noted during my audit and provided recommendations for improvements. I hope the Government and Public entities will implement my recommendations.

CHAPTER 1

AUDIT OPINIONS

1.0 Introduction

The Audit opinion is based on an evaluation of the conclusions drawn from the audit evidence obtained, as to whether the financial statements as a whole have been prepared in all material respects in accordance with the applicable financial reporting framework (such as IFRS or IPSAS). The opinion is expressed in accordance with International Standards of Supreme Audit Institutions (ISSAI) 1200.

This is achieved by designing the audit in such a way that it will enable the auditor to obtain reasonable assurance based on the evaluation of findings against the set materiality.

1.1 Types of Audit Opinion

There are four different types of opinions:

(i) **Unqualified opinion** – is expressed when the auditor concludes that the financial statements are prepared in all material respects in accordance with the applicable financial reporting framework.

(ii) **Qualified opinion** – is expressed when the financial statements are fairly presented except for the effect of a matter (s):

- Sufficient appropriate audit evidence obtained, auditors conclude that misstatements, individually or in aggregate, are material, but not pervasive to the financial statements; or

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

(iii) **Adverse opinion** – is expressed when the auditor, have obtained sufficient appropriate audit evidence to support the misstatement and effect of misstatement individually or in the aggregate are both material and pervasive to the financial statements.

(iv) **Disclaimer of opinion** – This is when an auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, Auditor concludes that, possible effects of undetected misstatements on the financial statements, if any, could be both material and pervasive.

An auditor shall disclaim an opinion, in extremely rare circumstances involving multiple uncertainties, conclude that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

1.2 Emphasis of Matter Paragraph in Auditor's Report

If I consider it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in my judgment, is of such importance that it is fundamental to users' understanding of the financial statements, I include an Emphasis of Matter paragraph in my report provided I have obtained sufficient audit evidence that the matter is not materially misstated in the financial statements. Such a paragraph refers only to information presented or disclosed in the financial statements.

1.3 Key Audit Matters

Key audit matters provide additional information to users of financial statements to assist them in understanding matters that, in auditor's professional judgment, were of most significance in the audit of the financial statements of a particular entity. Communicating key audit matters enhance communicative value of the audited financial statements by providing greater transparency about the audit that was performed.

1.4 Audit Opinions Issued During the Year

During the financial year 2020/21, I have completed 200 audits and issued opinions to 195 Public Authorities and other Bodies. Out of 195 opinions issued, 185 were unqualified opinions, eight were qualified opinions, no adverse opinion and two were disclaimers of opinion. I failed to issue opinion in the remaining five PA & oBs due to absence of Board of Directors for more than 12 months. For details s**ee Appendix I**.

1.5 Trend of Audit Opinions

A trend of audit opinions issued to Public Authorities and other Bodies for the five consecutive years from 2016/17 to 2020/21 is as shown in **Table 1**:

Table 1: Trend of Audit Opinions

OPINION	ANNUAL GENERAL REPORT				
	2016/17	2017/18	2018/19	2019/20	2020/21
Unqualified	101	121	147	**162**	185
Qualified	4	1	0	**3**	8
Disclaimer	0	0	0	**0**	2
Adverse	0	0	1	0	0
Total	**105**	**122**	**148**	**165**	**195**

Source: *Analysis of Audited Financial Statements*

CHAPTER 2

IMPLEMENTATION STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS

2.0 Introduction

This chapter provides a summary of implementation status and actions taken by Accounting Officers towards my audit recommendations issued to the managements and those charged with governance.

I appreciate the efforts made by the Accounting Officers in responding to my reports and providing an action plan on implementation of the recommendations, as detailed in **Appendix II.**

2.1 Implementation Status of Previous Years' Audit Recommendations

Out of 97 outstanding key audit recommendations from my previous years' report, **34 (35%)** were fully implemented, **51 (53%)** are under implementation, **11(11%)** were not implemented while **1 (1%)** was overtaken by events. The overall status of implementation is satisfactory**.** Details of the status of implementation and ageing analysis of these recommendations are shown in **Appendix II** and **Table 2**.

Table 2: Implementation Status of Previous Years' Audit Recommendations

Financial Year	Implemented	Under Implementation	Not Implemented	Overtaken by events	Total
2017/18	16	26	20	1	63
2018/19	25	36	52	3	116
2019/20	34	51	11	1	97
Percentage	**35**	**53**	**11**	**1**	**100**

Delays in implementation of my recommendations means that the deficiencies identified have not been addressed and are likely to recur, thus exposing the entities to the risk of fraud, inefficiencies and the failure to discharge their mandate. In this regard, Management need to fully implement all outstanding audit recommendations.

CHAPTER 3

FINANCIAL PERFORMANCE OF THE PUBLIC ENTITIES

3.0 Introduction

Public Authorities and other Bodies comprised of Commercial Public Sector Entities (CPSEs) and Non-Commercial Public Sector Entities (NCPSEs). CPSEs are entities which are mandated to enter into contracts in their own names. They have financial and operational authority to sell goods and services in normal courses of their business to other entities at a profit or full cost recovery. CPSEs are not depending on Government subsidies, however they are controlled by the Public Sector. Whereas, NCPSEs are entities which are responsible for delivery of goods or services to the public with their assets held primarily for their service potential or to make transfer payments to redistribute income and wealth to the general public. NCPSEs finance their activities directly or indirectly from taxes and/or transfers from other levels of Government, social contributions, debt or fees. However, NCPSEs do not have capital providers who could seek returns on their investment.

During the year under audit, I reviewed financial performance of 45 CPSEs and 155 NCPSEs to ascertain their service delivery and liquidity sustainability. My analysis in this chapter excludes financial performance and going concern of Government owned banks, social security schemes and institutions dealing with marketable securities whose analyses are detailed in **Chapter 11** of this report.

3.1 Entities that Made Losses or Recorded Deficits for Consecutive Years

During my review, I noted that out of the 42 assessed PA & oBs that made loss or reported deficits for more than a year, 14 were CPSEs while 28 were NCPSEs (**Table 3).** The reported deficits by NCPSEs were mainly attributed to inadequate Government funding and insufficient alternative sources of revenue other than the Government funding.

Whereas, the losses by CPSEs were mainly caused by non-performance of undertaken investments, business operations and inadequate management of expenditure and revenue.

Table 3: Entities that Made Losses or Recorded Deficits for Consecutive Years

S/N	Public Entity	Category	2019/20 TZS (Million)	2020/21 TZS (Million)
1.	Air Tanzania Company Limited	CPSE	60,246.93	36,499.20
2.	Tanzania Biotech Products Ltd	CPSE	15,073.79	14,750.41
3.	Mkulazi Holding Company Limited	CPSE	4,721.42	5,870.87
4.	Tanzania Telecommunications Corporation Limited	CPSE	4,888.00	2,586.00
5.	Kilimanjaro International Leather Industries Company Ltd	CPSE	2,622.47	2,233.16
6.	Arusha International Conference Centre	CPSE	1,469.83	1,741.71
7.	Tanzania Mercantile Exchange Plc	CPSE	913.13	1,449.06
8.	Tanzania Concrete poles Manufacturing Company limited	CPSE	1,000.64	1,187.03
9.	Tanzania Posts Corporation	CPSE	341.48	489.97
10.	Watumishi Housing Company	CPSE	344.21	412.37
11.	T-PESA Limited	CPSE	413.28	305.09
12.	PPF/DCC Investment Company Limited	CPSE	60.37	108.35
13.	Dar Es Salaam University Press	CPSE	1,473.05	9.17
14.	Kikuletwa Power PLC	CPSE	1.18	3.54
15.	National Health Insurance Fund	NCPSE	49,716.00	109,713.00
16.	University of Dodoma	NCPSE	35,920.12	11,698.91
17.	Mbeya Urban Water Supply and Sanitation Authority	NCPSE	4,477.97	2,980.69
18.	Tanzania Library Service Board	NCPSE	3,133.69	2,443.78
19.	Bukoba Urban Water Supply and Sanitation Authority	NCPSE	98.55	1,517.69
20.	Singida Urban Water Supply and Sanitation Authority	NCPSE	375.65	1,478.98
21.	National Sugar Institute	NCPSE	1,242.52	1,281.78
22.	Cashewnut Industry Development Trust Fund	NCPSE	17.96	1,262.20
23.	Sumbawanga Urban Water Supply and Sanitation Authority	NCPSE	1,266.65	1,085.35
24.	Tanzania Investment Centre	NCPSE	728.95	1,043.42

S/N	Public Entity	Category	2019/20 TZS (Million)	2020/21 TZS (Million)
25.	Tropical Pesticides Research Institute	NCPSE	166.81	890.80
26.	Export Processing Zone Authority	NCPSE	2,207.61	806.77
27.	Tanzania Commission of Science and Technology	NCPSE	3,242.57	688.49
28.	Masasi Nachingwea Water Supply and Sanitation Authority	NCPSE	675.63	585.80
29.	Tanzania Tobacco Board	NCPSE	33.67	522.62
30.	Tanzania Cotton Board	NCPSE	33.73	469.00
31.	Centre for Agricultural Mechanization and Rural Technology	NCPSE	462.08	349.09
32.	Shinyanga Urban Water Supply and Sanitation Authority	NCPSE	296.90	278.99
33.	University of Dar Es Salaam	NCPSE	283.44	248.46
34.	Tanzania Industrial Research and Development Organization	NCPSE	1,034.71	160.23
35.	National Arts Council	NCPSE	219.73	150.39
36.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	NCPSE	59.39	142.93
37.	Muleba Urban Water Supply and Sanitation Authority	NCPSE	54.54	135.43
38.	The Public Procurement Appeals Authority	NCPSE	63.76	87.81
39.	National Construction Council	NCPSE	152.70	72.09
40.	Fisheries Research Institutes	NCPSE	78.96	52.72
41.	Tanzania Pyrethrum Board	NCPSE	20.38	47.30
42.	Morogoro Urban Water Supply and Sanitation Authority	NCPSE	14.46	13.13

Source: *Auditor's Analysis of financial statements of 2019/20 & 2020/21*

I made further review of financial performance on the eight entities which include ATCL, EPZA, TBPL, Mkulazi Co. Ltd, WHC, TMX, KLICL and AICC and found that the following weaknesses contribute to non-performance of undertaken investments and business operations.

Air Tanzania Company Ltd (ATCL) despite making losses since the Government decided to reform the Company in 2016/17, ATCL management in collaboration with the Government continues to improve ATCL operations yearly to maximise the available potentials in the airline market. Under these initiatives, during the year 2020/21, ATCL managed to increase total revenue by TZS 16.99

billion (equivalent to 11%) from TZS 157.60 billion in 2019/20 to TZS 174.59 billion during the year 2020/21. Also, ATCL management reduced direct cost by 3% which resulted in reduction in total loss from TZS 60.25 billion in 2019/20 to TZS 36.18 billion in 2020/21.

Moreover, the consecutive losses were due to inability of the individual aircraft to attain break-even point. As at 30 June 2021, the Company had nine aircraft which include two Boeing (B787), four Bombardier (Q400), two Airbus (A220) and One Dash-8 (Q300); however only Bombardier- Q400 aircraft and Airbus-A220 were able to break-even and contributed a marginal profit of TZS 12.26 billion and TZS 12.09 billion respectively for the year ended 30 June 2021. However, Boeing-B787 operating costs were higher than revenue resulting in a marginal loss of TZS 23.61 billion, while Dash-8 Q300 aircraft did not operate for more than three years due to non-repair.

A detailed review noted that the underperformance of the Boeing aircraft was attributed to the reasons of low load factors, few destinations (routes) in comparison with planned cycles. It was noted that most of scheduled routes were cancelled during the year due to low demand associated with Covid-19 pandemic uncertainties. Another reason for the underperformance of the Boeing aircraft was the delay in commencement of international routes.

Export Processing Zone Authority (EPZA) had been recording deficits for six years consecutively from 2015/16 to 2020/21. In 2020/21, the deficit decreased significantly by TZS 1.4 billion (equivalent to 63%) from TZS 2.21 billion deficit in 2019/20 to TZS 806.77 million deficit in 2020/21. The decrease was a result of an increase in Government subvention by TZS 0.47 billion (from TZS 1.57 billion in year 2019/20 to TZS 2.04 billion in 2020/21). Similarly, I noted an average decreasing trend in new capital investment during the whole period of six years due to time taken to fulfil statutory requirements, such as land matters, issuance of GN and availability of NEMC certificate before registration of new investments that led to continuous deficits **(Table 4).** The trend of deficits implies that EPZA continue to depend on liabilities to finance its operations.

Table 4: Capital Investment Trend for EPZA

Details	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
No. of new Projects	10	20	09	11	5	17
New Capital Invested (USD millions)	500	314.3	336	180.06	59.89	86.86

Source: *Audited EPZA Financial Statements 2016-2021*

Tanzania Biotech Products Limited (TBPL): The Company recorded loss for two consecutive years due to high operating cost. In a year 2020/21, despite of the decreasing in direct cost by 57% and increasing in total revenue by 32% the company still incurred the loss of TZS 14.75 billion. The result was due to high operating cost of TZS 16.05 billion. The persistent non-performance of TBPL results to a loss of TZS 12.03 billion to its parent company NDC in the year 2020/21.

Mkulazi Holding Company Ltd had been experiencing losses for five years consecutively, since the financial year 2016/17 as of 30 June 2021, the Company had an accumulated loss amounting to TZS 17.10 billion. The loss was mainly caused by delays in starting sugar production due to delayed installation of plant. The trend of loss indicates uncertainty in return on investment, and it erodes the paid-up capital.

Watumishi Housing Company (WHC), the losses were attributed to a decrease in revenue by TZS 289.26 million (equivalent to 11%) despite a 6% decrease in operating cost. Further analysis noted that, own-source revenue collections for the year 2020/21 have decreased by TZS 903.42 million equivalent to 26% compared to TZS 3.51 billion collected in the year 2019/20. This was mainly attributed to the decrease in management fees as a result of the decrease in WHC-Real Estate Investment Trust (WHC-REIT) sales, and the decrease in construction services income since the construction of e-Government Agency Office building in Dodoma has been completed.

Tanzania Mercantile Exchange Plc (TMX), I noted that in 2020/21 the total revenue decreased by 7% from TZS 568.50 million 2019/20 to TZS 528.42 million in 2020/21, while operating expenses had increased by 25% from TZS 1.48 billion in 2019/20 to TZS 1.98 billion in 2020/21, an increase in operating cost by TZS 500 million equivalent to 25% is among the factors that significantly contributed to the loss. The company substantially relies on its capital injected initially by shareholders amounting to TZS 4.5 billion and financing from grants received externally. Lack of the company's ability to monetize all of its trading operations impacts the company's ability to continue its own as a going concern entity.

Management of TMX need to establish a coherent policy that can be backed by all parties including regulators on how prices are determined, and how much value is contributed from information supplied by the exchange to farmers and interested buyers and how much should be charged out of provided services.

At **Arusha International Conference Centre (AICC),** I noted that revenue has been declining by 16% from TZS 13.49 billion reported in 2019/20 to TZS 11.35 billion reported in year 2020/21 that resulted in increase in deficit of TZS 270 million from TZS 1.47 billion in 2019/20 to TZS 1.74 billion reported in 2020/21. This is equivalent to 18% increase in deficit. Decline in revenue was due to the shortfall in office rental revenue due to vacant office space and reduced rent rates due to Covid-19. During the year total vacant office space was 9,172 sqm out of 23,000 sqm space available with approximately TZS 1.5 billion that was to be collected as office space rental.

Despite incremental revenue reported in 2020/21, **Kilimanjaro International Leather Industries Company Ltd (KLICL)** continue to incur loss in the current year. The revenue increased by 133% from TZS 412.24 million reported in year 2019/20 to TZS 959.88 million reported in 2020/21. On the other hand, Cost of sales dramatically increased by 137%, while operating expenses also increased by 37% leaving the Company operating with losses over two consecutive years 2019/20 and 2020/21.

I recommend that the respective PA & oBs (a) enhance their operational efficiency and establish cost cutting measures to achieve higher cost savings, and (b) establish turn around strategies for all non-performing investments and business operations.

3.2 Public Entities Financed by Debts

The debt financed entity's is a firm whose capital (shareholders equity) is less than the total debts of the entity. Therefore, if the shareholders want to measure the magnitude of debts in financing the equity, the gearing ratio (debt to equity ratio) is applied. If a ratio is greater than 100% it implies that, the majority of the assets are funded through debt. It is a measure of the degree to which an entity is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholders' equity to cover outstanding debts in the event of a business downturn.

From the review of PA & oBs during the year 2020/21, I noted that 16 reviewed entities had unfavourable gearing ratio (total debts/total equity) above 100%, indicating that the entities rely largely on debts to run their operations which are considered more susceptible to financial risk emanating from high cost of debts. High gearing ratios, among others, were attributed to additional loans and increase in borrowing cost due to delay in payment of overdue principals and interests. The entities with more debts than equities are presented in **Table 5.**

In my view a higher gearing ratio indicates that the entity has a higher degree of financial leverage and is more susceptible to downturns in the economy and the business cycle. This is because these entities had higher amounts of debts compared to shareholders' equity.

Table 5: Public Entities with more Debts than Equity

S/N	Entity	Category	Amount in TZS (Million)		Gearing Ratio (Debt to Equity Ratio %)
			Total Debt	Equity	
1	Tanzania Petroleum Development Corporation	CPSE	3,517,423.00	257,137.00	1,368
2	Tanzania Supply Electric Company Limited	CPSE	13,498,561.00	3,793,921.00	356
3	National Insurance Corporation	CPSE	274,943.00	116,548.00	236

S/N	Entity	Category	Amount in TZS (Million)		Gearing Ratio (Debt to Equity Ratio %)
			Total Debt	Equity	
4	National Development Corporation	CPSE	138.38	70.52	196
5	Tanzania Standard Newspapers	CPSE	23,930.32	14,087.10	170
6	TIB Development Bank	CPSE	405,922.00	241,436.00	168
7	Tanzania Telecommunications Corporation Limited	CPSE	320,101.00	248,385.00	129
8	Tanzania Ports Authority	CPSE	1,641,669.65	1,618,187.58	101
9	Tanzania Fisheries Research Institutes	NCPSE	22,234.33	2,308.27	963
10	Arusha Urban Water Supply and Sanitation Authority	NCPSE	342,350.9	52,101.59	657
11	State Mining Corporation	NCPSE	94,816.00	24,613.00	385
12	Tax Revenue Appeals Tribunal	NCPSE	308.46	148.67	207
13	Medical Stores Department	NCPSE	542,603.36	299,505.29	181
14	Tanzania Institute of Education	NCPSE	46,073.68	33,944.85	136
15	Petroleum Upstream Regulatory Authority	NCPSE	4,068.26	3,999.58	102
16	Cashew nut Board of Tanzania	NCPSE	18,579.48	18,403.85	101

***Source**: Auditor's Analysis of financial statements of 2019/20 &2020/21*

I recommend that PA & oBs (a) seek Government's support to either inject additional capital on new investments in order to generate enough revenue for settling all outstanding debts, or (b) review their capital structures and monitor repayment of loans to avoid accruing interests from delay in payments.

3.3 Public Entities with Negative Equity Balances

Negative Equity refers to the negative balance of the shareholders equity of the entity which arises when the total liabilities of the entity are more than value of its total assets during a particular point of time and the reasons for such negative balance includes accumulated losses over time, large dividend payments that have depleted retained earnings, and excessive debt incurred to cover accumulated losses.

In my review of financial performance of public entities, I noted that 10 entities reviewed during the year including two commercial public sector enterprises namely ATCL and TRC had negative equity balance as indicated in **Table 6**. This indicates that these entities have more debts than assets. The reported 10 entities with negative equity balance show an increase of three entities in 2020/21 compared to seven entities reported in my previous year report 2019/20.

I am of the view that, having more debts than assets casts doubt on whether the entities will be able to sustain their services and discharge their mandate in future. The negative equity of these entities was mainly attributed to deficits or losses sustained for multiple years and excessive debts. For instance, at ATCL, the negative equity contributed by persistent losses over five years from 2016/17 to 2020/21.

Table 6: Public Entities with Negative Equity Balances

S/N	Entity	Category	Total Assets TZS (Million)	Total Liability TZS (Million)	Net asset TZS (Million)
1	Air Tanzania Company Limited	CPSE	295,264.58	535,247.77	(239,983.19)
2	Tanzania Biotech Products Ltd	CPSE	29,774.17	93,778.19	(64,004.02)
3	Cotton Development Trust Fund	NCPSE	79,563.97	82,432.39	(2,868.42)
4	Tanzania Pyrethrum Board	NCPSE	589.56	1,924.25	(1,334.69)
5	Tanzania Tobacco Board	NCPSE	552.23	706.81	(154.58)
6	Mwalimu Julius K. Nyerere University of Agriculture and Technology	NCSPE	665.68	776.92	(111.24)

S/N	Entity	Category	Total Assets TZS (Million)	Total Liability TZS (Million)	Net asset TZS (Million)
7	Tax Revenue Appeal Board	NCPSE	231.59	300.90	(69.31)
8	Tanzania Diary Board	NCPSE	155.88	206.10	(50.22)
9	Copyright Society of Tanzania	NCPSE	727.54	741.08	(13.55)
10	Warehouse Receipts Regulatory Board	NCPSE	1,186.92	1,191.61	(4.69)

Source: Auditor's Analysis of financial statements of 2020/21

I reiterate the recommendations made in my previous year audit report of 2019/20, that the Government review and restructure the mode of operations of the respective PA & oBs identified with negative equity to revamp their operations for guaranteed service sustainability.

3.4 Public Entities Incapable of Paying Short-Term Obligations

I noted that, out of the assessed 38 entities with more current liabilities than current assets, six were Commercial Public Entities. This is an improvement compared to eight Commercial Public Entities reported in my previous report 2019/20.

I observed that the current ratio (total current assets/total current liabilities) of these entities ranged from 0.01 to 0.99 (**Appendix III**). This implies that in short term; these entities cannot meet their financial obligations when they fall due. The liquidity problem of these entities was mainly attributed to the increase in borrowing costs and debts due to financial constraints to meet the due debts on time. I further reviewed the performance and noted that ATCL negative working capital, is mainly caused by concessionary lease liabilities between ATCL and Government whereby the Government charges the Company with yearly interest on the lease liability.

From 2016/17 up to 2020/21, the Company was charged with TZS 125 billion as concessional lease fee (lease fee and maintenance reserve) of which TZS 54 billion was charged in 2020/21.

Furthermore, the Company's accounts payable of TZS 160.36 billion (39% of the total current liabilities) were due and outstanding for more than a year. This resulted in accrued interest and penalty of TZS 16.83 billion for the year ended 30 June 2021. The cumulative interest and penalties for six years consecutively from the financial year 2015/16 to 2020/21 amounted to TZS 71.30 billion.

Further, I noted that negative working capital of NDC contributed by the Loan facility acquired from Treasury on 9 July 2010 for establishment of a subsidiary called Tanzania Biotech Products Limited in Tanzania. The agreed loan was USD 22.31 million with interest of 12% to be repaid in 10 years inclusive of two years grace period. As of 30 June 2021, the principal loan balance was TZS 23.40 billion and accrued an interest of TZS 59.13 billion, thus making a total loan balance of TZS 82.53 billion as at 30 June 2021.

Also, NDC acquired another loan facility from NSSF on 28 June 2016 amounting to TZS 4.61 billion to finance, testing, commissioning and working capital for the Tanzania Biolarvicides Plant. The Loan was disbursed on 29 June 2016 and payment date started on 29 June 2017. However, NDC managed to pay only TZS 720 million. Delay in repayment of the Loan accrued interest and penalties, which stood at TZS 9.61 billion as at 30 June 2021.

Most of the highlighted Public Entities experience negative working capital due to the lack of cash to repay short-term debts due to inadequate performance of business undertaking by CPSE and overdependence on financial support from the Government by NCPSE.

I recommend that (a) PA & oBs monitor cash flow by increasing efforts in creating more revenue streams and also from available sources; (b) ATCL make thorough discussion with Tanzania Government Flight Agency (TGFA) regarding the restructuring of the aircraft lease contracts in order to remove unnecessary liabilities in the ATCL's financial statements; and (c) I stress my previous recommendation that the PA & oBs negotiate with creditors favourable terms of debt payments that match the expected cash flows to avoid interest and penalties on overdue debts.

CHAPTER 4

EFFICIENCY OF PUBLIC ENTITIES IN ENHANCING BUSINESS ENVIRONMENT

4.0 Introduction

The Government strives to improve the business environment by providing a wide range of appropriate incentives and supports. By doing so the Government unleashes the creativity of the private sector and other stakeholders in harnessing Tanzania's competitive advantages, thereby boosting productivity, enhancing innovation, fostering economic integration, and deepening participation in the regional and global value chains. The Government continues to improve its strategic entities as input to Economic growth.

While reviewing the operating efficiency of Strategic Public Entities, I noted room for improvement in various important areas, which call for prompt Government intervention.

My review covered five public entities, namely Tanzania Ports Authority (TPA), Tanzania Telecommunications Company Limited (TTCL), Tanzania Railways Corporation (TRC), National Housing Corporation (NHC) and Tanzania Electric Supply Company Limited (TANESCO).

4.1 Julius Nyerere Hydroelectric Power Project (JNHPP) implemented by TANESCO

Julius Nyerere Hydroelectric Power Project (JNHPP) is a hydroelectric dam under construction across the Rufiji River. The project is expected to have an installed capacity of 2,115 megawatts (2,836,000 hp) and produce 5,920GWh of power annually. The construction works of JNHPP, entails engineering, procurement installation, testing and commissioning are managed by the Government through TANESCO. The construction of JNHPP was scheduled to take 42 months from 15 December 2018 to 14 June 2022 at a contract sum TZS 6.56 trillion. My review of project files and progress implementation reports of the project identified the following weaknesses:

4.1.1 Significant Delays in Completion of JNHPP by 46.45%

As at 31 October 2021, the cumulative actual project progress was at 48.02% while the cumulative planned progress stood at 94.47%, being a project implementation delay of 46.45% (or 477 days) from the planned work programme and Progress report of 31 October 2021.

The progress report of October 2021, detailed the delay in submission and approval of final design and “Force Majeure” events, including flood disaster and COVID-19 pandemic significantly contributed to the delays in the project progress. The delays caused by natural disasters and delay in approving designs, could result in extension of implementation period and additional funds will be needed to finance the contractor work and consultant activities.

As of 31 October 2021, the contractor had already spent 34 and half months, to implement 48.02% of the work, while it had been planned to fully complete the project within 42 months by October 2021. The contractor was left with six months and a half to complete the work, since the project had been scheduled to be completed on 14 June 2022.

Lack of revised programme could lead to unforeseen claims due to inadequate contracts management and this could result in significant delay in completion of the project since there was no realistic programme to measure and monitor the remaining activities with timelines to the completion of project.

I recommend that TANESCO management liaise with the contractor and come up with a comprehensive programme of work and strategies to be adopted to expedite the progress of works and compensate the lost time on completion of JNHPP.

4.1.2 Delays in Implementation of Corporate Social Responsibility (CSR) TZS 196.76 Billion

The Corporate Social Responsibility (CSR) was to be implemented within one month after signing the detailed CSR agreement and effecting advance payment. The CSR was equivalent to 3% of the contract sum i.e., TZS 196.76 billion. I noted that, the parties are yet to sign the detailed CSR agreement contrary to Article 2.1.6 of CSR Agreement. As of October 2021, the contractor had been left with 6 and a half months to complete the work, since the project was scheduled to be completed on 14 June 2022. Consequently, the contractor might need an extension to implement the social projects under CSR Agreement and this will contribute to the delay in the overall contract completion.

I recommend that TANESCO management liaise with the contractor to finalise discussion and agreeing on the social projects that have to be implemented as CSR and sign a detailed CSR agreement to avoid further delays in implementation of social projects.

4.1.3 Frequent Interruption in Power at site Resulted in a Claim of USD 8.53 Million

I noted that, there was frequent power interruption from 10 January 2020 to October 2020 at site and there is no detailed assessment of electricity demand to run the contractor's equipment and facilities at site contrary to section 2.2.1 of Employers' Requirement and sub-clause 4.19 of particular conditions of contract.

The frequent power interruptions have persisted to the extent that the contractor had to raise claims, totalling USD 8.53 million. In my assessment, the frequent power interruption at site slows down the construction and the progress of the project works; and consequently, extend the completion period and total cost of the project.

I recommend that TANESCO management (a) ensure there is stable electricity supplied at the site to facilitate operations and timely execution of works; and (b) perform a detailed assessment of electricity demand to run the contractor's equipment and facilities at site so as to obtain realistic data of required power.

4.1.4 The Government Failure to Release TZS 3.72 Billion to TTCL to Facilitate Communication Project at JNHPP in Rufiji

The Government of Tanzania initiative in the implementation of Julius Nyerere Hydro Power Plant (JNHPP) at Stiegler's Gorge necessitated investment in communication infrastructure. TTCL was assigned to work on the communication infrastructure and in implementing this work, it engaged M/s Huawei International Co. Limited on 28 September 2018 at a contract amount of USD 1.92 million. The contract involves planning, designing, supplying, installing, testing, training and commissioning of the communication project for the period of six months.

However, I noted that up to 30 June 2021 the communication project was not completed and the contract expired in April 2019. The failure to complete the project within the scheduled time was attributed to lack of funds. Additionally, the review noted that TTCL received TZS 684.40 million (15.5%) from the Government as of 30 June 2021, out of TZS 4.40 billion (USD 1,919,000) demanded and approved for the work. As of 30 June 2021, the work was at 69% of completion stage and TZS 3.21 billion (which include funds from internal source) had been paid to the contractor (M/s Huawei International Co. Limited).

In my view, incomplete communication infrastructure leads to poor network, loss of customers hence leads to revenue loss in TTCL.

I recommend that Tanzania Telecommunications Corporation Limited continue to liaise with the Ministry of Communication and Information Technology and Ministry of Finance and Planning to ensure funds are disbursed to compensate the internal resources and allocate remaining amount for completion of the communication project.

4.2 Tanzania Standard Gauge Railway Project (SGR)

The Government is constructing a new Standard Gauge Railway (SGR) from Dar es Salaam to Morogoro (Lot I) along the existing Meter Gauge Railway (MGR) line. The SGR is expected to enhance the Government plans to boost the economy and connect Tanzania to neighbouring landlocked countries. The SGR Lot II is from Morogoro to Makutupora – Dodoma. During the year 2019/20, I reviewed the project progress and noted the following:

4.2.1 Protracted Delay of SGR Project in Lot I (Port Link) for 600 Days and Lot II for 120 Days

The SGR Lot I: Project from Dar es Salaam to Morogoro commenced on 2 May 2017 and was expected to be completed on 1 November 2019. However, up to the time of audit in August 2021, the constructions of Port link in SGR project Lot I, was not yet completed. Therefore, the delay from expected completion date up to the time of audit was 600 days.

The delays were attributed to the contractor's delay in submitting a detailed design and construction programme. In addition, TRC delayed in handing over port link right of way of 1.4 km (within Dar es salaam City Centre) due to delay in approving compensation for relocating the buildings and existing utilities to pave way for execution of construction. It is my view that, delay in construction relating to port link will affect other intended objective, since port link connection is expected to be the main feeder cargo.

The SGR Lot II: Commenced on 26 February 2018 and was expected to be completed by 25 February 2021; it has been extended up to 25 February 2022 at no cost. Review of project progress reports and site visit made on 23 and 24 July 2021 revealed that, the project is at 65% degree of completion, which implies that four months of extension are gone, yet 35% is not yet done. To the end of financial year 30 June 2021, the project has already spent extra 120 days from expected completion date of 25 February 2021. It is my view that, if appropriate measures and strategies are not taken, there might be another extension of time which could culminate to the project cost overrun and delay in attaining project goals.

I recommend that Tanzania Railways Corporation (a) In collaboration with the Ministry of Works and Transport, speed-up the process of approving compensations costs so as the contractor can be handed over the construction site; (b) ensure close supervision and relevant measures are taken without further

delays, to avoid additional cost, and (c) facilitate timely clearance along rail alignment by clearing all obstacles including buildings and utilities' infrastructure.

4.2.2 Interest Charged for Delay in Payments USD 1.34 Million and TZS 8.95 Billion

I reviewed Interim Payment Certificates (IPCs) and their respective payment vouchers related to work done by the contractor as at 30 June 2020. I found that payments were delayed for up to 28 days on 24 IPCs which attracted interest of USD 1.34 million.

I further noted that payment of TZS 87.09 billion was paid to TRA in respect of VAT for advance payments made to the contractor without including VAT. The payment was delayed for two years from February 2018. The delayed payment of VAT attracted penalty of TZS 8.95 billion as well as forfeiture of TRC's right to claim the input tax as the claims were time barred due to non-compliance with Sect 69 (20) of VAT Act 2014.

I am concerned that the amount charged as interest might continue to increase the project costs.

I recommend that Tanzania Railways Corporation (a) ensure timely payments of IPCs to avoid interest charges; and (b) liaise with the Ministry of Works and Transport to negotiate with the contractor to waive the penalties and interest on delayed payments.

4.2.3 Absence of the Access Roads along SGR Corridors and Stations

The objective of Standard Gauge Railway (SGR) construction is to provide a reliable, efficient railway network leading to reduced cost of transportation and logistics to the tune of 15% to 20%. The construction involves use of highly advanced technology and power, which will enable the increased speed of train from 30km/hr to 160km/hr. Moreover, the new Standard Gauge Railway line also, increase axle load from 13tons to 35tons.

My review of completion and expected performance of SGR project noted that Lot I is complete to almost 92% as of 30 July 2021. during site visit I noted that, out of six passengers' stations and three freight yards, four stations and three freight yards had their construction completed and they were ready for commercial usage; however, road infrastructure that will enable passengers and freight transporters to access the stations and freight yards are not constructed and no any commitment has been shown by responsible Authorities (TARURA and TANROADS) to TRC.

Lack of access roads for passengers and cargo is attributed to inadequate design of the project due to failure to integrate projects or interdependent infrastructures. I am of the view that, the objectives of SGR project might be delayed due to delays in constructing access roads along SGR corridors and stations.

I recommend that Tanzania Railways Corporation make close follow-ups with the Ministry of Works and Transport by ensuring the SGR project is easily accessible to be used by public via linking the project with other interdependent infrastructures like access roads along SGR corridors and stations to ensure the objective of SGR project is achieved.

4.2.4 Delay in Delivery of Locomotives and 30 Passenger Coaches

On 1 October 2020 TRC entered into a contract with M/s Eurowagon Demiryolu Ticaret Limited Sirket of Turkey for supply of used Railway machinery i.e. Two electric locomotives and 30 passenger coaches for testing and commissioning of SGR. The agreed schedule required delivery of the two locomotives and 12 passenger coaches by 28 February 2021, and the remaining 18 passenger coaches by 30 June 2021.

However, up to the time of audit on 08 August 2021, the two locomotives and 30 passenger coaches were not delivered by the supplier. Furthermore, the supplier was granted an extension of two months from June to August 2021 due to the effect of COVID-19 pandemic and delayed payment by TRC. However, on 10 June 2021, the supplier requested another extension, claiming that the initial extended period, was insufficient for them to deliver the said locomotives and passenger coaches. The new delivery dates for the two e-Locomotives and 12 passenger coaches were on 30 November

2021, and 18 passenger coaches was supposed to be delivered on 28 February 2022. Up to the time of writing this report (10 February 2022), the locomotives and passenger coaches were yet to be delivered.

I consider that the delayed delivery of locomotives and coaches mainly attributed to inadequate evaluation of the supplier as the Company seem to be financially incapable with no prior experience in similar contracts. The company's inability to supply the machinery was brought to light in due diligent report issued on 12 August 2020. Delays in delivery of the machinery ordered lead to delays in performing testing and commissioning for SGR project and might attract various charges and interest from the contractor and the consultant at site thus leading into additional project cost.

I recommend that Tanzania Railways Corporation take immediate actions against the supplier to comply with the terms and conditions of the contract including delivery of the locomotives and passenger coaches.

4.2.5 Delays in the Project Completion Caused Additional Costs of USD 4.03 Million

Clause 6 of the contract for SGR project (Lot I) between TRC and M/s Yapi Merkezi requires the project to be completed within 30 months after the commencement date (i.e., from 2 May 2017 to 1 November 2019). From the review of Progress Report and Narrative of the revised baseline time programme as at 30 June 2020, I noted that the construction activities for SGR project Lot I were extended for nine months up to 31 July 2020 (this is based on the two extensions of time given to the contractor). Furthermore, from the review of the project implementation up to 31 July 2021, I noted additional three extensions of time were made comprising 26 months in total ending 23 September 2022.

Up to 30 June 2020, out of the two extensions of time, one extension had resulted in Addendum No.1 with additional costs of USD 4.03 million that was agreed by the consultant. The additional costs may be attributed to inadequate design of the project and delays in procurement of materials resulted in unresolved port link issues, which led to incremental project costs.

I recommend that Tanzania Railways Corporation (a) reviews the terms of the contracts with both, the contractor and consultant, to identify negligent omission on unresolved matters which causes delays and ensure the costs to TRC are minimised; and (b) ensure proper planning and implementation on the procurement of materials as per schedule of the project.

4.3 Tanzania Ports Authority (TPA)

My review on operational efficiency of TPA in enhancing business environment noted the following weaknesses:

4.3.1 Failure to Expand Market Share for Transit Cargo to Land Locked Countries

Tanzania enjoys a favourable geographical location, through sharing borders with neighbouring land locked countries of Zambia, DRC, Rwanda, Burundi, Malawi and Uganda. Therefore, TPA through its Revised Corporate Strategic Plan, 2016/2017-2020/2021, had intended to expand its market share for transit cargo from 21.45% to 30% by June 2021 by implementing three activities which would lead to achievement of the target. However, two (67%) out of the three planned activities were not implemented **(Table 7).**

Table 7: Inadequate Implementation of Activities to Expand Market share for Transit Cargo

S/N	Activity	Status
1	To participate in relevant trade fairs and exhibitions in transit markets to showcase TPA services and attract more cargo by June 2021	Not implemented
2	To organize route inspection semi-annually for Central and Dar es Salaam corridor by June 2021	Not implemented
3	To conduct intensive promotion campaigns in transit and overland markets on quarterly basis by June 2021	implemented

Source: *TPA MTEF 2020/2021*

I reviewed the implementation report of Corporate Strategic Plan and noted that as at 30 June 2021 TPA's the market share was 21% reflecting a shortfall of 9% from the expected target of 30%. This was attributed to non-implementation of the activities set out to achieve the target **(Table 7).**

I also noted that the Authority managed to open promotional offices and agencies in Rwanda, Zambia and Burundi, however, the offices were devoid of standard operating procedures in place to provide guidelines on planned activities. Also, the Authority did not establish operational plan for the promotional offices and Agencies. The plan would have detailed objectives of establishing the promotional offices, agencies and required resources to attain such objectives.

I recommend that Tanzania Ports Authority (a) conduct monitoring and evaluation of its activities to ensure that the Authority's objectives were achieved as per the Corporate Strategic Plan; and (b) conduct market research and prepare a detailed operational plan and Standard Operating Procedures for the established promotional offices and agencies so as to expand the market share for transit cargo to the neighbouring landlocked countries.

4.3.2 Delay in Expansion of Ports' Cargo Handling Capacity by 67%

The Authority intended to expand its ports' cargo handling capacity in order to reduce ship stay time at the ports by 30 June 2021. In line with its plan, the Authority planned to construct jetties, berth, ports, ships and grain terminal and rehabilitating quay, operational yard and passenger terminal and entrance channels dredging **(Table 8).**

However, review of implementation status of the set targets revealed that as at 20 December 2021, the Authority, merely achieved the target by 16 (33%) structures while the remaining 33 (67%) structure activities were not achieved, mainly due to management failure to allocate professional personnel, such as civil engineers to make daily follow-ups ongoing site construction activities.

Table 8: Inadequate Implementation of Activities to Expand Ports Cargo Handling Capacity

S/N	Item	Construction Target	Completed Target	Uncompleted Activities	Uncompleted Target %
1	Jetties	15	3	12	80
2	Berths	8	8	0	0
3	Ports	2	0	2	100
4	Ships	2	0	2	100
5	Grain terminals	4	0	4	100
6	Entrance Channels dredging	5	1	4	80
7	Quay	5	0	5	100
8	Operational Yard	7	4	3	43
9	Passenger terminal	1	0	1	100
Total		**49**	**16**	**33**	**67**

Source: *TPA Corporate strategic plan 2016/2017-2020/2021*

In my view, delays in completing the targeted activities affects achievements of Authority's strategic objectives such as expansion of market share of transit cargo and increase in revenue.

I recommend that Tanzania Ports Authority (a) intensify and fast track the implementation of the planned activities that will result in attainment of the targeted objectives; and (b) conduct monitoring and evaluation of activities in time to ensure the Authority's objectives are achieved as per the corporate strategic plan.

4.3.3 Failure to Reduce Ship Turnaround and Cargo Dwell Time

Through its Revised Corporate Strategic Plan, 2016/17 - 2020/21, TPA intended to reduce ship turnaround time from 3 to 2 days and reduce cargo dwell time and cargo clearing time from 10 days to 5 days by June 2021. However, my review of the Authority's annual performance report as at 30 June 2021 revealed that, ship turnaround time was between 3.1 days and 6.2 days **(Table 9)** and cargo dwell time was between 7.7 days and 9.9 days **(Table 10).** The review showed that the Authority was unable to achieve the planned targets.

Cumbersome documentation procedures, low IT proficiency level, abundant checkpoints, inadequate inland transport capacity and lack of harmonized standard operating procedures are among the factors attributed to increasing ship turnaround and cargo dwell time. An increase in ship turnaround and dwell time affects the port competitive advantage against other ports in other countries.

Table 9: Annual Performance on Ship Turnaround Time

S/N	Vessel Type	2020/21	Corporate Strategic Plan	Variance
		Actual (Days)	Target (Days)	Actual (Days)
1	Container- TICS	3.1	2	1.1
2	Container-TPA	4.2	2	2.2
3	General Cargo	3.1	2	1.1
4	Bulk Liquid	6.2	2	4.2

Source: *TPA Annual Performance Report for the year end June 2021*

Table 10: Annual Performance on Cargo Dwell time

Description	2020/21		Average Combined Dwell Time	Targeted Dwell time (Days)	Variance
	TICTS	TPA			
Annual Average Dwell Time	9.9	7.7	8.8	5	3.8

Source: *TPA responses on implementation*

I recommend that Tanzania Ports Authority develop a work plan that will be used to monitor and coordinate activities of all Directorates and Stakeholders involved in key processes to ensure that they all execute their duties, to reduce ship turnaround and cargo dwell time.

4.4 National Housing Corporation (NHC)

My review on the operational efficiency of the NHC to enhance the business environment noted the following shortfalls:

4.4.1 Delays in the Rectification of Snags and Defects at Victoria Place

The minutes of the meeting held between NHC and the householders, detailed that the units of Victoria Place had defects that were identified before the units were handed-over to householder in 2018. A report by the representative of householders identified major snags, including water ingress into corridors, unfinished connection of fire system, water settling outside the building, top roof leakages, failure of smart meters, failure of elevators and swimming pool operational failure.

Despite the follow up made by tenants to redress the defects, my review noted that from 2018 up to the time of audit in December 2021, 31% of the defects were not rectified despite being identified at the time of taking over, while 51% of defects identified by tenants after taking over were also not rectified **(Table 11).**

Delays in rectifying snags and defects as reported by homeowners and tenants may tarnish Corporation business image.

Table 11: Defects Identified

S/N	Description	No. Defects Identified	% of rectified	% of un-rectified	Total %
1	Defects identified at the time of taking over	155	69	31	100
2	Defects identified by tenants after taking over	98	49	51	100

Source: *Homeowner's association Report 2021*

I recommend that National Housing Corporation exert more efforts and ensure that all identified defects and snags are considered in the budget and timely rectified so as to enhance customers' satisfaction and ultimately raise public perception on NHC houses.

4.5 Tanzania Electric Supply Company (TANESCO)

My review on TANESCO operations efficiency in promoting business environment noted the following deficiencies:

4.5.1 Significant Delays in Service Line Installation to Customers up to 481 Days

TANESCO Client Service Charter 2013, requires the customer service line connection to be done within seven up to 14 working days depending on the distance from existing infrastructure and customer category. In case TANESCO fails to complete the connection within the specified timeframe, it shall pay, in cash or credit to customer account 0.066% of the monies paid by the customer per day unless a force majeure event occurs.

In 2020/21, I reviewed the efficiency of service line connection to customers under East Zone and noted significant delays in the processes towards connection of service line to customers. Out of 84,455 customers supplied with service lines, the supply to 57,691 customers equivalent to 68% had delayed for the period of between 7 days and 481 days.

In my view there is a possibility of substantial cost to be incurred in case the regulatory authority intervenes or customers file petitions for refund of amounts paid from 2013 when the client service charter was approved.

I recommend that TANESCO re-assess and revise the annual demand for electricity for its customers, to ensure that materials are procured and made available on time based on the forecasted demand such that service line connection is done on time.

4.5.2 Non-attainment of Construction of Additional Transmission Line by 75% of 4,095 Km and New Installed Capacity of Production by 94% of 3,428.78 MW

The Implementation Report for the Strategic plan that covers the period of four financial years from 2017/18 to 2020/21 indicates that, TANESCO was able to build only 1,008 km of the additional transmission line equal to 25% out of 4,095 km of the planned target; leaving 75% equivalent to 3,087 Km not constructed.

Upon review of electricity generated during the year ended 30 June 2021, I noted that, under Strategic Plan covered 2017/18-2020/21, TANESCO planned to construct a new power plant with capacity of 3428.78 MW. However, the company managed to construct a new capacity of production of 211.42MW or 6% of the planned 3,428.78 MW.

Management attributed the failure to achieve the target to non-commissioning of new power plants i.e., Julius Nyerere Hydroelectric Power Project (JNHPP) etc.

I am of the view that, there is inadequate planning of corporate strategic objectives as TANESCO's over-estimated the actual activities without considering other factors such as financing and areas of production intended to be covered.

I recommend that TANESCO enhance planning process and monitoring mechanisms and fasten the projects' implementation to ensure all projects are completed in a timely manner.

4.6 Tanzania Telecommunications Corporation Limited (TTCL)

My review on operational efficiency of Tanzania Telecommunications Corporation Limited in enhancing business environment noted the following weaknesses:

4.6.1 Failure to Achieve Planned Targets of Network Efficiency Improvement and Expansion through Deploying 2,200 BTS

TTCL Corporation managed to deploy 565 Base Transceiver Station (BTS) as of June 2021 which represent only 26% of the targeted 2,200 BTS. According to the TTCL, the deployment of 2,200 BTS for Mobile Network was intended to take market advantage over its competitors, into areas where competitors' networks were predominantly low.

The failure to deploy the targeted BTS is attributed to inadequate capital injection by the Government planned to facilitate infrastructure expansion. I am concerned that TTCL without the targeted BTS, will need to apply an alternative temporary measure of deploying roaming which is not cost effective due higher roaming charges.

I recommend that (a) Government through the Ministry of Information, Communication and Information Technology inject the additional capital funds to TTCL to enable expansion of network which will go in line with increase in customer base; and

(b) TTCL prioritise strategic targets implementation which have direct impacts on the TTCL's sustainability and viability in telecommunications industry in Tanzania.

4.6.2 Failure to Install 27,581 Km of Fibre Access Network

TTCL 5th Corporate Strategic Plan from 2015/16 to 2020/21 targeted to implement Fibre Access Network by June 2021 with intention to replace traditional TTCL copper network which is prone to damage. However, I found that for the period under review TTCL failed to develop 27,581 km of Fibre Access Network which is 92% of the intended 30,000 km Fibre Access Network. The failure to develop the 27,581 km of Fibre Access Network is mainly attributed to the lack of funds as the main source. Further, management did not complete the design of Fibre Access Network where such 30,000 km of Fibre Access Network could be deployed.

Failure to install Fibre Access Network, implies that the intended TTCL customers could not be reached-out and TTCL has failed to take advantage of reaching potential customers where other network providers don't reach.

I recommend that TTCL (a) develop strategies and action plan to complete fibre Access Network without further delays since it was due for completion by June 2021, and (b) continue to liaise with the Government through the Ministry of Information, Communication and Information Technology on the compelling need for capital injection to facilitate expansion of network which will also go in line with increase customer's base.

4.6.3 Failure to Increase Customers Base by 3,628,300 Customers

In its 5th Corporate Strategic Plan, 2015/16-2021, TTCL planned to acquire 5 million new customers by June 2021 to increase its profit and enhance its operations. My review of implementation report of strategic plan noted that, up to the year ended 30 June 2021 TTCL managed to increase 1,371,700 new customers which is 27% of the target 5 million customers.

Failure to recruit new customers has been caused by insufficient market researches to assist TTCL in responding to customer needs and on how various market segments have evolved over time. In my view, failure to increase the customer base will negatively affect the company’s profitability.

I recommend that TTCL conducts intensive market researches that will assist to identify customers’ needs and how various market segments have evolved over time in order to increase customer base and retention.

CHAPTER 5

REVENUE AND BUDGET MANAGEMENT IN PUBLIC ENTITIES

5.0 Introduction

Revenue management is important for the existence of Public Entities as it contributes to generation of cash and cash equivalents, which enable entities to meet financial obligations. Also, it contributes to the entities financial performance as it affects profitability. Proper revenue management interlinks with proper cash management and efficient collection of receivables.

An entity's objective could only be achieved when revenue is effectively collected, properly managed and efficiently utilised in strategic activities. Entities are required to manage their revenues properly by instituting effective ways of mobilizing resources, collecting debt and managing cash and cash equivalents.

This chapter highlights issues that require attention due to improper revenue management, deficiencies in cash and cash equivalents, significant and long uncollected debts due from customers and other government entities that tie up funds for operational. It also highlights the outcome of the execution of the budget by analysing the amount budgeted against the actual amount realized; trend of government grants budgeted against actual received; trend of own source revenue budgeted against actual collection; most affected entities and activities due to under release of funds from Government as well as own source revenue under collection.

5.1 Control Deficiencies in Revenue Collection and Management

Management of revenue collection comprises compliances with underlying controls and collection procedures. My review noted deficiencies in revenue collections and management in the following PA & oBs:

5.1.1 Use of Un-approved Charge Rate at NIC and KADCO

Kilimanjaro Airport Development Company Limited (KADCO) uses un-approved rate for fire truck services. KADCO has been charging USD

100 for fire truck standby service to various airlines during fuelling. In 2020/21, the Company generated TZS 167.85 million from the fire truck service. However, the applicable rate has not been approved by Board of Directors. I am concerned that the rate applied might be lower, thus result in revenue loss to the Company.

At **National Insurance Cooperation (NIC),** I noted the corporation generated TZS 2.63 billion as rental income in 2020/21 without having current approved charge rate for tenants and parking fees. This was contrary to Para 11.2 of NIC Financial Policy and Procedures, 2021 that requires NIC to determine the rent payable for each financial year. Further, NIC was not charging penalties to tenants who did not pay rents on time contrary to Para 6B of the lease agreements. This could cause NIC to lose revenues due to lack of periodic review of rental rates and parking fees.

I recommend that (a) KADCO evaluate, establish and document the approved charge rate for fire truck services; (b) NIC prevailing rental rates and parking fees are appropriately approved and periodically review of rental rates and parking fees are performed to reflect the investment properties' prevailing conditions and economic conditions; and (c) penalties are charged to NIC tenants with outstanding rental fees based on the lease agreements.

5.1.2 Lack of System for Verification and Reconciliation of Games Revenue Data at GBT

At Gaming Board of Tanzania (GBT), I noted that the Board had no system for verification and reconciliation of revenues data, submitted by virtual games operators to ascertain virtual gaming levy collected. GBT collected TZS 2.88 billion during the year based on agreed rates of the gross gaming revenue from virtual games operators. The virtual games represent about 23% of total budget of GBT. However, the GBT depends on information submitted by operators to establish gaming levy. There was no mechanism instituted to verify completeness and accuracy of monthly virtual gaming revenue returns submitted by gaming operators through gaming levy return forms. I am concerned about the completeness and accuracy of revenue disclosed by gaming operators, undisclosed amounts may not be determined by GBT due to lack of verification mechanisms, thus lead to loss of public funds.

I recommend that GBT establish system and strategies for verifying and reconciling monthly revenue returns submitted by game operators for the Government to be assured of the completeness and accuracy of revenue collected.

5.1.3 Loss of Revenue TZS 105.49 Billion due to Applying Lower Tariff Rates at TANESCO

At Tanzania Electric Supply Company (TANESCO), I noted that in 2020/21 TANESCO lost revenue totalling TZS 105.49 billion due to applying lower tariff on energy sales and service line connection. A total of TZS 88.39 billion was not collected from 300,697 customers of service lines connections due to decrease in connection charges in year 2020/21, whereby TANESCO used tariff rate of TZS 27,000 (the rate that was only used for rural areas) instead of TZS 320,960. Furthermore, TZS 17.10 billion were not collected due to re-categorisation of customers to lower tariff, whereas 208,319 customers under T1-tariff were re-categorized to D1-tariff during the year 2020/21. I consider TANESCO need proper assessment of cost-benefits or feasibility study before price reduction decision to avoid disruption of service due to lack of sufficient funds.

I recommend that Government and TANESCO ensure the feasibility study is conducted before making changes in the tariffs and re-categorising customers to ensure the company's stability in service deliveries.

5.1.4 Meter Seals Discovered in Street Shop

During the year, 5,000-meter seals stolen from TANESCO were discovered in the street shop and legal actions were taken against shop owner. I am concerned about the weaknesses in TANESCO controls in managing meter seals which indicates that TANESCO lose significant amount of revenue due to stolen meter seals that might be used to temper with customers' electricity meters.

I recommend that TANESCO (a) Enhance meter seals safeguard and controls and perform regular (perpetual) stock counts of meter seals; and (b) Investigate circumstances over stolen meter seals and take corrective and appropriate measures against the parties involved.

5.1.5 Billed Water Charges Without Water Meter Readings at DAWASA-TZS 755.65 Million

At Dar es Salaam Water and Sewerage Authority (DAWASA), I noted that DAWASA billed water charges to 1,207 customers without water meter readings and realized revenue amounting to TZS 755.65 million. Out of billed customers, 371 customers with defective meters were billed with constant units and amounts throughout the year, while 836 customers were billed for sewer services through estimates after being disconnected from water supply which would form bases for sewer service costing. This was contrary to Para 1.8.2 of DAWASA Customer Service Manual which requires water consumption to be determined by actual meter readings, and contrary to Para 1.8.3 of the same manual which requires where there are unread meters, reading should be estimated based on past readings and that estimate should be automatically reversed immediately after posting actual meter reading.

The non-collection of billed amounts and magnitude of amount billed on constant units throughout the year, signals the possibility of overbilling means that the customers may be overbilled or a significant volume of water may be consumed but charged less which leads to loss of revenue.

I recommend that DAWASA perform meter verification, install meters to all customers supplied with water, ensure meters are read and revenue is collected accordingly.

5.1.6 Unpaid Advance Rental Deposit by 375 Tenants at NIC TZS 220.11 Million

According to NIC lease agreement, tenants are required to pay one month rent fee as an advance deposit. The advance deposit is used by the Corporation to offset any cost of damage during tenant's occupancy.

In the course of audit, I noted that, 375 tenants did not pay advance rental deposit totalling TZS 220.11 million as required by the signed lease agreements. The unpaid advance rental deposits were mainly caused by the tenants' reluctance.

I am of the view that non-payment of advance rental deposits by tenants increase repairing cost to NIC in the event of damages to properties sustained from tenants who did not pay advance rental deposit.

I recommend that NIC enforce payment of advance rental deposit to all tenants who have not yet paid, and tenants who refuse to advance rental deposit should be evicted from houses.

5.2 Management of Cash and Cash Equivalent

Management of cash and cash equivalent, comprises compliances with underlying controls and collection procedures and bank account reconciliations. My review in this area, noted the following:

5.2.1 Inaccessible Funds in Oversees Bank Accounts and Fixed Deposits

(a) Inaccessible Funds in Oversees Bank Account at NIC TZS 712 Million

At National Insurance Cooperation (NIC), I noted that NIC had no access to two overseas bank accounts: USD Account no.11156195 and Sterling Pound Account No.0954391, at Leaden Hall Street (309323) in (Lloyd Bank) London. Further, I noted that Account no.11156195 had cash balance of USD 309,800.86 (TZS 712 million) as at 30 April 2021 and had been dormant for more than five years. Balance in account number 0954391 was not obtained. Among the cause of inaccessibility of these accounts was that signatory to the accounts had already retired from the NIC service. I am concerned that, there is a high risk of losing or misappropriating of NIC funds from the accounts.

I recommend that NIC, in collaboration with Bank of Tanzania and Ministry of Foreign Affairs, follow up with the bank and change account signatories or close the accounts if there are no need to operate them.

(b) Uncertainty over Ownership of Fixed Deposit Receipt (FDR) by TPA TZS 432 Million

At Tanzania Ports Authority (TPA), I noted the Authority had a balance of TZS 432 million as at 30 June 2021 related to FDR Account held at the Deutsch Bank (Overseas Bank Account) that has been maintained for many years. However, I did not get sufficient evidences such as agreements, account number, redemption date, and interest rate regarding the FDR for verification. I am concerned about the certainty over ownership, terms and conditions of this deposit.

I recommend that TPA in collaboration with Bank of Tanzania and Ministry of Foreign Affairs ensure agreements with the Deutsch Bank is obtained and FDR is liquidated immediately.

5.2.2 Non-use of Government e-payment Gateway System in Collection of Revenue TZS 2.22 Billion

Sect. 6A (1) of the Public Finance Act, 2001 as amended by Sect. 44 of the Finance Act, 2017 requires all public moneys to be collected through Government e-payment Gateway System (GePG) and the accounting officers to ensure that all public moneys are collected through the system.

Out of entities which I reviewed during the year; 3 public entities did not collect a total of TZS 2.22 billion through GePG. I noted that Workers Compensation Fund (WCF), National Sugar Institute (NSI) and Tanzania Biotech Products Ltd did not collect revenue amounting to TZS 1.95 billion, TZS 193 million and TZS 80.84 million respectively through GePG as required by the cited provision of the law. The situation was mainly due to weak control system on revenue collection and non-registration of GePG system by NSI.

I recommend that Workers Compensation Fund, Tanzania Biotech Products Limited and National Sugar Institute ensure all revenues are collected through Government e-payment Gateway System (GePG).

5.3 Management of Trade and Other Receivables

Management of receivable comprises compliances with underlying controls and collection procedures and agreements with respective debtors. My review in this area noted the following:

5.3.1 Inadequate Collection of Trade Receivables Amounting to TZS 3.71 Trillion

Out of 200 entities that I reviewed during the year; 93 public entities had significant outstanding Trade Receivables at the year-end amounting to TZS 3.71 trillion most of which relating to services rendered to customers (**Appendix IV**). Inadequate collection affect cash flows of these entities, leading to non-implementation of planned activities.

My analysis noted the outstanding receivables were mainly attributed to inadequate efforts in receivables collection, unsupported receivables, non-payment of the receivables by Government entities, and unresolved contractual challenges between the parties. For instance, I noted the following:

a) Unresolved Challenges Between KASHUWASA and Other Water Authorities

Kahama Shinyanga Water Supply and Sewerage Authority (KASHUWASA), had TZS 3.64 billion out of TZS 5.34 billion receivables that were due from five water authorities which increased within a year 2020/21. Clause 10.2 of Bulk Water Purchase Agreement, 2021 requires bills to be settled within 45 days from invoice date otherwise, water should be disconnected.

However, Energy and Water Utilities Regulatory Authority (EWURA) through letter with Ref. No. EA.463/505/03/Vol.1/73 dated 21 May 2021, restricted KASHWASA from disconnecting bulk water supply to any Water Supply Authority without prior consent from the Ministry of Water.

The outstanding debts among others issues, was caused by tariff fluctuation charged by newly connected authorities (TUWASA, IGUWASA and NZUWASA) to their customers not accommodating bulk meter charges, so they cannot pay bulk meter tariffs which are charged by KASHWASA.

The significant accumulation of receivables might cause a liquidity constraint to KASHUWASA and render it incapable of implementing annual planned activities.

b) Inadequate Efforts on Rentals Collection at EPZA

At Export Processing Zones Authority (EPZA), my review of controls on management of receivable noted that EPZA had uncollected rental income of TZS 673 million out of TZS 807 million receivable from nine tenants who had not paid the rent for more than 12 months. The overdue rent is contrary to Sect. 3(a) of EPZA terms and conditions toward Tenants Lease Agreement which require rental charges to be paid in one instalment per year. This is attributed to inadequate efforts on rentals collection.

c) Non-Traceability of Receivable Balance from Shipping Line Agents TZS 13.7 Billion

At TPA, I could not trace individual unpaid invoices which made up the shipping agents' receivable balance of TZS 13.7 billion. Follow up on shipping debts was difficult because unpaid balance breakdown was not available. This was attributed to the fact that customers (Shipping Line Agents) made payments against accumulated balance instead of specific invoices issued. I am concerned about controls involved, since some debts may not be recovered and could occasion to loss of public funds.

d) **Significant Outstanding Receivables from other Government Entities TZS 1.97 Trillion**

The 93 PA & oBs that I reviewed with total outstanding receivables of TZS 3.71 trillion included 21 entities that had significant amounts of outstanding receivables amounting to TZS 3.41 trillion that represent 92% of total balance reviewed. Out of TZS 3.41 trillion the receivable due from other Public Entities is TZS 1.97 trillion (58%) and that due to private entities was TZS 1.45 trillion (42%). This implies that the public entities have more outstanding receivable from other public entities than the private entities.

The outstanding receivable affects cash flows of these entities, leading to non-implementation of planned activities. PA & oBs with significant amounts of outstanding receivables are shown in **Table 12**.

Table 12: Outstanding Receivables from Other Government Entities

S/N	Public Entities	Government Entities Portion TZS' Million	Private Entities Portion TZS' Million	Total TZS 'Million'
1	Tanzania Petroleum Development Corporation	412,322.00	236,249.00	648,571.00
2	National Social Security Fund	166,573.08	385,052.20	551,625.28
3	Tanzania Electric Supply Company Limited	265,847.00	213,597.00	479,444.00
4	Public Service Social Security Fund (PSSSF)	282,830.10	24,880.90	307,711.00
5	Tanzania Ports Authority (TPA)	186,013.00	107,724.00	293,737.00
6	Medical Stores Department	303,861.00	0.00	303,861.00
7	Tanzania Telecommunications Corporation Limited	88,305.00	84,037.00	172,342.00
8	Workers Compensation Fund	26,664.54	105,628.82	132,293.36
9	Dar es Salaam Water Supply Authority	15,964.00	58,212.41	74,176.41
10	Cotton Development Trust Fund (CDTF)	4,423.48	63,245.24	67,668.72
11	Tanzania Communications Regulatory Authority	48,559.94	16,507.91	65,067.85
12	National Insurance Corporation	40,998.06	26,838.00	67,836.06

S/N	Public Entities	Government Entities Portion TZS' Million	Private Entities Portion TZS' Million	Total TZS 'Million'
13	Muhimbili National Hospital	7,335.44	34,827.59	42,163.03
14	National Housing Corporation	17,873.52	23,693.91	41,567.43
15	National Health Insurance Fund	30,457.50	4,537.00	34,994.50
16	Tanzania Medicines and Medical Devices Authority (TMDA)	33,402.59	0.00	33,402.59
17	Tanzania Posts Corporation	7,925.46	18,533.46	26,458.92
18	Tanzania Civil Aviation Authority	7,570.00	17,047.19	24,617.19
19	Muhimbili Orthopaedic Institute (MOI)	12,414.00	1,173.53	13,587.53
20	Tanzania Standard Newspaper	8,352.89	9,374.11	17,727.00
21	National Environment Management Council (NEMC)	167.58	14,907.45	15,075.03
	Total	**1,967,860.18**	**1,446,066.72**	**3,413,926.9**
	Percent (%)	**58**	**42**	

Source: *Audited financial statements*

I recommend that the respective PA & oBs (a) find consensus with all parties with regard to tariffs and settlement of accumulated receivables; (b) ensure there are supporting documents and detailed analysis of each debt; and (c) if administrative measures fail enforce contractual agreements to ensure outstanding receivables are collected.

5.4 Inadequate Management of Advance Payments and Loans

My review noted that some PA & oBS had inadequate management of advance payments to suppliers as well as loans advanced to their staff, as indicated in the cases below: -

National Housing Corporation (NHC) had 19 ex-staff with outstanding house loan balances of TZS 627.67 million and four ex- staff with outstanding balances of car loans amounting to TZS 87.31 million as of June 2021. My verification of outstanding balance noted that; 11 ex-staff out of 19 with outstanding house loan balance had not signed post loan recovery agreements contrary to the requirement of Reg. 10.2 of the NHC Housing Loan Regulations, 2011; NHC did not retain title deeds from 19 ex-staff as required by clause 17 of the NHC "Mkataba wa Halibora"; and NHC did not retain car registration cards from two out of four staff with outstanding car loans contrary to Para 17 (g) of the NHC Car Loan Policy, 2007.

This indicates that the total of TZS 714.98 million due from ex-staff might not be recovered hence leads to a loss to the Corporation.

I recommend that National Housing Corporation comply with all instruments applicable for management and recovery of staff loans.

At Vocation Education Training Authority (VETA), I noted that VETA made advance payment of TZS 365 million and TZS 64 million to TEMESA and Dodoma Regional Vocational Training Service Centre (Dodoma VTSC) respectively in June 2019, but the supplies and intended services were not yet delivered up to the time of audit in September 2021. TEMESA was paid for repair services and maintenance of meat plant and Dodoma RVTSC was paid for furniture supply. Iam concerned about the payment of supplies that had not been delivered for over two years.

Prolonged non-delivery of supplies and waiting for excessive months, before service is rendered, could ill- affect the intended objectives and cause financial loss.

I recommend that VETA strengthen internal controls on advance payments and make follow up on prepaid funds either to be refunded or goods and services to be delivered to customers without further delays.

5.5 Inadequate Funding by the Government TZS 1.13 Trillion

From review of the budget performance reports of the PA & oBs which rely on the Government Subvention, I noted that 78 out of 200 entities had budget variance of more than 10% between budgeted and disbursed funds during the year that ended on 30 June 2021. These PA & oBs had expected to receive TZS 5.95 trillion from the Government, based on their respective approved budget, but the

Government only released TZS 4.82 trillion equivalent to 81% of the approved budget resulting in a shortfall of TZS 1.13 trillion (**Appendix V).**

The underfunding had a negative impact on implementation of the planned activities of the entities, hence, failure to achieve some of their annual objectives.

The hardly hit entities, with deficits of 50% and above from approved Government funding budget were; Geita Urban Water and Sanitation Authority (GEUWASA), Engineers Registration Board (ERB), Tanzania Engineering and Manufacturing Design Organisation (TEMDO), Masasi Nachingwea Water Supply and Sanitation Authority (MANAWASA), Muhimbili University of Health and Allied Sciences (MUHAS), Bariadi Urban Water Supply and Sanitation Authority (BARUWASA), Tanzania Pyrethrum Board (TPB), Tanzania Electric Supply Company Limited (TANESCO), Bukoba Urban Water Supply and Sanitation Authority (BAWASA), Lindi Urban Water Supply and Sanitation Authority (LUWASA), Moshi Urban Water Supply and Sanitation Authority (MUWASA), Tanzania Tourist Board (TTB), Export Processing Zones Authority (EPZA), Kilimanjaro Airport Development Company Limited (KADCO), Ocean Road Cancer Institute (ORCI), Singida Urban Water Supply and Sanitation Authority (SUWASA), and Tanzania Telecommunications Corporation (TTCL).

I recommend that Government enhance functioning of these PA & oBs by adequately funding them through their budgeted Government subventions.

5.6 Under-collection of Funds from Own Source TZS 956.88 Billion

Own source revenue includes money received by PA & oBs in the form of fees, sales, investment income and other own sources. These monies are for recurrent and capital expenditures. My review of own source collection budget performance reports of the PA & oBs noted that 86 entities had budget variance of more than 10% between budgeted and collected funds from own source for the year ended on 30 June 2021. These PA & oBs had planned to collect TZS 2.57 trillion from own source revenue, but collected only TZS 1.61 trillion equivalent to 63% of the total approved budget **(Appendix VI**).

The most affected entities which did not meet the collection target by over 50% were;- Watumishi Housing Company Real Estate Investment Trust, Centre for Agricultural Mechanization and Rural Technology, (CARMATEC), Tanzania Railways Corporation (TRC), National Construction Council (NCC), National Economic Empowerment Council, National Arts Council, Lindi Urban Water Supply and Sanitation Authority (LUWASA), Tanzania Biotech Products Limited (TBPL), Tanzania Investment Centre (TIC), Tanzania Standard Newspaper Limited (TSN), Marine Park and Reserve Unit (MPRU), Tanzania Engineering and Manufacturing Design Organisation (TEMDO), Procurement and Supplies Professionals and Technician Board (PSPTB), Tanzania Fisheries Research Institute (TAFIRI), Cotton Development Trust Fund (CDTF), Cereals and Other Produce Board of Tanzania (CPB), National Museum of Tanzania (NMT), and Tanzania Smallholders Tea Development Agency (TSHTDA).

The under collection of TZS 956.88 billion had negative impact on operations of the entities as it led to shortage of financial resources; hence, failure to achieve their planned objectives.

I recommend that PA & oBs (a) ensure proper planning and apply realistic budget assumptions during planning; and (b) prepare a turnaround strategy so as to generate more revenue from their internal sources and consequently, increase available resources for the budget implementation.

CHAPTER 6

MANAGEMENT OF EXPENDITURE BY PUBLIC ENTITIES

6.0 Introduction

Expenditure in PA & oBs for predominantly account for utilization of financial resources entrusted to them. This is due to the fact that many of these entities are established to render services to the public, covering vital areas including health, education, regulatory, utilities and financial services. In discharging these services, PA & oBs incur expenditures by complying with guidance of budgets, policies, rules, circulars, regulations and laws.

However, I still observe several weaknesses in controls over various expenditures such as long outstanding liabilities to employees, significant outstanding imprests at the end of the years, as well as expenditure lacking adequate supporting documents to justify the expenditure.

The following are details of weaknesses observed and recommendations raised:

6.1 Delayed Payments of Creditors Accumulated Interest and Penalties of TZS 95.2 Billion

Three PA & oBs delayed payments of their financial obligations to supplier and service providers. The delays resulted in interest and penalties of TZS 95.2 billion that had no value for money to the Government.

TANESCO had two Agreements for gas purchases from M/s Pan African Energy, and M&P Exploration Production signed on 17 June 2011 and 21 August 2012 respectively. My review noted that the suppliers charged TANESCO an extra cost of TZS 10.4 billion as interest due to delayed payment on the outstanding balance as at 30 June 2021 on gas purchases.

At ATCL, I noted that in 2020/21, the Company was charged with interest and penalties amounting to TZS 16.8 billion for late payments to various suppliers. Moreover, I found that HELSB acquired a loan in 2006/07 from PSSSF (by then PSPF) of TZS 54.6 billion but due to delay in payments it had accumulated penalties of TZS 68 billion as at June 2021.

These interest and penalties are mainly attributed to the financial constraints experienced by these entities. Iam concerned with interest and penalties arising from delegated payment due to funding issues worsen the liquidity position of entities.

I recommend that PA & oBs prepare turnaround strategies and action plan to increase the liquidity and pay all outstanding debts to avoid unnecessary additional costs.

6.2 Contract Termination Against Symbion LLC Leading to Payment of USD 153.43 Million

On 7 July 2011 TANESCO entered into an Agreement with Symbion Power LLC to lease power plants mounted at TANESCO premises at Ubungo, Dar es Salaam for two years up to 19 September 2013, with option of extension of the term. Further, TANESCO signed Power Purchase Agreement (PPA) with Symbion on 10 December 2015, thereafter dispute arose between the parties on the validity of PPA. On 24 May 2016 TANESCO prevented Symbion from supplying electricity to TANESCO Grid Network under the terms of the PPA.

My review noted a case was filed at court of International Chamber of Commerce (ICC) and arbitration was filled to the International Centre for Settlement of Investment Dispute (ICSID) by Symbion and Shareholder of Symbion in 2017 and 2019 respectively. In turn the TANESCO was involved in claims totalling USD 1.57 billion.

Thereafter, on 21 May 2021, I noted the parties had agreed to resolve the matter out of court, whereby both parties signed a deed of settlement, and TANESCO was required to pay USD 153.43 million for breach of contract.

Mismanagement of contract and failure to review the financial impact prior to the termination of the contract caused loss of Government funds.

I recommend that the Government, through Ministry of Energy intervene and ensure that claims are settled on time to avoid further loss of funds i.e., imposition of interests over delayed payment. Also, ensure that these kinds of contracts are to be managed well so as to avoid such financial impact to the Government.

6.3 Purchases of Goods and Supplies without Valid Contract USD 47.67 Million

TANESCO entered into an interim Gas Supply Agreement (GSA) with M&P Exploration Production Tanzania Limited on behalf of the Mnazi Bay Venture Partners (TPDC, M&P Limited, Cove Energy Tanzania Mnazi Bay Limited, and Wentworth Gas Limited) on 21 August 2012 for purchase of Gas at price USD 5.36 per MMBtu. The contract was valid for three (3) months, from 21 August 2012 to 21 November 2012 with an option of renewal.

I noted TANESCO purchased gas during financial years from 2012/13 to 2020/21 with total value of USD 47.67 million without a valid contract.

Purchase of Goods without valid contracts is due to inadequate control over management of contracts which might lead to complications in settlement of the debt as there is no agreement between the parties.

I recommend that the Government intervene in TANESCO gas purchase agreement and ensure the contract is prepared and signed by both parties.

6.4 Weakness in Management of Imprest TZS 9.59 Billion

Reg. 96-103 of the Public Finance Regulations, GN/ No.132/2001 provides detailed imprest management controls. Specific PA & oBs have developed financial regulations that detail controls of imprest. The controls include imprest issued be retired within 14 days after completion of the activity for which the imprest was issued, a person with outstanding imprest not to be issued with further imprest before retiring the previous one; and recovery of outstanding imprest from salary for failure to retire.

My review on management of imprest for the financial year 2020/21, noted that nine PA & oBs I reviewed had outstanding imprest amounting to TZS 9.59 billion (2019/20 Reported TZS 9 billion) which remained outstanding during the year, even after 14 days of completion of the activities (**Table 13).** I learned that, these entities had not instituted stringent recovery measures, including recovering of outstanding imprest from salaries.

Unretired imprest might result in loss of public funds, it also distorts financial information, presented in the financial statements as receivables while understating expenses in case the activities for which imprest were issued have already been completed.

Table 13: Delayed Retirement of Imprests from PA & oBs

Sn	Name of Entity	Amount (TZS Million)
1	University of Dar es Salaam	5,074.71
2	Sokoine University of Agriculture	2,642.19
3	Vocational Education and Training Authority	655.55
4	Tanzania Electric Supply Company Limited	466.59
5	Tanzania National Parks	237.31
6	Tanzania Engineering and Manufacturing Design Organization	160.81
7	National Board of Accountants and Auditors	150.83
8	Stamigold Company Limited	130.12
9	State Mining Corporation	74.4
	Total	**9,592.51**

Source: *Management letter for the year ended 30 June 2021 of respective entity*

I recommend that PA & oBs (a) properly manage the outstanding imprest by strictly implementing the controls to ensure they are retired on time; and (b) Ensure imprest recovery measures are instituted, in case retirement is not affected within specified time, including by deducting the outstanding amount from the concerned staff's salary.

6.5 Ineligible Expenditure Incurred by PA & oBs TZS 897.89 Million

Public Authorities and other Bodies are required by their guidelines to ensure they incur cost in a diligent manner. My review of National

Housing Corporation (NHC), Dodoma Urban Water Supply and Sanitation Authority (DUWASA), National Insurance Corporation (NIC) and TIRA and EWURA noted that TZS 897.89 million was paid in respect of activities that had no direct impact on the authority's functions.

At **National Housing Corporation**, I noted that in 2020/21 the Corporation incurred repair and maintenance cost of TZS 401 million for 110-unit flats in Medeli area in Dodoma which includes sold and investment flats. The repair and maintenance cost were incurred without including homeowners' association for sold flats in Medeli area for contribution of cost incurred. Thus, NHC had incurred unnecessary extra costs in the repair and maintenance.

I further noted that **Dodoma Urban Water Supply and Sanitation Authority** incurred a total cost of TZS 300 million for drilling one borehole at Mzakwe Area in Dodoma, but it was further observed that the water production capacity of the drilled borehole was below 100,000 litre/hr while it was expected to be more than 100,000 litre/hr. Hence no further development was done such as installation of pump and electricity and the borehole were rendered not useless.

At **National Insurance Corporation**, I noted a total payment of TZS 72 million made through Payment Voucher No. PV/NMB/G/2010/9783 dated 12 October 2020, for the purpose of furniture allowance to staff in acting position while they were not entitled for such allowance.

Also, at **Tanzania Insurance Regulatory Authority**, I found the Authority changed usage of manual stickers to electronic stickers without conducting proper stocktaking of the manual stickers available before halting its usage, thus caused a loss of TZS 86.90 million, being a cost of the manual stickers.

At EWURA, I noted the authority entered into a contract amounting to TZS 37.99 million with M/S University of Dar es Salaam through BICO for provision of consultancy services on manufacturing of a mobile fuel dispensing facility. The project was completed and the prototype developed within the contract period. An amount of TZS 37.99 million was paid to BICO for development of the prototype, however, the project has not been put into use. Failure to implement the fuel station means that the resources consumed towards the project is nugatory expenditure to the Authority.

The loss-making anomalies are attributed to inadequate management of Government funds due to noncompliance with respective rules and regulations governing public funds.

I recommend that the respective PA & oBs ensure compliance with laws and regulations and equip themselves with proper planning in discharging their activities.

6.6 Unsupported Expenditure of TZS 4.42 Billion

PA & oBs have regulations in place that require them to ensure transactions are properly supported. This is also emphasized by Regulation 95 of the Public Finance Regulations GN/ No.132/2001, and every PA & oBs has developed internal guideline to ensure transactions, balance and payments are adequately supported.

I noted that six PA & oBs effected transactions which led to payments of expenditure in respect to different activities amounting to TZS 4.42 billion but the payments lacked proper supporting documents to confirm the validity of the underlying expenses **(Table 14).**

Table 14: Unsupported Expenditure TZS 4.42 Billion

S/N	Name of Entity	Amount (TZS Million)
1	Kariakoo Market Corporation	3,562.36
2	Tabora Urban Water Supply and Sanitation Authority	306.00
3	Kilimanjaro Airport Development Company	224.51
4	Morogoro Urban Water and Sanitation Authority	115.05
5	Mbeya University of Science and Technology	108.00
6	Tropical Pesticides Research Institute	104.04
	Total	**4,419.96**

Source: *Entity's Management Letters 2020/21*

The anomaly was mainly attributed to inadequate internal controls over maintenance of records and documents to support transactions coupled with natural disasters, such as fire which gutted the Kariakoo Market and burnt to ashes all the documents. Further, having payables that are not supported, could lead to expenditures of no benefit to the entities.

I recommend that PA & oBs strengthen internal controls over accounts documents and ensure every transaction and balance is supported by a document to facilitate proper accounting on payments made.

6.7 Outstanding Payables TZS 7.91 Trillion

Payables are legally enforceable claims which are not yet paid for goods supplied or services rendered. PA & oBs claims originate from supplied goods or services by suppliers, staff, other public entities and various stakeholders.

As at 30 June 2021, I noted that 71 PA & oBs reported outstanding payables amounting to TZS 7.91 trillion (2019/20: TZS 6.85 trillion) which has increased by 16% from previous year (**Appendix VII**).

I learned that most of these entities have financial constraints due to inadequate funding by the Government and underperformance of their business undertakings.

Non-settlement of payable as when they fall due; could refrain the suppliers from providing goods and services on credit terms to PA & oBs, thus affecting their operations. Also, delays in payments to creditors may attract interest and penalties which negate the principle of value for money in public funds entities.

I recommend that the respective PA & oBs establish strategies and action plan that will ensure long outstanding payables are settled as they fall due.

6.8 Avoidable Expenditure on Maintenance of Aircraft TZS 278.42 Million

As revealed in the fixed assets register, Ngorongoro Conservation Area Authority (NCAA) owns CESSNA 182P aircraft with registration number 5H-MPZ. The aircraft is old and as at 30 June 2021 it was 47 years old. The aircraft was meant to facilitate security patrols within and around NCAA.

I noted for a period of three financial years 2018/19 to 2020/21 the NCAA planned to fly 900 hours for security patrol purpose but managed to fly 18 hours (2%) only while it incurred TZS 278.42 million on maintenance services.

I am of the view that the benefits of using the aircraft are negligible when compared with its maintenance costs.

I recommend that Ngorongoro Conservation Area Authority review the decision of continue keeping the costly aircraft.

6.9 Unused Asset TZS 2.29 Billion at TPA

My review of Property Plant and Equipment at Tanzania Ports Authority (TPA) noted that as at 30 June 2021, TPA held assets for sale amounting to TZS 2.29 billion. The assets were reclassified since 2019/20 as current assets and held for sale for more than two years. TPA has yet to seek approval from the Paymaster General to dispose them of.

It is my view that, continued deterioration of the assets to reduction of market values, which could have been realised if the assets had been disposed of earlier.

I recommend that TPA seek approval from the Paymaster General to finalise disposal process of the assets.

6.10 Expenditure Incurred above Approved Budget TZS 14.52 Billion

At Mbeya University of Science and Technology (MUST), I noted that University incurred expenditure above the approved budget by TZS 1.13 billion contrary to Para 3.29 of the MUST Financial Regulations, 2016. MUST utilized TZS 3.86 billion against approved budget TZS 2.73 billion for various activities including training and special assignments.

Likewise, TIB Development Bank overspent TZS 13.39 billion in some activities due to inadequate budget controls. The over expenditure was due to lack of regular budget reviews and accounting system that lacked proper control mechanisms, and increased credit cost due to unpredicted delay in collection of loan repayment beyond due dates.

The over-expenditures hinder implementation of other planned activities as a result the overall planned goals might not be achieved.

I recommend that (a) Mbeya University of Science and Technology ensure mid reviews of annual budget and strengthen controls over the budget preparation and execution, and (b) TIB Development Bank apply budgetary control system in monitoring budget and strengthens loan repayment controls.

CHAPTER 7

EVALUATION OF INTERNAL CONTROL, HUMAN RESOURCES AND GOVERNANCE SYSTEM

7.0 Introduction

Internal control is crucial to all Public Authorities and Other Bodies's (PA & oBs) governance system in managing risks. Within the PA & oBs governance system, internal controls have to be set, effected, and actively monitored by the governing body i.e., Board of Directors and their standing Board Committees, Management and other organs.

Effective and efficient internal controls address risks, reduce unnecessary costs PA & oBs and meet the planned objectives. Evaluation of Internal Control, Risk Management and Governance Systems for the financial year 2020/21 focused on examining the effectiveness of instituted internal control in PA & oBs and assessing the management procedures on risk management.

Also, performance of any institution is driven by availability of resources, human resource being one of the important resources. Payroll and Human Resources Management is an integral part of PA & oBs to achieve the intended goals.

This chapter highlights deficiencies found during my review of Internal Controls, Risk Management, Human Resource and Governance Systems of PA & oBs. The findings cast doubts on reliability, integrity, and transparency, impacting the public entity's financial health and services delivery. Each of the entities has respective recommendations for improvement.

7.1 Public Authorities without Boards of Directors

A Board of Directors is an oversight organ for a public entity that ensures performance of the entity in the interest of the public. It oversees management of an entity that is entrusted with day-to- day operations. The Board of Directors is a responsible body in making decisions that provide direction of an organisation in the public's interest. It takes overall responsibility, including identifying key risk areas, considering, and monitoring investment decisions, significant financial matters, and reviewing management business plans and budgets performance.

During the audit of the financial year 2020/21, I noted that 31 PA & oBs (2019/20: 30 entities had no Board) had no Board of Directors. It is necessary that Boards are appointed on time to oversee the entities by providing value adding decisions and directives for proper running of the public entities. Refer **Table 15.**

Further, review noted that two entities Cashewnut Board of Tanzania and Tanzania Petroleum Development Corporation have chairman of the Board only while Board members were not appointed by the responsible Authority. This led to difficulties in convening the board meeting since the quorum cannot meet the minimum number of members required for a sitting.

Table 15: Public Authorities without Boards of Directors

S/N	Name of entity	Date the Board expired	Number of months without Board up 28 February2022
1.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	Jul-15	80
2.	Tanzania Industrial Research and Development Organisation	Oct-15	77
3.	National Museum of Tanzania	Jan-19	38
4.	Tanzania Wildlife Research Institute	Mar-19	36
5.	Copyright Society of Tanzania	Mar-19	36
6.	Tanzania Insurance Regulatory Authority	Apr-19	35
7.	Tanzania Diary Board	Aug-19	30
8.	Energy Water and Utility Regulatory Authority	Aug-19	30
9.	Tanzania Pesticides Research Institute	Sep-19	29
10.	Tanzania Broadcasting Corporation	Oct-19	28
11.	Tanzania Investment Centre	Mar-20	23
12.	Tanzania Tobacco Board	Jul-20	19
13.	Cereals and other Produce Board	Aug-20	18
14.	National Sugar Institute	Aug-20	18
15.	Gaming Board of Tanzania	Oct-20	16
16.	Cotton Development Trust Fund	Oct-20	16

S/N	Name of entity	Date the Board expired	Number of months without Board up 28 February2022
17.	Architects and Quantity Surveyors Registration Board	Oct-20	16
18.	Tanzania Cotton Board	Oct-20	16
19.	Ngorongoro Conservation Area Authority (NCAA)	Nov-20	15
20.	National Sport Council	Feb-21	12
21.	Baraza la Kiswahili Tanzania	Feb-21	12
22.	Kariakoo Market Corporation	May-21	9
23.	Tanzania Posts Corporation	May-21	9
24.	Tanzania Smallholders Tea Development Agency	May-21	9
25.	National Arts Council	Oct-21	4
26.	Medical Stores Department	21-Oct	4
27.	Public Procurement Appeals Authority	Oct-21	4
28.	Sugar Board of Tanzania	Oct-21	4
29.	Institute of Social Work	Nov-21	3
30.	Tanzania Communication Regulatory Authority CCC	Nov-21	3
31.	National Environment Management Council	Dec-21	2

Source: *Entities audited financial statements 2020/21*

The absence of Board of Directors weakens internal oversight functions in providing strategic direction of the entities, thus, affecting their operations and financial performance. It also delays in making and implementing key strategic decisions, including approval of guidelines, regulations, and policies.

I reiterate my previous year's recommendation to the appointing Authorities, to consider early identification of Board Members prior to expiration of period and commence appointment process in advance to mitigate the noted challenge.

7.2 Failure to Issue Audit Opinion on Financial Statements of Five Public Entities due to Absence of the Board of Directors

Sect. 39 (2) (c) of the written laws (Miscellaneous amendments) (No.6) Act, 2019 requires when the tenure of the Board prescribed in any written law has come to an end, the function of the board to be discharged by the permanent secretary of the Ministry responsible for the Board until such time a Board is constituted. The permanent secretary is obliged to perform such functions for a period not exceeding twelve months.

Para 47 and 48 of Tanzania Financial Reporting Standard No.1 (TFRS 1), 2021 details the responsibility of those charged with governance which is to prepare and approve the financial statements of the entity in accordance with applicable standards, rules, regulations and legal provisions.

I have audited 200 financial statements of Public Authorities and Other Bodies; however, I was unable to issue audit opinion on financial statements of five Public Entities **(Table 16)** because there were no Board of directors for approving the financial statements and the Permanent Secretaries were barred by the law to approve the financial statements on behalf of the Boards. The Permanent Secretaries powers to oversee affairs of Public Entities expires after 12 months while the concerned Board had not been reappointed for periods longer than 12 months.

The Board of Directors of five Public entities were not in place because they had either completed their tenure or were dissolved by the responsible Authorities.

Table 16: Failure to Issue Opinion to Five Public Entities

S/N	Name of entity	Date the Board expired	Number of months without Board up 28 February 2022
1.	Mwalimu Julius K. Nyerere University of Agriculture and Technology	15-Jul	80
2.	Tanzania Industrial Research and Development Organisation	15-Oct	77
3.	Tanzania Insurance Regulatory Authority	19-Apr	35
4.	National Sugar Institute	20-Aug	18
5.	Gaming Board of Tanzania	20-Oct	16

Source: *Audited financial statements 2020/21*

The absence of Board of Directors for approving the financial statements has limited my constitutional mandate to complete the audit and issue audit opinion on the financial statements of the five public entities.

I recommendation that Appointing Authorities consider early identification of Board members before the end of the Boards tenure and commence appointment process in advance to mitigate the noted challenge.

7.3 Absence of Fraud Policy and Documented Risk Procedures within the Public Authorities and other Public Bodies

Prevention and detection of fraud in PA & oBs is one of the core objectives of Good Governance, Risk Management, and Internal Control. Management therefore needs to establish clear policies, mechanisms and procedures to investigate and resolve alleged or suspected frauds. Further, the policies will facilitate risk identification, monitoring and mitigation to enable effective performance of PA & oBs.

My review on internal control processes for implementing fraud mitigation measures noted 10 PA & oBs that the entities did not have documented policies, mechanisms and procedures for identifying and responding to fraudulent practices **(Table 17)**.

In my view, due to lack of fraud prevention and fraud detection processes, the entities cannot impart ant-fraud ethics on its employees to deter them from fraud temptations.

Table 17: List of PA & oBs with Absence of Fraud Policy

S/N	Name of Entity
1.	Dar es salaam Water Supply and Sanitation Authority
2.	National Insurance Corporation
3.	Tanzania Bureau of Standard
4.	Tanzania Ports Authority
5.	TIB Development Bank
6.	Tea Board of Tanzania
7.	Deposit Insurance Board
8.	Tanzania Wildlife Research Institute
9.	Tanzania Insurance Regulatory Authority
10.	National Housing Corporation

Source: *Audit reports for the financial year 2020/21*

I recommend that the respective PA & oBs develop fraud Management Policy and fraud prevention and early detection procedures.

7.4 Unclear Governance Structure after NCAA Transformation to Paramilitary Institution

According to Ngorongoro Conservation Area Act, CAP 284 (R.E 2002), the oversight function of NCAA is vested under NCAA's Board of Directors.

However, after end of the tenure of the NCAA Board of Directors in November 2020, and after NCAA was transformed into Paramilitary institution, I noted that the governing structure of NCAA had not been defined yet. I was informed that the governance structure of NCAA was being worked by the Ministry of Natural Resources Tourism (MNRT) which is still in the process of harmonising organizational structures and scheme of services for all paramilitary institutions (Tanzania National Parks (TANAPA), Ngorongoro Conservation Area (NCAA), Tanzania Forest Agency (TFA) and Tanzania Wildlife Management Authority (TAWA)).

In my view absence of effective oversight functions on the risks reported may affect the NCAA operations.

I recommend that Ngorongoro Conservation Area Authority liaise with the Ministry of Natural Resource and Tourism to expedite setting up the administrative structure for effective governance of NCAA operations.

7.5 Public Officers in Acting Positions for More Than Six Months

Order D.24 (3) of the Standing Orders for the Public Service, 2009 stipulates that where possible, a public servant should not act in a vacant post for a period exceeding six months. The appointing authority should make sure that the process for appointing a substantive holder of respective post is completed within that period of six months.

In my previous report for financial year 2019/20, I reported that 33 PA & oBs had 175 officers acting in substantive positions for more than six months. In the current audit, I came across the same trend whereby 22 PA & oBs had 155 officers acting in substantive positions for more than six months and up to 15 years **(Table 18),** contrary to the requirements of the above cited Order.

I learnt that this anomaly was mainly caused by delayed approval by President's Office Public Services Management and Good Governance for approving the officers proposed for the post.

Table 18: Entity and Number of Public Officers in Acting Positions for More Than Six Months

S/n	Name of Public Entity	Number of Acting Officers	Period in Acting Capacity
1	Ardhi University	9	7 months to 2 years
2	Dar es salaam Water Supply and Sanitation Authority	7	Above 6 months
3	Institute of Rural Development Planning	2	15 years
4	Kibaha Education Centre	1	2 years
5	Medical Stores Department	7	2 months to 2.5 years
6	Muhimbili National Hospital	3	8 months to 3 years
7	Muhimbili Orthopaedic Institute	7	9 months to 4 years
8	Muhimbili University of Health and Allied Sciences	16	4 months to 2 years
9	National Arts Council	2	11 months to 2 years
10	National Bureau of Statistics	10	7 months to 3 years
11	Baraza la Kiswahili Tanzania	1	2 years
12	National Sports Council	10	6 months to 2 years
13	State Mining Corporation	6	6 months to 2 years
14	Tanzania Broadcasting Corporation	3	6 months to 5 years
15	Tanzania Dairy Board	2	6 to 11 months
16	Tanzania Engineering and Manufacturing Design Organisation	7	8 months to 2 years
17	Tanzania Fertilizer Regulatory Authority	14	11 months to 3 years
18	Tanzania Medicines and Medical Devices Authority	6	1 to 2 years
19	Tanzania Ports Authority	4	7 months to 5 years
20	Tanzania Tourist Board	10	6 months to 1 year
21	Tanzania Trade Development Authority	7	2 and half years
22	Tropical Pesticides Research Institute	21	7 months to 9 years
	Total	**155**	

Source: *Individual management letter of each entity*

I am of the view that officers working in acting capacities for a long time will be demoralised and could lose self-confident in decision making, thus negatively affecting the operations and planned targets.

I recommend that the respective PA & oBs, in collaboration with Treasury Registrar and President's Office Public Services Management and Good Governance, speed up all the on-going processes of whether confirming the acting officers or appoint other qualified substantive officers to fill the vacant posts.

7.6 Shortage of 8,356 Staff in 29 PA& oBs

Staff levels under PA & oBs are identified by organization structure and staff establishment which indicate magnitude of functions in relation to human resource required by the organization to accomplish its objectives.

In my previous report for the financial year 2019/20, I reported that 23 PA & oBs had shortages of 4,092 staff, equivalent to 37% of the proposed staff level of 11,122. In the current audit, I found the same trend whereby 29 PA & oBs I reviewed had a shortage of 8,356 staff equivalent to 43% of the proposed staff level of 19,285 as shown in **Table 19.**

The shortfall is mainly attributed to lack of regular follow ups with the appointing authority to fill the mentioned posts, delay in obtaining recruitment permits from the President's Office, Public Service Management and Good Governance. This situation affects the ability these entities to deliver quality services as a result overworking and demoralising the present employees. Thus, these entities might fail to attain the planned targets.

Table 19: Shortage of Staff

S/N	Name of Entity	Proposed Staff Level	Available Staff	Vacant Post
1	Tanzania Electric Supply Company Limited	4741	2322	2419
2	Muhimbili National Hospital	4567	2734	1833
3	Sokoine University of Agriculture	2076	1253	823
4	Vocational Education and Training Authority	2004	1293	711
5	Mzumbe University	1242	620	622

S/N	Name of Entity	Proposed Staff Level	Available Staff	Vacant Post
6	Tanzania Atomic Energy Commission	464	117	347
7	Small Industries Development Organisation	546	278	268
8	State Mining Corporation	382	116	266
9	Muhimbili University of Health and Allied Sciences	739	583	156
10	STAMIGOLD Company Limited	381	232	149
11	National Museum of Tanzania	165	78	87
12	Tanzania Tourist Board	133	54	79
13	Mwalimu Nyerere Memorial Academy	349	273	76
14	Co-operative Audit and Supervision Corporation	191	116	75
15	Tanzania Institute of Education	255	199	56
16	Tanzania Ports Authority	99	45	54
17	Procurement and Supplies Professionals and Technicians Board	85	40	45
18	Tanzania Coffee Board	104	63	41
19	Architects and Quantity Surveyors Registration Board	75	38	37
20	Lindi Urban Water Supply and Sanitation Authority	72	41	31
21	Tanzania Dairy Board	54	25	29
22	Tanzania Trade Development Authority	126	99	27
23	Tanzania Smallholders Tea Development Agency	28	2	26
24	National Sports Council	48	23	25
25	Tanzania Standard Newspaper Limited	44	21	23
26	Morogoro Urban Water Supply and Sanitation Authority	210	191	19
27	Tanzania Petroleum Development Corporation	24	12	12
28	Institute of Accountancy Arusha	21	11	10
29	Sumbawanga Urban Water Supply and Sanitation Authority	60	50	10
	Total	**19,285**	**10,929**	**8,356**

Source: *Individual management letter of each entity*

I recommend that (a) President's Office, Public Service Management and Good Governance (PO-PSMGG) expedite the process of issuing employment permits for recruitment of staff in

PA & oBs; and (b) respective PA & oBs make follow-up with the PO-PSMGG to ensure they obtain employment permit to fill the vacant positions, to enable them achieve their organisational objectives effectively and efficiently.

7.7 Delayed Remittance of Salary Deductions to the Respective Institutions

The aim of payroll administration is to ensure that all employees are paid correct amounts and in due time with the related deductions remitted to the respective institutions. PA & oBs employees' salaries are subject to statutory and non-statutory deductions such as pension and health contributions, loans repayments, and workers' union contributions.

In my review for the year ended 30 June 2021, I noted delayed remittance of deductions amounting to TZS 6.93 billion to the respective institutions in 16 PA & oBs shown in **Table 20.**

Delay in remittance of deductions was mainly attributed to delayed remittance by the Ministry of Finance and Planning as most of the deductions are paid directly by the Central Government. In some cases, delays are caused by inefficient implementation of controls over the deductions, and delays in issuing control numbers by Public Service Social Security Fund (PSSSF). The situation might lead to unnecessary fines and penalties to the respective PA & oBs. It also negatively impacts on beneficiaries who are eligible to services from the social security schemes such as the National Health Insurance Fund (NHIF), PSSSF and Workers Compensation Fund (WCF).

Table 20: Delayed Remittance of Salary Deductions

S/n	Name of Entity	Contribution	Amount TZS (Million)	Period Delayed
1	Arusha Technical College	PSSSF	237.60	1 to 4 months
2	Capital Markets and Securities Authority	PSSSF	124.24	2 to 8 months
3	Export Processing Zone Authority	NHIF	13.43	2 to 4 months
		PSSSF	20.97	2 to 4 months
4	Mbeya Water Supply and Sanitation Authority	PSSSF	309.89	1 to 29 days
		WCF	11.43	1 to 11 months
		HESLB	76.52	1 day to 2 months

S/n	Name of Entity	Contribution	Amount TZS (Million)	Period Delayed
5	Mkulazi Holding Company Limited	NHIF	12.51	19 days to 2 months
6	Mwalimu Nyerere Memorial Academy	NHIF	19.00	5 months
		PSSSF	31.59	5 months
7	National Environment Management Council	PSSSF	147.02	12 days to 4 months
8	Ocean Road Cancer Institute	PSSSF	329.80	1 to 4 months
9	Small Industries Development Organisation	PSSSF	191.42	1 to 5 months
		NHIF	103.16	1 to 4 months
10	STAMIGOLD Company Limited	PSSSF	1,594.34	48 months
		NSSF	975.26	48 months
11	Tanga Urban Water Supply and Sanitation Authority	PSSSF	285.16	12 days to 50 days
12	Tanzania Biotech Products Limited	PSSSF	296.17	July 2020 to June 2021
13	Tanzania Fisheries Research Institute	PSSSF	97.79	14 days to 2 months
		NHIF	50.44	5 days to 1 month
14	Tanzania National Parks	WCF	235.74	12 days to 4 months
15	University of Dar es Salaam	PSSSF	130.09	2 to 10 months
16	University of Dodoma	PSSSF	955.43	1 to 13 days
		NHIF	677.94	1 to 18 days
	Total		**6,926.94**	

Source: *Individual management letter of each entity*

I recommend that the respective PA & oBs ensure close follow ups with Ministry of Finance and Planning for timely remittance of the contributions, and for the deductions payable by the employers, respective PA & oBs ensure early remittance of salary deductions as they fall due.

7.8 Failure to Remit Statutory Deductions TZS129.33 Billion

Statutory deductions include contribution to pension funds, workers compensation fund and repayments of student loans. These deductions are required to be remitted to respective Institutions on or before the last day of the following month.

My review noted that during the year 2020/21 four PA & oBs did not remit statutory contributions amounting to TZS 129.33 billion to the pension funds (PSSSF and NSSF), Higher Education Students Loans Board (HESLB), and Workers Compensation Fund (WCF) as required by the laws and regulations **(Table 21).**

Management attributed non-remittance of contributions to lack of funds. Non-remittance of contributions to social security Funds has adverse effects on employees' terminal benefits and compensations. Also, it attracts unnecessary interest and penalties on non-compliance PA& oBs, hence increasing avoidable obligations to the entities.

For instance, at Tanzania Pyrethrum Board, the unremitted contribution to PSSSF accrued interest and penalty amounting to TZS 577.99 million from 2019/20 to 2020/21.

Table 21: Statutory Deductions not remitted to required institutions

S/n	Name of Entity	Contribution	Amount TZS (Million)	Period
1	Tanzania Railways Corporation	PSSSF	99,600.00	2015 to June 2021
		NSSF	3,400.00	2015 to June 2021
		WCF	25,400.00	2014 to June 2021
2	Tanzania Pyrethrum Board	PSSSF	668.99	2015/16 to 2020/21
3	Tanzania Biotech Products Limited	PSSSF	214.31	July 2019 to June 2020
4	Tabora Water Supply and Sanitation Authority	HESLB	46.64	2018/19 to 2019/20
	Total		**129,329.94**	

Source: *Management letter of each entity*

I recommend that the respective PA & oBs ensure (a) all the unremitted deductions are promptly remitted to the respective institutions without further delay to avoid fruitless expenditure arising from penalties and interests, and (b) find more sources of funds and improve the collection efficiency to enable the entities have funds to settle the liabilities due for payment.

7.9 Long Outstanding Staff Claims

(a) Accumulated Outstanding Salary Arrears TZS 2.72 Billion

My review of payroll administration of five PA & oBs noted un-paid staff arrears amounting to TZS 2.72 billion which were outstanding for a period ranging from 1 to 7 years **(Table 22).**

The un-paid staff arrears emanate from staff promotion and staff re-categorisation of salary scales, new hire, transfers and salary changes on harmonised scheme of services. Further, the outstanding arrears were caused by delays in verification of staff debtors and lack of approval of staff arrears by Ministry of Finance and Planning, adoption of LAWSON system from NAVISION for Human resource management, and inadequate efforts made by management in following up on payments of long-term arrears.

Delay in payment of staff arrears, undermines the morale of staff morale and reduce efficiencies at workplaces.

Table 22: Entities with Staff Arrears

S/n	Name of Entity	Amount TZS (Million)	Period Outstanding
1	Mwalimu Nyerere Memorial Academy	119.86	Beyond 1 year
2	Mzumbe University	636.98	1 up to 7 years
3	Tax Revenue Appeals Board	154.10	Since 2018
4	Tax Revenue Appeals Tribunal	30.75	Since 2018/19
5	Vocational Education and Training Authority	1,782.88	Beyond 1 year
	Total	**2,724.57**	

Source: *Individual management letter of each entity*

I recommend that (a) the respective PA & oBs make a close follow-up with the Ministry of Finance and Planning to ensure the salary staff arrears are paid without further delays; and (b) through the President Office, Public Service Management and Good Governance, the Government intervenes to ensure prompt payments of staff arrears.

(b) Pending Staff Claims of TZS 3.18 Billion

Through Ministry of Finance and Planning, the Government issued circulars allowing provision of clinical and house allowance to some staff as detailed in respective circulars with Ref. TYC/T/200/583/2 dated 30/7/2013 for clinical allowances and Ref. TYC/T/200/583/18 dated 22/7/2010 for house allowance.

My review of payroll management for the year 2020/21 noted that Muhimbili University of Health and Allied Sciences (MUHAS) had pending claims of clinical allowance amounting to TZS 365.29 million for 170 staff and house allowance claims of TZS 534 million for 84 staff.

I also, observed unpaid staff claims at Mzumbe University of TZS 32.78 million and at Sokoine University of Agriculture of TZS 2.25 billion.

The management attributed non-settlement of staff claims to budgetary constraints. I am of the view that long outstanding claims adversely affect work morale of employees.

I recommend that the respective PA & oBs make close follow ups with the Ministry of Finance and Planning to ensure the pending claims are paid to respective staff to enable them to attain entity's objectives in an effectively and efficiently manner.

CHAPTER 8

PROCUREMENT AND CONTRACT MANAGEMENT

8.0 Introduction

The Public Procurement Act, 2011 (as amended in 2016) and its Regulations of 2013 (as amended in 2016) provides requirements which the Public Authorities and other Bodies (PA & oBs) are guided to observe while undertaking the procurement and contract management activities.

To ensure public procurements and contract management are conducted effectively and comply with established procurement laws and its regulations, the Government decided to establish the Public Procurement Regulatory Authority (PPRA) and gave it the mandate to monitor, oversight and regulate procurements activities to enhance economy, efficiency in the use of public funds, equality, fairness and transparency and the need to obtain the best value for money. To ensure transparency in procurements, PPRA introduced TANePS where the PA & oBs procurement process are required to be done through the TANePS.

I conducted compliance audit on procurement processes of works, goods, and services in PA & oBs and issued 195 conclusions on compliance audits, out of which 79 were non-compliant. The following are details of weaknesses observed and recommendations raised:

8.1 Overall compliance with Procurement Laws and Regulations by Public Authorities

Sect. 48(3) of Public Procurement Act, 2011 requires me to state in my annual audit report as to whether or not the audited entities have complied with the requirements of the Public Procurement Act and its underlying Regulations. In regard to this responsibility, I noted out of 195 PA & oBs audited, 115 PA & oBs equivalents to 59% had complied with Procurement Regulations requirement without any exception, 79 PA & oBs equivalent to 40% did not comply with procurement laws while one PA & oBs equivalent to 1% had

Disclaimer of opinion The level of procurement compliance is shown in **Table 23**.

Table 23: Level of Procurement Compliance with Public Authorities

Conclusions	Number of PA & oBs	%
Compliant	115	59
Non-Compliant	79	40
Disclaimer	1	1
Total	**195**	**100**

Source: *Audit Reports 2020/21*

I recommend the respective PA & oBs increase level of compliance with Procurement Laws to ensure best use of public funds in honest and fair procurements processes.

8.2 Procurement Process of Works, Goods and Services Done Outside TANePS TZS 57.38 Billion, USD 5.23 Million and EURO 176,715

Public Procurement Regulatory Authority (PPRA) introduced Tanzania National e-Procurement System (TANePS) for online submission of procurement plans, tender invitations and contract awarding. During the year under review, I reviewed 200 entities and found that 23 PA & oBs made procurement process outside TANePS for tenders which had a total value of TZS 56.37 billion, USD 5.23 million and EURO 176,710. This is contrary to Regulation 342 of Public Procurement Regulations, 2013 and Circular No.4 of 2019 with Reference No. EB/AG/485/01/Vol. XII/26 of 23 November 2019 issued by the Treasury which directed all procuring entities to use TANePS with effect from 01 January 2020. The list of entities which carried out procurement outside the TANePS is shown in **Table 24, 25 and 26.**

Table 24: List of Entities that conducted procurement outside TANePS (TZS)

SN	Name of Entity	Number of Contracts	Amount (TZS) "Million"
1	Petroleum Upstream Regulatory Authority	82	1,028.11
2	National Housing Corporation	59	18,582.05
3	Muhimbili Orthopaedic Institute	49	1,054.55
4	Kilimanjaro International Leather Industries Company Limited	43	2,796.13
5	Tanzania National Parks	32	5,127.26

SN	Name of Entity	Number of Contracts	Amount (TZS) "Million"
6	Nzega Urban Water Supply and Sanitation Authority	32	967.96
7	Tanzania Wildlife Research Institute	28	602.96
8	State Mining Corporation	27	2,309.19
9	Tanzania Posts Corporation	25	1,013.32
10	Medical Stores Department	23	8,548.93
11	Vocational Education and Training Authority	18	291.12
12	Geita Urban Water Supply and Sanitation Authority	16	359.32
13	Institute of Adult Education (IAE)	14	360.55
14	Kilimanjaro Airport Development Company Limited	9	228.81
15	Korogwe Water Supply and Sanitation Authority	8	137.21
16	Air Tanzania Company Limited (ATCL)	7	358.92
17	STAMIGOLD Company Limited	6	8,193.77
18	Muhimbili National Hospital	5	2,367.94
19	National Environment Council	5	113.84
20	Dodoma Urban Water Supply and Sanitation Authority	4	2,399.75
21	National Board of Accountants and Auditors	4	93.26
22	Mwanga Urban Water Supply & Sanitation Authority	2	53.29
23	UDSM - UCC		390.52
	Total	**498**	**57,378.76**

Source: *Management Letters 2020/21*

Table 25: List of Entities that conducted procurement outside TANePS (USD)

Sn	Entity Name	Number of Contracts	Amount (USD) "000"
1	Medical Stores Department	8	3,956.15
2	STAMIGOLD Company Limited	2	895.61
3	Air Tanzania Company Limited (ATCL)	1	349.9
4	Kilimanjaro International Leather Industries Company Limited	1	29.47
	Total	**12**	**5,231.13**

Table 26: List of Entities that conducted procurement outside TANePS (EURO)

SN	Entity Name	Number of Contracts	Amount (EURO) "000"
1	Kilimanjaro International Leather Industries Company Limited	3	18.71
2	Air Tanzania Company Limited (ATCL)	1	158
	Total	**4**	**176.71**

Processing tender procedures out of TANePS might impede achievement on transparency and could usher in biasness in evaluation and selection of bidders and hence temper with value for money.

I recommend that all PA & oBs observe the requirement of using TANePS to enhance transparency in all procurement process.

8.3 Procurements Made with Unjustified Procurement Methods TZS 17.60 Billion

Reg.149 (1) (3) of the Public Procurement Regulations, 2013 as amended by Reg. 51 of the Public Procurement (Amendment) Regulations, 2016 requires, procurement of goods, works and non-consultancy services through international and national competitive tendering prescribed in these Regulations to be considered before other methods of tendering prescribed in the Regulations are used. Furthermore, Reg. 15 of the same Regulations details that where a procuring entity uses a method of procurement other than international and national competitive, the entity should include a statement of the grounds and circumstances with a view to justify the use of the other method.

During the assessment of procurement process on PA & oBs, I noted 11 PA & oBs had changed procurement method, with total contract sum of TZS 17.60 billion from the method indicated in the Annual Procurement Plan (APP) which were neither international nor national competitive method. The entities relied on circumstance to justify the change as stipulated in the above cited regulation. Change of procurement methods, limits competition which increases the risk of overpriced procurement and the failure to realise value for money. List of the procuring entities which changed procurement method is shown in **Table 27**.

Table 27: Entities which changed Procurement Method without Justifications

Sn	Entity Name	Number of Contracts	Amount (TZS) "Million"
1	Tanzania Telecommunications Corporation Limited	6	8,355.95
2	Arusha Urban Water Supply and Sanitation Authority	7	2,986.37
3	Dar es salaam Water Supply and Sanitation Authority	1	2,176.20
4	Mbeya University of Science and Technology	4	1,067.17
5	Tanzania Electric Supply Company Limited	1	1,023.87
6	Mwanza Urban Water Supply and Sanitation Authority	1	947.33
7	Tanzania Ports Authority	1	815.32
8	Tanzania Food and Nutrition Centre	3	134.71
9	National Health Insurance Fund	1	45.43
10	Tanzania Tourist Board	1	25.19
11	Tanzania Cotton Board	1	17.48
	Total	**27**	**17,595.02**

Source: *Management Letters 2020/21*

I recommend that the PA & oBs ensure procurements are competitive to achieve value for money and when there is a need to change methods, justifications on the use of a particular method should be clearly disclosed before approval by the tender board.

8.4 Abandonment of Project by Contractor TZS 2.57 Billion

TANAPA on behalf of Ruaha National Park (RUNAPA) signed a contract with Deep Construction Limited based on Tender No. PA/037/19-20/RNP/W/34 for construction of Tungamalenga Water Supply Project for a contract sum of TZS 929.78 million. The project was expected to commence on 01 April 2019 and to be completed on 29 October 2020.

I reviewed the implementation of the signed contract and found out that the Contractor managed to construct only water tank at a cost of TZS 274.63 million and during physical verification held in August

2021, I found that the contractor was not on site and all working tools and equipment had been removed. The management filed the complaint at Contractors Registration Board (CRB) whereby the Board summoned the Contractor to attend the meeting between CRB and RUNAPA but the contractor did not turn up.

The delay in resolving the conflict might lead to an increase in project cost and delays the achievement of the intended goals. This is a result of awarding the project to incapable contractor.

I recommend that TANAPA ensure a thorough evaluation of bidder is performed and strengthen pre-qualification review of contractors is done, prior to awarding tenders, to avoid unnecessary delays in projects completions. Moreover, I recommend that TANAPA impose necessary measures as stipulated in contract for the delayed project.

In addition, at VETA, I noted that Makete District Vocational Training Centre (DVTC) entered into a contract with Tanzania Building Agency (TBA) to construct two classrooms and one dormitory at a contract price of TZS 1.10 billion with contract period of one year from 12 October 2017. Also, VETA HQ entered into a contract with TBA to construct two staff houses at Makete DVTSC for a contract price of TZS 540.47 million VAT exclusive on 12 September 2017 to be completed in September 2019. However, TBA abandoned the site leaving behind incomplete works.

I am concerned over Government Agencies failure to implement projects or contracts signed with other public entities. Delays in delivery or non-completion of works by the Government Agencies, tarnishes the good image of the Government.

I recommend that the Government intervenes through the Ministry of Works and Transport in assisting Tanzania Building Agency (TBA) to strengthen its operational capacity in carrying out various projects awarded to it. Also, I recommend VETA communicate with TBA through the Ministry of Works and Transports to enforce TBA to accomplish the abandoned work at Makete DVTSC.

8.5 Weakness in the Construction of Burigi Chato Three Star Hotel at TZS 11.04 Billion

TANAPA entered into a contract (Memorandum of Association) with SUMA JKT Construction Company for construction of Burigi Chato Three Star Hotel at a contract price of TZS 11.04 billion, whereby the work was agreed to be completed on 14 April 2021.

A review of contract progress reports on Burigi Chato Hotel, has established the following anomalies: TANAPA paid an advance payment of TZS 1.00 billion without any basis, also the construction of the Hotel started without conducting Environmental Impact Assessments (EIA) which is necessary to avoid environmental risks.

There were delays in completion of the works since the project was planned to be completed on 14 April 2021 but as of July 2021 was still at substructure stage. Based on reports at the site, the delay was due to insufficient construction equipment of the Contractor.

In my view, absence of proper procurement procedures renders TANAPA unable to manage the projects in time, which could attract in additional overrun costs.

I recommend that TANAPA devise strategies to check on completion of the projects.

8.6 Unrecovered Liquidated Damages TZS 1.68 Billion

Reg. 112 (1&2) of PPR, 2013 as amended by regulation 37 of the Public Procurement (Amendment) Regulations, 2016 requires procuring entities to impose on a tenderer, liquidated damages for undelivered materials or goods, undelivered or delayed services or delayed works, the rates of liquidated damages range from 0.10 to 0.20 % of the contract value per day of delayed materials or goods, and at 0.10 up to 0.15 % for delayed works up to a sum equivalent to the amount of the performance guarantee.

I noted eight PA & oBs could not deduct liquidated damages despite the discrepancies in contract implementation which instituted deduction of liquidated damages. The contracts with discrepancies but not deducted liquidated damages amounting to TZS 1.68 billion were 26 **(Table 28).** Non-charging of liquidated damages for delays in delivery of goods or services denies the public entities its compensations. Delays in other way attract additional costs to Government.

Table 28: List of Entities that Did not Deduct Liquidated Damages

S/N	Name of Entity	Number of Contracts	Contract Sum TZS "Million"	Liquidated Charge TZS "Million"
1	Tanzania Electric Supply Company Limited	10	5,990.13	919.26
2	Muhimbili Orthopaedic Institute	4	6,361.03	643.48
3	National Bureau of Statistics	2	534.39	53.44
4	University of Dodoma	4	628.48	37.42
5	Tanzania Ports Authority	1	122.01	12.2
6	Morogoro Urban Water Supply and Sanitation Authority	1	110.38	11.04
7	Muhimbili University of Health and Allied Sciences	1	67.27	3.9
8	National Environment Management Council	3	31.07	3.11
	Total	**26**	**13,844.76**	**1,683.85**

Source: *Management Letter 2020/21*

I recommend that the respective PA & oBs charge the liquidated damages for the delayed implementation of contracts and continuously monitor contracts performance against terms of the contracts to achieve intended objectives.

8.7 Commencement of 17 Projects Without Conducting Environmental Impact Assessment TZS 7.61 Billion

Reg. 241(3) of Public Procurement Regulations (PPR), 2013 states, "A procuring entity shall assess the impact on the environment of any works at the planning stage of the project and in any case before procurement proceedings are commenced." Also, Sect. 81(2) of the Environmental Management Act (EMA), 2004 requires the environmental impact assessment study to be carried out before the commencement or financing of a project.

My assessment of entities on implementation of project during the year 2020/21 noted four PA & oBs implemented 17 projects amounting to TZS 7.61 billion without conducting Environmental Impact Assessment (EIA). Last year 2019/20 I reported four PA & oBs which implemented 8 projects without performing environment assessment study (**Table 29).**

Table 29: Entities that Commenced Projects Without Conducting Environmental Impact Assessment

S/N	Entity	Number of Contracts	Amount (TZS) "Million"
1	Institute of Rural Development Planning	5	5,569.30
2	Tanzania Library Services Board	7	1059.38
3	Mbeya Water Supply and Sanitation Authority	2	850.00
4	Moshi Co-operative University	3	132.75
	Total	**17**	**7,611.43**

Source: *Management Letter 2020/21*

I consider that implementing projects without environmental impact assessment exposed the PA & oBs to environmental risks that could be detrimental to the well-being of the communities in question and could result in loss of public resources.

I recommend that the respective PA & oBs ensure in future EIA is conducted before commencing projects to avoid environmental risks.

8.8 Contracts Executed without Performance Security TZS 43.02 Billion and USD 895,614

Regulation 29 of PPR, 2013 as amended by regulation 12 of the Public Procurement (Amendment) Regulations, 2016 requires any procuring entity to demand from the successful tenderer a performance security to guarantee the authentic performance of the contract.

However, I observed 56 projects in 13 PA & oBs reviewed at a cost of TZS 43.02 billion and one project implemented by STAMIGOLD Company Limited at a cost of USD 895,614 were implemented without performance security or with expired performance security (**Table 30).**

Table 30: List of Public Entities which Executed Projects without Performance Security

SN	Entity Name	Number of Contracts	Amount of contract (TZS) "Million"
1	Tanzania Telecommunications Corporation Limited	15	24,766.30
2	Tanzania Broadcasting Corporation	10	6,195.55
3	Tanzania Electric Supply Company Limited	2	3,645.19
4	Institute of Finance Management	11	2,368.76
5	Institute of Rural Development Planning	1	1,590.91
6	Moshi Co-operative University	5	1,488.70
7	National Housing Corporation	3	959.37
8	University of Dodoma	2	468.53
9	Tanzania Institute of Education	1	456.78
10	Mbeya University of Science and Technology	1	396.9
11	Dar es salaam Water Supply and Sanitation Authority	2	396.43
12	National Development Corporation	2	220.47
13	Tanzania Forestry Research Institute	1	65
	Total	**56**	**43,018.89**

Source: *Management Letter,2020/21*

Implementing contracts without performance guarantees or bonds exposes the respective Public Authorities to the risk of losing resources in case the contractors' default or fail to fully execute the contracted works.

I recommend that the respective PA & oBs ensure all contracts are secured by performance security as required by the procurement regulations, to protect interests of entities in case a contractor fails to implement the contracts.

8.9 Increase in Cost by TZS 3.64 Billion for Prolonged Procurement Process and Wrong Estimates

Reg. 191(3) of the Public Procurement Regulations, 2013 provides that, the period fixed by a procuring entity shall be sufficient to permit evaluation and comparison of tenders, for obtaining all necessary clearances and approvals and for notification of the award and finalise a contract but the period shall not exceed 120 days from the final date fixed for submission of tenders.

At TANESCO, I reviewed tender No.PA/001/2017-18/HQ/W/18 for Major Overhaul of Main Inlet Valve Turbine Unit G3 at Kihansi Hydro Power Plant. I noted there was several cancellation and re-tendering since 2017/18. The disagreement on negotiations led to delays of about 1,116 days beyond the allowable period stipulated in the regulation, where the estimated price was EURO 882,930 equivalent to TZS 2.15 billion. Eventually, in the financial year 2020/21, the contract was signed at EURO 1.85 million, equivalent to TZS 5.09 billion, resulting in an incremental cost of TZS 2.94 billion.

In my view, adequate planning and assessment of project requirements were not properly performed, which would enable TANESCO to avoid delays in procurement process and incremental costs.

Additionally, I found out delays in the implementation of the same contract for more than 150 days, the contract was signed on 4 March 2021. The contract period had a total completion period of 120 days. However, up to September 2021, even the site handover had not been done. Late implementation of the contract will cause the entity to delay in achieving the intended objectives and leads to unnecessary contract extension.

In addition, I noted an increase in the contract cost amounting to TZS 697.82 million, due to non-performance of detailed survey which led to incorrect estimations of the materials in implementation of the contract; No.PA/001/2019-20/HQ/G/134 (Lot2) for supply of Distribution Line Materials for Construction of 33Kv Double Circuit Distribution Line from Gongo la Mboto Substation to Julius Nyerere Hydropower.

I recommend that TANESCO conducts adequate planning and assessment of project needs before initiation of procurement in order to avoid additional costs and delays in the implementation of projects.

8.10 Accounting Officer Interfering with the Responsibility of Tender Board for Contracts approval USD 1.06 Million and TZS 2.79 Billion

Sect. 41 of Public Procurement Act, 2011 requires the Accounting Officer, the Tender Board, the Procurement Management Unit, the User department and the Evaluation Committee to act independently in relation to their respective functions and powers.

Moreover, Sect.33 of Public Procurement Act, 2011 provide the functions of the tender board to be deliberations on the recommendations from the Procurement Management Unit as well as approving award of contracts, approving tendering and contract documents, approve procurement and disposal by tender procedures and ensuring the best practices in relation to procurement and disposal by tender are strictly adhered to by procuring entities.

During the review of procurement process and award of contracts at Medical Stores Department (MSD), I observed interference made by the Accounting Officer with the responsibility of Tender Board whereby all tendering processes from tender invitations to contract award were approved by the accounting officer alone without involvement of the Tender Board for contracts amounting to USD 1.06 million contrary to the above cited laws. This was caused by inadequate number of Tender Board members to make a quorum. The practise of overriding controls may jeopardise the best practices on procurement process in the procuring entity which could lead to misappropriation of public funds. List of contracts approved directly by the Accounting Officer is shown in **Table 31.**

Table 31: Contracts Approved Direct by the Accounting Officer

S/N	Contract No.	Supplier Name	Description	Amount (USD) "000"
1	IE-009/2020/2021 /HQ/G/127	Wenzhou Liangke Machinery Co., Ltd	Supply of Capsule Dosage form production line	668.86
2	IE-009/2020/2020 /HQ/G/126	Shanghai Sheng-Guan Machinery Equipment Co. Ltd	Supply of oral liquid and syrup manufacturing and filling production line	222.5

S/N	Contract No.	Supplier Name	Description	Amount (USD) "000"
3	IE-009/2020/2020/HQ/G/126	Guangdong Jinzong machinery Co. ltd	Supply of oral liquid and syrup manufacturing and filling production line	163.8
Total				1,055.16

Source: *MSD Audit report of 2020/21*

In addition, I came across a letter with ref. No. CEA.169/178/03/18 dated 13/10/2020 showing appointment of three persons for a trip to China for searching Hemodialysis machine manufacturers to supply 71 dialysis machines and advise the Government on procurement of the same. However, the searching process and contracts award arrangements did not involve Procurement Management Units and the Tender Board but the whole process was done by three persons to procure machines while they were in China at a procurement cost of TZS 2.79 billion.

I also learnt that MSD incurred a total cost of TZS 215.99 million in respect to per diems to three staff for 61 days and travel expenses to China for the purpose of negotiations and searching for industries which manufacture dialysis machines. I am concerned about non-compliance with procurement laws and procedures can result in misappropriation of public funds as well as increases cost of procured goods.

I recommend that MSD ensure segregation of duties to observe the control set in the Public Procurement Act, 2011 and its Regulations for each organ to act independently to achieve best practices in relation to procurements and disposals by tender are strictly adhered to.

8.11 Procurement Made Without Valid Contract TZS 9.90 Billion and USD 1.42 Million

Regulation 233(1) (2) of Public Procurement Regulations, 2013 as amended by regulation 75 of the Public Procurement (Amendment) Regulations, 2016 requires procuring entities and the persons whose tender are accepted, to enter into formal contracts within 14 working days after fulfilling all conditions prior to the signing of contracts and formal contracts to be in a prescribed form, and to contain terms, conditions and provisions set out in tender documents.

I reviewed 30 procurements which were planned under tender No. IE-009/2020/2021/HQ/G/160 for supply of drugs and other medical supplies at MSD and found that procurements amounting to TZS 9.90 billion and USD 1.42 million were made without valid signed contract contrary to the above cited regulation.

The management used a letter signed by Accounting Officer to order and make full payment on goods before delivery under the explanations that the procurement was under urgency. No competitive tendering process was followed as required by the procurement procedures. The management did not consider coverage of risks as they did not provide any terms and conditions such as clauses for charging liquidated damages in case of delays in delivery or non-delivery.

I recommend that MSD ensure in future all procurements have formal contracts in a prescribed form and are duly signed by both parties.

8.12 Contracts Awarded and Signed without being Vetted by the Attorney General TZS 17.92 Billion

Regulation 59 (1)(2) of the Public Procurement Regulations 2013 as amended by regulation 2 of the Public Procurement (Amendment) Regulations, 2016 stipulates that any formal contract arising out of the acceptance of tender whose value is one billion shillings or above and for procurement undertaken through international competitive tendering shall be vetted by the Attorney-General before the contract is signed by the parties, whereas for tender which are not vetted by the Attorney General shall be void.

I noted six contracts for supply of medicines and other medical supplies between MSD and suppliers at cost amounting to USD 7.46 million equivalent to TZS 17.14 billion which were not vetted by the Attorney General as required by the regulation cited above.

I found one contract at Tanzania Broadcasting Corporation (TBC) for supply of Seven FM Radio Transmitters Equipment for Same, Kasulu, Sikonge, Kahama, Bunda, Nkasi and Karagwe Districts at a contract amount of TZS 777.98 million done through international competitive tender whereby Attorney General legal advice was not incorporated in the draft contracts.

I recommend that in future, public entities ensure contracts are vetted and advice provided piece of advice are incorporated into contracts, to avoid legal disputes that could arise during implementation of the projects.

8.13 Unfair Evaluation of Tender and Removal of Bidder TZS 13.37 Billion

Section 72 of PPA, 2011 provide the basis for tender evaluation and selection of the successful tenderer, to be clearly specified in the tender document. The tender documents shall specify factors, in addition to price which may be taken into account in evaluating tenders and how such factors may be quantified or otherwise evaluated. Also Reg. 203 (2) of PPR, 2013 requires tenders to be comparable among themselves in order to determine the lowest evaluated cost for procurement of goods, works or services.

During assessment of tender evaluation and contract award process, I noted that nine Public entities disqualified some of the bidders to contracts involving a total amount of TZS 13.37 billion from competition of tenders on weak grounds such as non-submission of documents despite enclosing the documents in the bids and unequal determination of minor deviations from requirements. Elimination of bidders without justifications, is contrary to the above cited law and regulation. List of entities is presented in **Table 32.**

Table 32: List of Contract Evaluated Unfairly

S/N	Entity Name	Tender No.	Contract Amount (TZS) "Million"
1	Tanzania Electric Supply Company Limited	PA/001/2019-20/HQ/G/50	622.42
		PA/001/2020-21/LZN/G/28	225.28
2	Mbeya University of Science and Technology	PA/047/2020-2021/G/24	8,915.70

S/N	Entity Name	Tender No.	Contract Amount (TZS) "Million"
3	National Insurance Corporation	PA/069/HQ/2020-2021/G/37	149.62
4	Fair Competition Commission	IE/026/2020-2021/HQ/G/08	52.09
5	Kilimanjaro Airport Development Company Limited	PA/116/2020-2021/KADCO/NCS/05	32.40
6	Tanga Urban Water Supply and Sanitation Authority	AE/048/2020-2021/W/38	1,996.39
7	Workers Compensation Fund	IE/046/2020-21/HQ/N/13	128.18
8	Public Service Social Security Fund	PA.155/2020-2021/HQ/W/05	539.55
9	Tanzania Posts Corporation	PA/091/2020-2021/HQ/NCS/04 & 06	706.37
	Total		**13,368**

Source: *Management Letter 2020/21*

Unfair evaluation of tender and removal of bidders could result in a loss of public monies that could have been used to implement other development activities in case of removal of lowest bidders, but also, limit the principles of procurements which emphasize on the importance of integrity, accountability, fairness and transparency in the procurement process under such circumstances value for money may hardly be achieved in those contracts.

I recommend that PA & oBs comply with Sect. 72 of PPA, 2011 and Reg. 203 (2) of PPR, 2013 during evaluation and contract awarding process to enhance fairness and transparency and value for money and avoid loss of public monies through procurement of substandard goods or services.

8.14 Procurements Made Outside the Budget and Annual Procurement Plan (APP) TZS 49.27 Billion

I noted execution of 32 contracts amounting to TZS 49.27 billion in five PA & oBs was neither budgeted nor included in the Annual Procurement Plan (APP) as required under Regulation 69 (3) and (7) of the Public Procurement Regulations, 2013 (as amended in 2016) **(Table 33).**

Table 33: Procurement Made Outside the Budget and APP

S/N	Entity Name	Number of Contracts	Amount (TZS) "Million"
1	Medical Stores Department	6	43,984.55
2	Iringa Urban Water Supply and Sanitation Authority	10	3,699.99
3	Tanzania Library Services Board	7	1,059.37
4	Korogwe Water Supply and Sanitation Authority	4	393.9
5	Tanzania Forestry Research Institute	5	132.45
	TOTAL	**32**	**49,270.26**

Source: *Management Letter 2020/21*

The number of entities affecting procurements outside the budget has increased from one entity in 209/20 to three 2019/2020 I reported one entity but in the financial year 2020/21 there three entities. The deficiency is largely attributed to unplanned urgent requirement of goods and non-compliance with budgetary controls.

In my view, execution of unplanned procurement activities could lead to unrealised intended objectives of the planned projects as some of the planned procurements could not be implemented and value for money on these procurements might not be achieved.

Further, the review of tender and awarded contracts noted 19 contracts were signed and executed in seven PA & oBs, however, the contract sum has contracts exceeded the budgeted and approved amount in the annual procurement plan. The respective contracts were in excess by TZS 11.68 billion as shown in **Table 34.**

Table 34: Procurement with Contract Amount that Exceed the Approved Budget

S/N	Entity Name	No of Tender	Amount Budgeted "Million"	Contract (TZS) "Million"	Difference amount (TZS) "Million"
1	Mbeya University of Science and Technology	1	4,999.70	8,915.70	3,916.00
2	Tanzania Electric Supply Company Limited	1	4,800.00	8,081.76	3,281.76
3	Tanga Water Supply and Sanitation Authority	5	6,615.64	9,006.38	2,390.74

S/N	Entity Name	No of Tender	Amount Budgeted "Million"	Contract (TZS) "Million"	Difference amount (TZS) "Million"
4	Dodoma Urban Water Supply and Sanitation Authority	4	0	985.62	985.62
5	Muhimbili University of Health and Allied Sciences	4	2,279.96	2,847.03	567.07
6	Dar es salaam Water Supply and Sanitation Authority	3	2,409.67	2,929.48	519.81
7	Tanzania Biotech Products Limited	1	14	36	22
Total		**19**	**21,118.97**	**32,801.97**	**11,683.00**

Source: *Management Letter 2020/21*

I recommend that the respective public entities, ensure that all procurements made emanate from the approved Annual Procurement Plan in line with Regulation 69(3) of the PPR, 2013 to avoid unplanned expenditures and enhance achievement of procurement objectives.

8.15 Loss due to Inadequate Planning of Projects TZS 9.18 Billion

Marine Services Company Limited (MSCL) entered into two different contracts on 03 September 2018 which were contracts No.PA/115/2016/2017/MSCL/G/01 (LOT 2) with M/s STX Engine Co. Ltd (Leader) and M/s Saekyung Co. Ltd (Partner) for construction of Slipway at a contract price of USD 15.81 million equivalent to TZS 35.80 billion. Its expected completion date was on 15 March 2020. Also contract No. PA/115/2016/2017/01 (LOT 1) with M/s Gas Entec Co. Ltd in Joint venture with M/s Kang Nam Corporation and SUMA JKT, with contract of USD 39 million equivalents to TZS 88.29 billion for building a new Vessel in Lake Victoria. The contract started on 17 January 2019 and was expected to be completed on 17 January 2021.

I learnt that during the meeting held on 20 April 2018 between M/s GAS Entec Co. Ltd and MSCL it was agreed that commencement of Ship construction (LOT 1) by GAS Entec Co. Ltd will be after completion of Slipway construction on 15 March 2020. However, it was delayed for five months from 01 April 2020 to 30 August 2020 due to incomplete construction of slipway as it was lacking bollard erecting and safety stoppers which were not installed in the slipway. Thus, it resulted in a claim of USD 3.43 million equivalent to TZS 7.76 billion by contractor M/s Gas Entec Co. Ltd which made addendum to contract to the total of USD 42.43 million equivalent to TZS 96.05 billion on contract No. PA/115/2016/2017/01 (LOT 1).

In addition, MSCL had a contract No. PA/115/2019/2020/MSCL/C/01 with M/S OSK Ship Tec A/S signed on 16/10/2020 at a contract of USD 1.07 million equivalent to TZS 2.44 billion for duration of 12 months in respect of consultancy services for supervision of passenger ship construction under contractor M/s GAS ENTEC CO LTD. However due to extension of contract from 17 January 2021 to 30 September 2022 for ship building, caused additional consultancy service, which attracted additional cost of TZS 1.42 billion

In my view, the additional cost amounting to TZS 7.76 billion and TZS 1.42 billion on projects is loss to the Government which is attributed to inadequate planning over projects implementation and delay in completion of construction works specifically the construction of slipway.

I recommend that Marine Service Company Limited ensure detailed plan is performed on each project to avoid misappropriation of the public funds and unnecessary extension of completion time.

8.16 Weaknesses noted in Procurement of Sugar Factory Plant at Mkulazi Holding Company Limited (MHCL)

a) Lack of Justifications for Involving TANROADS in Procurement of the Factory Plant

Management of MHCL provided no justifiable reasons for selecting TANROADS to carry out the procurement on behalf of Mkulazi since the experienced entities in procuring on behalf of other Government institutions are done by either TEMESA or GPSA.

b) MHCL did not Carry Out Procurement Functions Stated in the MoU

As per MoU, TANROADS was supposed to carry out the procurement process until the tender award to the bid winner, and signing was to be done by MHCL. However, I noted that TANROADS did the whole procurement process. There was no evidence that MHCL was involved in preparing requirements, specifications, and bill of quantities (BOQ) for the design, supply, installation and commissioning of Turnkey Sugar Factory (with Refinery) before the invitation for tenders as stipulated in MOU.

c) Weaknesses noted in Signing and Management of Contract

While the MoU required MHCL to sign the contract, I noted that the MOU was amended to give signing powers to TANROADS, and on 23 October 2019, TANROADS entered into an agreement No. TRD/HQ/1021/2019/20 with the Supplier for design, supply, installation and technology and commissioning of 2500 TCD of the factory plant at a contract price of USD 50.86 million-plus the provisional sum of TZS 11.74 billion inclusive of all duties and all other local taxes. I have not obtained evidence that the contract was vetted by the Attorney General as required by Regulation 59(1) of the PPR, 2013. In addition, MHCL had no contract supervision role over the project, and the project is managed and supervised by TANROADS. As such, payments to that effect is done by NSSF after receiving a payment certificate from TANROADS.

Non-compliance with procurement procedures was caused by inadequate procurement planning and budgeting, lack of transparency in tender preparations, solicitation, evaluation and awarding. These deficiencies pose risks such as procurement of plants that do not meet required standards, inflated prices, delayed delivery of procured plant and the failure to not achieve value for money.

I recommend that Mkulazi, in collaboration with TANROADS (a) ensure contract implementation is supervised to ensure the factory plants are delivered within the stipulated timelines and

budget and (b) have proper procedures on payment documentation that allow transparency for both parties.

CHAPTER 9

TAX COMPLIANCES IN PUBLIC ENTITIES

9.0 Introduction

Public Authorities and Other Bodies (PA & oBs) are required to comply with Tanzania Tax laws, including The Income Tax Acts, Cap.332 [R.E 2019], Value Added Tax, Cap.148 [R.E 2019] and Tax Administration Act, 2015.

Tanzania Revenue Authority (TRA) is mandated to administer and give effect to the laws or the specified provisions of the laws, and for this purpose, to assess, collect and account for all revenue to which those laws apply.

Tanzania Revenue Appeal Board (TRAB) is mandated to hear and determine all tax appeals arising from Revenue Laws administered by the TRA. Besides, Tanzania Revenue Appeal Tribunal (TRAT) is mandated to hear and determine all tax appeals arising from the decision of the TRAB.

This chapter highlights compliance issues with tax laws and deficiency in management of tax litigations as follows: -

9.1 Non-charging of Tax on Staff allowances at TANESCO TZS 17.40 Billion

Sect. 7 (1) of the Income Tax Act, Cap 332 (R.E 2019) provides that, an individual's income from an employment for a year of income shall be the individual's gains or profits from the employment of the individual for the year of income.

Further, Sect. 7 (3) (k) of the same Act, provides that in calculating an individual's gains or profits from an employment, the allowances that are excluded (non-taxable allowances) are housing allowance, transport allowance, responsibility allowance, extra duty allowance, overtime allowance, hardship allowance and honoraria payable to an employee of the Government or its institution whose budget is fully or substantially paid out of Government budget subvention.

However, upon review of employees' monthly Pay As You Earn (PAYE) for permanent, contracted and temporary employees of TANESCO for the year ended 30 June 2021, I noted un-taxed staff allowances amounting to TZS 61.64 billion (being TZS 53.57 billion for permanent staff and TZS 8.07 billion for temporary staff) which were gains to the employees. This is contrary to the Income Tax Act as referred to above which resulted in non-remittance of PAYE to TRA TZS 17.40 billion (being TZS 15.50 billion for permanent staff and TZS 1.90 billion from temporary staff).

Non-Payment of PAYE denies the Government its funds in form of taxes and TANESCO could be penalised by TRA for the underpayment of PAYE.

I recommend that TANESCO ensures all allowances which are entitled and paid to employees are subjected to taxes as per the provisions of the Income Tax Act, Cap 332, and (R.E 2019).

9.2 Non-payment of Various Taxes to TRA TZS 90.08 Billion

Sect. 84 (1) of Income Tax Act, 332 (R.E. 2019) requires every withholding agent to pay to the Commissioner within seven days after the end of each calendar month any income tax that has been withheld.

Sect. 14 (1) of VETA Act, 2015 states that "subject to the provisions of this Part, there shall be charged, levied and payable to the Commissioner at the end of every month, from every employer who has in his employment four or more employees, a levy to be known as the skills and development levy".

In the course of audit, I noted 12 PA & oBs deducted Value Added Tax (VAT), Pay As You Earn (PAYE) and Skills Development Levy (SDL), but did not remit the deducted taxes and income tax payable on instalment to TRA (**Table 35).**

Table 35: Taxes and SDL not Remitted to TRA

Name of Entity	Corporate Tax-TZS' Million	VAT TZS (Million)	Withholding Tax TZS (Million)	Income tax on Instalment TZS (Million)	PAYE TZS (Million)	SDL TZS (Million)	Total TZS (Million)
Air Tanzania Company Limited	1,643				13,414	3,933	18,990
Tanzania Railways Corporation					20,400	13,200	33,600
Tanzania Posts Corporation		19,782		15		8,011	27,808
Muhimbili Orthopaedic Institute					134		134
DAWASA		2,109	210			1,456	3,774
National Construction Council			1.09				1.09
Tanzania Agricultural Development Bank					609		609
Kariakoo Market Corporation							2,126
Universal Communication Service Access Fund			1.59				1.59
Electrical Transmission and Distribution Construction and Maintenance Company (ETDCO)					145.86		145.86
Tanzania Concrete Poles Manufacturing Company Limited (TCPM)					45.81		45.81
TIB Bank	2,840						2,840
Total	**4,483**	**21,891**	**212.68**	**15**	**34,748.67**	**26,600**	**90,075**

Source: *Management letters of respective entity*

Accumulation of long unpaid taxes increases the risk over growing tax liabilities due to augmentation increase in interest and penalties.

I recommend that the respective PA & oBs (a) comply with all relevant tax laws and (b) comply with Vocational Education and Training Act, 2015; and (c) ensure outstanding PAYE and SDL are paid without further delay.

9.3 Sales and Payments Made Without Evidence of EFD Receipts TZS 2.11 Billion

Reg. 28 (1) of the Income Tax (Electronic Fiscal Device) Regulation 2012, states that "Every purchaser shall demand and retain the fiscal receipt or invoice in his possession and shall upon a request made by the Commissioner or any officer authorised by the Commissioner, produce the said receipt to the Commissioner or such authorised officer. Sub-regulation (2) states that "every person having demanded a fiscal receipt or fiscal invoice upon obtaining goods or services and is denied the said receipt or invoice, shall immediately report to the Commissioner through the quickest means of such incident".

My review of sales and payments made to various customers and suppliers, found seven PA & oBs made sales and payments amounting to TZS 2.11 billion without issuing/demanding the EFD receipts (**Table 36).**

Table 36: Payments made without Demanding EFD Receipts from Suppliers

S/n	Name of the Entity	Description	Amount TZS (Million)
1	Tanzania Biotech Products Ltd	Sales	1,103.79
2	Tanzania Posts Corporation	Payment to suppliers for goods	504.00
3	Morogoro Urban Water Supply and Sanitation Authority	Payment to suppliers of goods and services	347.62
4	Mbeya Urban Water Supply and Sanitation Authority	Payment to supplies from goods and services	72.20
5	Tanzania Coffee Board (TCB)	Payment for supply of services	57.47
6	Vocational Educational and Training Authority	Payment to suppliers, contractors and other service provider	15.75

S/n	Name of the Entity	Description	Amount TZS (Million)
7	Co-Operation Audit And Supervision Corporation (COASCO)	Payment in respect of repair and maintenance of motor vehicles	12.18
Total			2,113.01

Source: *Management letters for financial year 2020/21*

Failure to issue or demand EFD receipt could lead to financial losses in form of interest and penalties imposed by Tanzania Revenue Authority (TRA). Reg. 24 of the Income Tax (Electronic Fiscal Device) Regulations, 2012 provides that any person who fails to demand and retain a fiscal receipt or fiscal invoice or fails to report a denial of issuance of the receipt or invoice commits an offense and upon conviction is liable for payment of twice of the amount of the tax evaded. By not demanding an EFD receipt the PA & oBs assists suppliers in evading taxes.

I recommend that the respective PA & oBs ensure they demand or issue EFD receipts on all sales and payments.

9.4 Inappropriate Use of the Same TIN and VRN Between TTCL and National Information and Communication Technology Broadband Backbone Infrastructure (NICTBB)

Para 4.13 of the TTCL's Financial Regulations, 2018 requires all payments, particularly to outside parties to be supported by a claim in the form of tax invoice, work order, or goods receipt note. Further, Sect. 23(2) of the Tax Administration Act (R.E 2019) states that "a taxpayer identification number shall not be transferred or used by another person".

During my audit of financial year 2019/20, I learnt that NICTBB invoiced TTCL for ICT capacity management TZS 2.59 billion by using the invoice that had the Taxpayer Identification Number (TIN) and VAT Registration Number (VRN) similar and the same as those used by TTCL. This was caused by the fact that TTCL and NICTBB use the same TIN and VRN, which is contrary to the section cited above. The uses of the same TIN and VRN nullify the legitimacy of the invoices and may lead to misstatement of reported payable balance in the financial statements.

I recommend that TTCL ensures the Corporation TIN and VRN numbers are not used by NICTBB in order to comply with tax laws and to avoid misstatement in tax returns and figures reported in the financial statements.

9.5 Pending Cases in Tribunal TZS 17.48 Billion

My review of contingent liabilities at TTCL noted that TTCL had various objections against tax assessment made by TRA from 2001 to 2021 amounting to TZS 17.48 billion which were filed in Tanzania Revenue Appeal Board and Tribunal as indicated in **Table 37.**

Table 37: Pending Cases Filled by TTCL Against Assessment Made by TRA

S/N	Description	Amount TZS (Million)	Status
1	Corporate tax assessment for 2001	6,288.42	TRA Tax appeal No. 25 and 26 of 2009
2	Corporate tax assessment for 2002	2,200.82	
3	Corporate tax assessment for 2003	3,926.04	TRA Tax appeal No. 53, 54 and 55 of 2009
4	Corporate tax assessment for 2004	1,448.18	
5	Corporate tax assessment for 2005	522.21	
6	Demand notice issued by TRA in 2006 for Withholding tax in respect of payment to Intelsat	1,600.00	TTCL filed an objection.
7	Indirect tax assessment issued by TRA in respect of taxes and levy from 2009 to December 2011 (withholding tax, SDL & VAT)	773.00	The Corporation has filed an objection against these assessments.
8	Demand notice issued by TRA on 4 March 2015 request payment of Withholding tax for the payment made on roaming cost from 2011 to 2014	725.85	On 24 April 2015, the Corporation submitted a letter of objection to the Tax Revenue Appeals Board through appeal No. 95/2005 and the matter is pending hearing.
	Total	**17,484.52**	

Source: *Audited financial statement for financial year 2020/21*

I am of the view that these objections have stayed for a long period ranging from six to 20 years.

I recommend that Tanzania Revenue Appeal Board and Tribunal ensures that cases are timely resolved to avoid keeping pending legal cases with huge amount for long. Further, TTCL should review assessment and ensure that liabilities were settled in time to avoid unnecessary cases with TRA.

CHAPTER 10

REVIEW OF INVESTMENT IN PUBLIC ENTITIES

10.0 Introduction

Tanzania had developed a Five-Year Development Plan (FYDP II) of 2016/17- 2020/21 which provides a comprehensive roadmap emphasizing the use of Special Economic Zones (SEZs), One-Stop Centres and Trade Fairs where the impact of promoting investment and trade is fully realized. Further, FYDP II maps all activities to be performed by Public Authorities with a mandate to promote, facilitate and coordinate investments in Tanzania.

The Government has established different institutions with the mandate to promote, facilitate and coordinate investment in different perspectives such as research, manufacturing, trading, technology, innovation, agriculture, and industrialization.

In this chapter, I highlight deficiencies noted in operation of Public Authorities with mandate to promote, facilitate and coordinate investments in Tanzania.

I also address the performance and operational review of investments (Companies, Subsidiaries, and Joint ventures) owned by Public Entities.

Additionally, I found deficiencies in Asset Management which could have been used for investment purposes. These anomalies need close follow up by respective PA & oBs. Details of deficiencies are provided below:

10.1 Operational Review of Public Entities Mandated to Promote, Facilitate and Coordinate Investments in Tanzania

Public entities play crucial roles in respect to promotion and enhancement of Investment in Tanzania. The entities include Export Processing Zone Authority (EPZA), Centre for Agricultural Mechanization and Rural Technology (CAMARTEC), Tanzania Commission for Science and Technology (COSTECH), Small Industries

Development Organization (SIDO), and Tanzania Investment Centre (TIC).

From the review of operations of these entities I noted the following deficiencies:

10.1.1 Presence of Unfavourable Investment Climate

An unfavourable investment climate is among hindrances faced by developing nations. Regulatory reforms are often key components to removing barriers to investment.

According to the "Easy of doing business report, 2020" produced by International Finance Corporation (IFC), part of the World Bank Group, Tanzania was ranked in a position 141 out of 190 countries. According to this report, for the past five years, from 2015 to 2020, Tanzania dropped by 8% in creating friendly business friendly environment. The position is below the projected top 100 position rank by 2020 as stipulated in the Five-Year Development Plan II (2016/17 – 2020/21).

Tanzania undertakes various initiatives to enable favourable investment climate in the country. However, during the review of Tanzania Investment Centre (TIC) operations, I noted the following deficiencies which derails conducive investment environment in the country;

i. Under-utilization of Online and Visual Platform to Promote Investments

The reviewed information on TIC's initiatives in promoting investment opportunities through online platforms indicates that the Centre is not fully utilising the online platforms as follows: the Centre had produced only one Swahili investment promotion video documentary aired in November 2017; the Centre had not uploaded Client Service Charter in the Tanzania Investment Window (TIW) system for stakeholder's awareness; and the centre's service pack guide for permits, licence and registration requirements were not published on the Centre's website.

I am of the view that optimal utilisation of online and visual platforms has significant impact on propelling investment in the country.

I recommend that TIC increase utilisation of online and visual platforms in collaboration with other stakeholders in order to enhance investment promotions.

ii. Constraints in Awarding Strategic Investment Incentives and Benefits to Investors

To promote and create a predictable investment climate, Sect. 19 and 20 of Tanzania Investment Act, Cap 38 (R.E 2015) as amended by Sect. 19 and 20 of Public Finance Act, 2015 allows award of incentives to investors and additional benefits to a strategic or major investment by order published in the Gazette issued by Minister of Finance and Planning following the National Investment Steering Committee recommendations.

I reviewed the incentive award and additional benefits to prospective investors as at 30 June 2021 and noted that, 19 investments approved by National Investment Steering Committee for additional benefits from the year 2015 were not gazetted to finalize and legalize benefit awarded. This implies a delay of six years.

I further noted that, six investors who filed strategic benefit applications in June 2020 had not received feedback up the time of audit in November 2021.

TIC commented that the Minister of Finance and Planning is limited or restricted to award tax incentive in excess of what is allowed by respective principal tax Acts (Income Tax Act and Value Added Tax). The Centre is planning to file a request for amendments of such Acts so as to reduce or relax the restrictions and limitations imposed by the respective Principal Tax Acts.

I am concerned that delayed award of benefits to either strategic or major investments, discourages investments and hinders economic growth.

I recommend that TIC, in consultation with respective Authorities, resolve the existing constraints and speed up award of additional benefits to the qualified investors.

10.1.2 Inadequate Management and Utilisation of Research and Technology

Technology and research make production processes more efficient, thereby increasing the competitiveness of countries and reducing their vulnerability to market fluctuations, structural change and similar benefits.

My review on operations of COSTECH and CAMARTEC noted the managements were inefficient in utilization of research and technology as highlighted below:

i. Absence of Technology and Technology Transfer Contract Register

Sect. 15(1) of Tanzania Commission of Science and Technology Act, 1986 requires COSTECH to establish a National Centre for the development and transfer technology. However, COSTECH did not maintain a register of imported technology, domestic technological resources and technology transfer agreements.

I am of the view that, in the absence of a register for imported technology and domestic technology transfer agreement the country cannot have accurate database and information to determine the level of technology advancement, and the required technology to support the economy.

I recommend that COSTECH establishes and maintains research and technology register of imported technologies, domestic technological resources and all technological transfer agreements.

ii. Non-Transferring and Protection of Developed Technology and Innovation

CAMARTEC is mandated under Sect. 4 of Centre for Agricultural Mechanization and Rural Technology Act, 1981 to carry out, and promote applied research designed, facilitates the designing, adaptation and development of machinery and equipment suitable for agriculture and rural development.

I noted that the Centre developed various Agricultural machinery and prototypes equipment such as tractor, disc plough, disc harrow, cultivators, planters, etc. However, innovation and technologies were not transferred to the public/users for adaptation due to a lack of business modules and insufficient funds. The inability of the Centre to transfer invented technologies hinders agricultural mechanisation to the rural area, thus discourage the quality of rural life through the development, and implementation of appropriate agricultural technologies.

I recommend that CAMARTEC in collaboration with respective Authorities seek funds and develop business models to facilitate technological and innovation transfers to the public.

10.1.3 Exported Goods Under EPZ Being Below 80% of the Production

Export Processing Zone license issued under Sect. 5 of the EPZ Act Cap. 373 (R.E 2012) requires the holder to export at least 80% of the produced goods. However, my review of production to export ratio for the period of three years noted that EPZA exported between 48% and 64% of produced goods mainly due to international market competition and the East Africa Union market being regarded as local market. **(Table 38).**

Table 38: Exported Produced Goods

Detail	2018/19	2019/20	2020/21
Value of Produced Goods (USD' 000)	14,935	14,840	18,526
Value of Exported Goods (USD' 000)	7,139	9,424	11,633
Export to Production Ratio (%)	48	64	63

Source: *EPZ Summary of Export Reports of 2018/19, 2019/20 and 2020/21*

I am concerned about the exportation of goods below 80% of production impedes projected economic growth through EPZ and the Government loses funds which it would have reaped back from the granted economic incentives which includes remission of custom duty, value added tax and any other tax charges on raw materials and goods of capital nature.

I recommend that EPZA in collaboration with respective Authorities ensure that awarded licence holders export at least 80% of produced goods.

10.1.4 Underutilization and Encroachment of Designated Industrial and Economic Zone Areas

My review of SIDO strategic plan (2019/20 - 2021/22) revealed plots 70% designated as industrial estate areas were not developed, as a result Micro, Small and Medium Industries operate in unplanned and unauthorized areas.

SIDO management explained that underutilization of areas is caused by low allocation of requested development budget. For instance, during the financial year 2020/21 the organization requested a development budget of TZS 21.09 billion, of which TZS 4.60 billion (22%) was approved. Out of TZS 4.60 billion, only TZS 1.7 billion (37%) was released.

For the financial year 2020/21, EPZA had 24 designated Special Economic Zones in the form of industrial and commercial parks. Out of which, six zones were operational, 15 were in various development stages, whereas three are non-operational.

Moreover, during the site visit to the Kurasini Special Economic Zone Centre for trade and logistic, currently, development stage, I noted that, the area had been encroached by local community who conduct without an approval of EPZA. The encroached area was used as car parking slots and local garages.

The underutilization and encroached of designated industrial and special zone areas prevent the Government from realisation of projected benefits from investment.

I recommend that (a) EPZA take appropriate measures to protect encroached areas at Kurasini Special Economic Zone Area; and (b) the Government to relocate sufficient funds for EPZA and SIDO

draw an action plan to ensure economic zones and industrial areas were developed.

10.2 Performance and Operational Review of Investments (Companies, Subsidiaries, and Joint ventures) Owned by Public Entities

My review of operations and performance of investments (companies, subsidiaries and joint ventures) and properties owned by public entities noted the following deficiencies: -

10.2.1 Delayed in Production Commencement for Industries Owned By Public Entities

My review on the development and operation of public owned industries by NSSF, PSSSF, NHIF, WCF noted delays in production commencement for the following industries;

(i) Mkulazi Holding Company

Mkulazi Holding Company Limited (MHCL) is a subsidiary company of the NSSF (96%) and Prison Corporation Sole (PCS) (4%). Mkulazi Holding Company Limited is implementing two sugar projects (Mkulazi Estate and Mbigiri Estate) which targets to produce 250,000 metric tons of sugar per annum.

According to revised Mkulazi Strategic Plan (2020/21 -2025/26), Mbigiri Estate was supposed to start production in 2021 season and attain production of 15,234 MT of sugar by 2022 season; Mkulazi Estate is planning to commence production in 2023 season and attain production of 31,098 MT of sugar by 2024 season.

However, in the course of audit I noted that as of 26 February 2022 the installation of factory machines at Mbigiri estate was in progress at 13.80% degree of completion, and construction of farm infrastructure for Mkulazi Estate was also in progress.

MHCL explained that, delayed installation of factory machines was caused by COVID 19 pandemic which delayed timely delivered of procured machines and factory installation consultants.

Moreover, I found that because of delayed in construction and installation of sugar factory machines, MHCL sold harvested sugarcane. For instance, for the financial year 2020/21 the Company harvested 382 hectares of sugarcane and sold of 32,121.60 MT of sugarcane for TZS 1.16 billion.

(ii) Mamba Miamba Ginger Factory

In 2016, LAPF (now PSSSF) agreed with Mamba Ginger Growers Rural Cooperative Society to revamp and modernise the ginger factory at Mamba-Miamba Village at Same District which was at hold due to technological constraints.

The Memorandum of Understanding (MoU) between Mamba Ginger Growers Rural Cooperative Society and PSSSF signed on 1 September 2020, details that PSSSF owns 67% shareholding and Mamba Ginger Growers Rural Cooperative Society owns 33%.

As at 30 June 2021, PSSSF had spent TZS 1.71 billion on the factory revamping, and other management activities. However, I learnt that, as of November 2021 the factory was yet to commence production because of delayed installation of factory machinery which were not delivered as of November 2021.

PSSSF attributed the delays in factory installation to delays in shipment of ginger processing machinery from manufacturer in China due to Covid 19 lockdowns in China.

(iii) Simiyu Medical Product Factory

On 11 November 2016, Simiyu Regional Administrative Office, NHIF, WCF, MSD, TIB Development Bank, TIRDO, TBS and TMDA (formally TFDA) signed a Memorandum of Understanding (MoU) for establishment of a cotton based medical products factory at Dutwa, Bariadi. According to the feasibility study conducted by Tanzania Industrial Research and Development Organization (TIRDO) the project cost is TZS 69.21 billion equally shared between the parties.

On 13 June 2018, WCF and NHIF registered a special joint company, namely Simiyu Medical Products Company Limited to operate the factory. The request for the factory establishment approval was made to Ministry of Finance and Planning (MoFP) on 26 June, 2019. However, I noted that as of November 2021, the factory had not commenced production pending the MoFP approval.

Moreover, I noted that as at 30 June 2021, both NHIF and WCF had equally spent TZS 915 million for the factory development. The cost covered preliminary expenses which included meeting expenses, and feasibility studies.

(iv) Mponde Tea Factory

In January 2016, the Government repossessed previous privatized Mponde tea factory located in Lushoto-Tanga from Samara Tea Growers Association (UTEGA) after UTEGA failed to operate the factory.

Through the Treasury Registrar initiatives, in September 2019, WCF and PSSSF entered into an agreement to revamp the Mponde Tea Factory. As per feasibility study, the required capital for the project was TZS 4.05 billion, and the factory shareholding is 50% for each partner (WCF and PSSSF).

In the course of audit, I noted that, in March 2021 the Government granted the permit for the construction of the factory. However, as of November 2021 the factory had not commenced production due to pending procurements of revamped machines, electrical water systems repair, and building renovation.

As at 30 June 2021, parties had spent TZS 64.00 million to finance the factory development preliminary expenses which included meeting and travelling costs.

Delayed production of these industries impact achievement of the Second Five Year Development Plan (FYDP II) 2016/17 – 2020/21 objective of transforming the economy through industrialization.

I recommend that Funds (PSSSF, WCF, NHIF and NSSF) expedite production commencements of the established/acquired industries by fast tracking procurements of plants and machinery,

and the Ministry of Finance and Planning should consider granting factory development permit to Simiyu Medical Product Factory.

(v) Introduction of Idofi Gloves Industrial Park Without Proper Feasibility Study and Business Case

My review of minutes of the 157^{th} Extraordinary MSD Board of Trustees Meeting noted that the Board raised concern on the feasibility study of the proposed Idofi Gloves Industrial and directed MSD to explicitly state their capacity in terms of financial, technical, technology and identify the source of 10% of raw materials for production from internal sources. Despite the Board's concern, I was not availed with the revised feasibility study that take into account the concerns raised by the Board. It is also my concerns that without a comprehensive feasibility study the operationalisation of Idofi Gloves Industrial Park will not be attained as planned.

I further noted that MSD feasibility studies report of September 2020 on introduction of Idofi industrial park did not provide justification for the project and lacked the road map to evaluate the business benefits, costs and risk. MSD might have lacked adequate justifications for undertaking the project, thus led to non-achievement of the project's objectives.

In addition, MSD did not consider the critical issue of distance from the port (which is approximately 565 km from Dar es salaam port), availability of raw materials which is not yet identified by management and source of power including electricity and accessibility of the natural gas which could shoot up final prices of the products.

Apart from the planned industry, it was revealed that MSD owns land at Kibaha Municipal which could otherwise be used (if the proper business analysis was conducted) instead of Idofi village in order to reduce the transportation cost and be in a place where the sources of power (electricity and natural gas) are reliable.

I further noted that MSD did not plan and budget for the construction of Idofi Industrial Park during the year 2020/21. However, I noted up to 30 September 2020, TZS 9 billion was spent by MSD for constructions of Idofi Gloves Industrial Park. The amount spent in the gloves project' was part of TZS 16.32 billion funds received from Government to settle the MSD supplier's previous debts and procurement of medicines and medical equipment. Up to 30 September 2021, there was no approval from the Paymaster General for the reallocation of TZS 16 billion which was received for development activities. In the absence of budget, the funds utilised for Idofi can be used for unintended commitments.

I recommend that MSD (a) re-visit the feasibility study of the project and determine whether it is economically viable to set up the huge manufacturing plant at Idofi; (b) seek approvals from the Paymaster General on re-allocation of funds received from the Government for development activities before spending; and (c) ensure request for funds to finance MSD industries is made to the Government instead of using own funds as by doing so it will reduce its capital base and affect the supply of medicines and medical equipment in the country.

10.2.2 Inadequate Management of Joint Venture, Subsidiaries and Associates Owned by Public Entities

a) Disputed Capital Addition at APC Investment Centre

On 2 February 2015 by then GEPF now PSSSF entered into a Joint Venture Contract with National Board of Accountants and Auditors (NBAA) for the completion and operation of APC Investment Centre. The agreement stipulates that, profit generated should be shared at 80% based on ownership status and 20% should be kept as reserve to run the business. PSSSF had invested TZS 9.93 billion which represent 55.3% of ownership, while NBAA had invested TZS 8.02 billion which represent 44.7% of ownership.

APC Investment Centre had been making loss for the past three years (2018/19-2020/21), and during the financial year 2020/21 the Centre reported a loss of TZS 2.35 billion (TZS 5.17 billion: 2019/20). Loss making trend pose a risk on recovery of the invested amount to PSSSF and NBAA.

I noted that, in November 2010 NBAA borrowed TZS 15 billion from NSSF which was guaranteed by the Government for the construction of APC Investment Centre however because of financial constraints in servicing the loan, NBAA required the loan to be recognized as equity contribution to NSSF upon registration of NSSF as new member. However, PSSSF rejected the arrangement on the grounds that NSSF is not part of the joint venture and additional funds will reduce PSSSF's shareholding while it was not involved in borrowing the sum from NSSF and thus only NBAA's shareholding should be affected by the proposed new equity.

I recommend that PSSSF and NBAA expedite resolution of the disputed additional funds for both parties, to realise the required returns and shareholding from the investment made.

b) Payment of Dividend in Excess of Profit Made

PPF-DCC is an investment company owned jointly by PPF (currently PSSSF) and Dar es Salaam City Council (currently Ilala City Council). The Company's principal activities are ownership, development and renting of property along Morogoro Road Dar es salaam.

Para 126 of PPF-DCC Company's Article of Association approved on 23 April 2014 provides that, the Company in General Meeting may from time to time declare dividend to be paid to the members according to their rights and interests in the profits, but no dividend shall be declared in excess of the amount recommended by the Board.

The PPF-DCC Board of Directors through its meeting held on 30 October 2020, under agenda item, declared dividend of TZS 200 million to its shareholder for profit realised during the financial year 2018/19.

I noted that the PPF-DCC's financial statements for the financial year 2018/19 reported a profit of TZS 183.9 million and therefore the declared dividend was in excess of reported profit for the year.

Moreover, I noted that PPF-DCC had reported loss of TZS 107.83 million and TZS 60.37 million for the financial years 2020/21 and 2019/20 respectively.

I am concerned that, declaration of dividend in excess of reported profit while the company had reported loss in previous years reduced the Company's profit reserve which is essential for the company to maintain a favourable equity ratio. Also, payment of dividend reduces the company cash flow position.

I recommend that PPF-DCC management ensure that declared dividends do not exceed the reported profit for the year, and develop strategies to reduce the loss-making trend of the Company.

10.2.3 Challenges hindering Commencement of Concrete Poles Production Factory owned by TANESCO

TANESCO aimed to reduce infrastructure maintenance costs through use of concrete poles rather than the wooden poles which were imported at higher price or purchased at low qualities. Consistent with aforementioned, TANESCO established a company namely Tanzania Concrete Poles Manufacturing Company Limited (TCPM) which was incorporated on 16 December 2014 for the purpose of manufacturing concrete poles in Tanzania.

My review on the operation of TCPM noted that, the company had not commenced production since establishment in the year 2014. The delayed operations of TCPM were caused by the following challenges.

(i) Non disbursement of Factory Construction Funds

According to TCPM establishment plan dated 7 February 2014 the construction of seven concrete poles factories required a total amount of TZS 8.79 billion. This means the estimated cost for construction of one factory was TZS 1.26 billion. Based on this plan, I noted that TANESCO did not inject funds for the construction of these factories as per estimated costs.

Furthermore, based on the letter of 04 November 2020 with Ref No. TCPM/GM/EXTN-L/11/2020 addressed to TANESCO, I noted Tanzania Concrete Poles Manufacturing Company Limited requested TZS 8.59 billion being an estimated cost for the construction of one factory.

However, despite efforts made by Tanzania Concrete Poles Manufacturing Company Limited in requesting the funds from TANESCO, no responses were received from TANESCO and up to the time of audit in December 2021, no funds had been received for construction of the factories.

Thus, I am of the view that delays in the execution of the plan led to an increase in estimated factory construction cost from TZS 1.26 billion to TZS 8.59 billion, which is an increase of TZS 7.33 billion (582%). Also, non-disbursement of factory construction funds hinders execution of TCPM's core establishment objective.

I recommend that TANESCO devise strategies for funds mobilization and disburse them for the factory construction.

(ii) Proposed Establishment of Joint Venture with Private Company on Concrete Poles Production

Following non commencement of concrete poles production by Tanzania Concrete Poles Manufacturing Company Limited (TCPM), TANESCO entered into a five-year contract with M/s Derma Electrics (T) Limited & Foshan Nanhai Cement Products (manufacture) for the supply of spun pre stressed concrete poles (Dar-es-Salaam and Coast zone) Lot 1 at a contract price of TZS 12.10 billion.

Para 5 (a) of Terms of Reference for supplying concrete poles required supplier to enter into Joint Venture Partnership with TCPM, a subsidiary of TANESCO that will carry 40% of shares of the project in exchange of TANESCO providing guarantee and assure market availability of the manufactured poles for the period of five years.

However, as 30 June 2021, the Supplier and TCPM had not entered into the Joint Venture agreement despite the supply of concrete poles to TANESCO started on 6 April 2018, whereby up to July 2020 a total of 880 units and 1,810 units of concrete poles of 12 meters and 10 meters respectively were sold to TANESCO.

I am of the view that, the proposed establishment of joint venture with a private company to conduct the same core objective for which TCPM was established indicates a lack of strategic direction by TANESCO's management in developing TCPM and achieving the intended goals and objectives of the Company.

I recommend that TANESCO ensure its arrangement with Supplier should not compromise the development of the planned seven concrete poles factories through TCPM.

10.2.4 Investments in Unlisted Equity and Real Estates Exceed the Required Limits at NIC

Reg. 36 of Insurance Regulations, 2009 illustrates that, an insurer shall invest its funds as specified in the fifth schedule. The fifth schedule of the Regulation provides limits per each class of investment among which for the real estate the limit is 30% and 15% of total asset for life insurance and general insurance respectively. Further, the limits for un-listed shares is 5% for both life and general insurer against total assets.

I reviewed NIC investment operations and noted that, the Corporation's invested funds in real estate under General Insurance and Life Insurance exceeded the limit of 15% and 30% respectively; and invested funds in unlisted share under Life Insurance has exceed the required real estate investment limit of 5% as shown in **Table 39.**

Table 39:Unlisted Equity and Real Estate Investment Ratio

Details	General Insurance (TZS) "Billion"	Life Insurance (TZS) "Billion"
Unlisted Shares	2.29	27.87
Real Estate	34.28	79.82
Total Assets	**203.24**	**188.24**
Unlisted Share (% of Total Assets)	**1.1%**	**14.8%**
Real Estate (% of Total Assets)	**16.9%**	**42.4%**

Source: *Financial Statements 2020/21 and Insurance Regulations, 2009*

I am concerned about, over investment in unlisted shares and real estate lowers the Corporation's liquidity as unlisted shares and real estate investments have low return compared to other types of investments.

I recommend that NIC comply with the Insurance Regulations investment limits and take necessary measures to lower the exceeded investment ratio in unlisted shares and real estate.

10.2.5 Deficiencies in Kawe Project Development

On 19 April 2002, the Government of Tanzania (Vendor) and Al Ghurair Investment LLC (AGI) (Purchaser) signed an Asset Sale Agreement for three plots (697, 709 and 711/1) with total size of 107.1 ha for USD 6.5 million for construction of five star hotel, convention Centre, shopping malls, supermarket, office buildings, and high-class residential building. However, up to 2012, the purchaser had only paid USD 2.05 million for the properties.

On 29 March 2012, National Housing Corporation (NHC) entered into a Memorandum of Understanding with Al Ghurair Investment LLC to implement a 50/50 Joint Venture Partnership. On 10 June 2014 NHC took initiative to form a Special Purpose Vehicle (SPV) namely Uptown Kawe Properties Ltd to operate the project. The SPV ownership was to be 50/50 between Al Ghurair Investment LLC and NHC after signing of joint venture agreement.

My review of Kawe project development noted the following inadequacies which requires the Government attention;

a) Unpaid Properties Acquisition Cost to the Government

According to the signed MoU, NHC was required to pay USD 3.25 million being its portion of 50% ownership and AGI would finish paying the outstanding balance USD 1.2 million. However, I noted that as of November 2021 both parties did not honour their obligations.

b) Suspended Development of Kawe Master Plan

On 19 May 2015, Uptown Kawe Properties Ltd (SPV) signed an agreement with Phils International FCZ (Consultant) for the development of Uptown Kawe Master Plan which was expected to be completed on 19 November 2015.

I noted that, as of 30 June 2021 the Consultant had completed two activities out of five on the development of Kawe Master Plan **(Table 40).**

Table 40: Summary of Kawe Master Plan Deliverables

Stage	Deliverables	Status of Completion
Stage I	Inception Report and Presentation	Completed and submitted
Stage II	Concept Plan	Completed and submitted
Stage III	Schematic Development Plan & Feasibility Study, Traffic Impact. Study, Market & Sales Strategy Submissions.	Not completed
Stage IV	Detailed Development Plan (Draft Final Report)	Not Done
Stage V	Final Report	Not Done

Source: *October 2021 Project Report*

c) Disputed Construction on Plot No. 711/1 of Kawe Project

NHC took initiative to develop Plot no. 711/1 of the Kawe Project. The plot development involves development of Golden Premier Plaza at TZS 71 billion and Seven Eleven building at TZS 105 billion both totalling TZS 176 billion.

In the course of audit, I noted that, because of financial distress the projects development was put on hold for more than two years and as at 30 June 2021 the project's completion status was 43% and 35% for Golden Premier Plaza and Seven Eleven building respectively, while NHC had incurred a total cost of TZS 57.98 billion.

I further noted that, implemented project at plot no. 711/1 was not approved by Al Ghurair Investment LLC (Kawe Project respective Partner) which resulted in unresolved dispute between the parties on the matter and operation of Uptown Kawe Properties Ltd (Kawe Project's SPV). I also noted that, development of plot 711/1 was made prior to completion of Kawe Master Plan.

I am of the view that, delayed implementation of Kawe Project tied up NHC's capital which would have been invested in other profitable investments and increased the project cost through continued increase of material costs and other related penalties and administrative costs. Moreover, construction works conducted at plot 711/1 pose a risk for litigations against NHC which might affect the Corporation's ownership status of the project.

I recommend that NHC seek the Government's assistance on how to resolve the impending matters which delayed the completion of Kawe project.

10.2.6 Inadequate Management of NHC Joint Ventures

NHC entered into a joint ventures' agreement with various investors for the development of real estate properties. As at June 2021, NHC had a total of 149 joint ventures (2019/20:149). I reviewed management of joint ventures investment projects and noted the following deficiencies;

a) Undeveloped Bare Lands After Properties Demolished

Regarding the development of five real estates' joint venture investments, the existing building structure at the respective plots were demolished. However, I noted that, the bare land plots have not been developed since the demolishing of the existed structures **(Table 41)**. I further noted that because of delayed development, the plots were used for other activities such as parking space and being leased to other investors, and there was no revenue collected by NHC during the year ended 30 June 2021 from these investments.

Table 41: Undeveloped Bare Lands after Properties Demolished

S/n	Location	Partner's Name	Agreement Date	Status of the Plot
1	Plot 322/32,649/32&650/ 32 Samora /Mkwepu /Mansfield, Upanga	Unique Investment Ltd	20-Mar-07	Part of the plot was leased as car parking.
2	Plot 243 Regent Estate, Kindondoni	Regent Breadilia Inn Ltd	9-Feb-09	The plot was leased

S/n	Location	Partner's Name	Agreement Date	Status of the Plot
3	Plot 22E & (Plot 31) Goliondoi Road/Inida Street,Arusha	Gulamhussein Brothers Ltd	20-May-03	No construction
4	Plot 81 Kinondoni Road, DSM	Epitome Suites Limited	16-Mar-09	No construction
5	Plot 2630/73 &2099/72 India street	Jaldeep Enterprises	19-May-08	Construction started but ended at foundation and beam stage

Source: *NHC management letter of 2020/21*

b) Rent Out of Party Completed Joint Venture Buildings Without NHC Consent

I found that 9 partly completed joint venture buildings in Dar es Salaam, Morogoro and Arusha regions were rented out by the respective investors without NHC consent and agreement. For example, the Joint Venture Building located at Plot no. 4/44 Mchikichini Street Dar es Salaam under JVA signed on 19 April 2005 has been rented out since financial year 2019/20. I further, noted that NHC was not receiving rental income from the rented properties. The respective joint venture investors claimed that NHC needs to submit the building occupational certificate for the Corporation to start sharing rental income, also the Investors claimed that the rented premises were for the building floors owned by the investors considering the parties' building floor allocation.

Delay in development of signed joint ventures is an opportunity loss to NHC for earning rental income and rent out of partly completed building without NHC's consent denies the Corporation rights of rental income from the joint venture investments.

I recommend that NHC exercise the rights provided in the Joint Venture policy by taking over the construction in the case the partner fails to either adhere to the construction timeframe or complete the project, and enforce payment of rental income for the party completed rented out joint venture buildings.

c) Title Deed Mortgaged without NHC Consent TZS 8.66 Billion

On 25 June 2005, National Housing Corporation (NHC) entered into the Joint Venture agreement with Business Machine Tanzania Limited (BMTL) for development of property on Plot No.39A with title deed No. 186156/32 located at New Bagamoyo Road which is owned by NHC. The project cost is TZS 8.66 billion where TZS 2.17 billion represent NHC equal to 25% share and TZS 6.49 billion equal to 75% represent Business Machine Tanzania Limited (BMTL) share of Joint Venture.

My assessment noted that BMTL mortgaged a title deed for loan from consortium of three banks namely, Diamond Trust Bank a loan of TZS 200 million, CF Union Bank a loan of TZS 650 million and Saving & Finance Commercial Bank Limited a loan of TZS 650 million to finance the construction of property without NHC consent.

Furthermore, I noted the property under joint venture was mortgaged by BMTL to Bank M Limited (currently Azania Bank) to secure loan facilities without NHC consent. Review of letter with Ref. No. LR/T/186156/32/58 of 16 November 2020 from the Minister for Lands revealed that, on 5 June 2013, title deed for the plot No.39A was mortgaged and registered under FD No.152161 in the name of Bank M Ltd. The title was used to secure another loan of TZS 11.70 billion from Bank M Ltd.

I further noted that, the Joint partner (BMTL) failed to service loan facility amounting to TZS 23.15 billion under Bank M Ltd as a result the property was put into auction by Mark Auctioneers and Court broker Co. Ltd on behalf of Azania Bank on 27 July 2020. This shows that BMTL was dishonest but also NHC did not perform due diligence in evaluating the Joint partner to determine its partner's financial capability to undertake Joint venture.

I recommend that NHC in collaboration with the Ministry of Lands, Housing and Human Settlements Development take legal action against BMTL and involved officials on the dishonest act of mortgaging properties without NHC consent for safeguarding NHC interest on mentioned plot and property. Moreover, NHC revise

the Joint Venture policy to ensure all the provisions which expose the corporation into risks are managed accordingly.

10.3 Lack of Certificate of Occupancy for 3622 Plots of Land owned by PA& oBs Valued at TZS 121.34 Billion

Sec. 29(1) (a)(b) and (c) of Land Act Cap. 113 (R.E 2019) states that, "Where the commissioner determines to grant the right of occupancy to a person who has applied for grant of a right of occupancy; is in occupation of land under a right of occupancy or under an acceptance of an offer of a right of occupancy; or is otherwise entitled to a right of occupancy, he shall issue a certificate referred to as a "certificate of occupancy" to that person".

My review of fixed asset registers noted that ten 10 PA & oBs owns 3608 plots of land which had no title deeds with land values amounting to TZS 119.59 billion contrary to the requirement of law. Further review on land ownership and title deed possessed by respective public entities noted four PA & oBs had 14 expired title deeds with values amounting to TZS 1.75 billion of which some expired between 1987 and 2019 (**Table 42**).

This has been attributed to inadequate follow ups by respective entities to obtain title deeds for the lands owned for their activities which may result in disputes when the plots are invaded by unscrupulous persons, also it denies the Government revenue from this land rent.

Table 42: PA & oBs with Lands Not Supported by Certificate of Occupancy

S/n	Entities Without Certificate of Occupancy	Status	Number of Plots	Amount (TZS) "Million"
1	TANESCO	No Title Deeds	434	70,956.89
2	National Insurance Corporation (NIC)	No Title Deeds	2	257.00
3	National Housing Corporation (NHC)	No Title Deeds	47	48,150.45
4	Cashewnut Board Tanzania (CBT)	No Title Deeds	1	50.00
5	Medical Stores Department	No Title Deeds	5	0.00

S/n	Entities Without Certificate of Occupancy	Status	Number of Plots	Amount (TZS) "Million"
6	Sokoine University of Agriculture	No Title Deed	1	0.00
7	National Development Corporation	No Title Deeds	10	0.00
8	Ngara Urban Water Supply and Sanitation Authority	No Title Deeds	5	0.00
9	Geita Urban Water and Sanitation Authority	No Title Deeds	21	176.21
10	National Social Security Fund (NSSF)	No Title Deeds	3,082	0.00
Sub total			3,608	119,590.55
11	National Insurance Corporation (NIC)	Title Deeds Expired (2009 - 2019)	6	1,494.00
12	National Housing Corporation (NHC)	Title Deeds Expired 1987	1	0.00
13	TTCL Corporation	Title Deeds Expired more than 10 years ago	7	256.10
Sub total			14	1,750.00
TOTAL			3622	121,340.65

I recommend that the respective PA & oBs make efforts and initiatives on application of land titles from responsible Ministry so as to obtain legal right of occupancy or use of such plots of land.

CHAPTER 11

PERFORMANCE OF GOVERNMENT'S BANKS AND OTHER FINANCIAL INSTITUTIONS

11.0 Introduction

Banks and other financial institutions (Social Security Schemes and Institutions dealing in Capital Market and Securities) facilitate movement of funds from the savers (surplus spending units) to users (deficit spending units) thereby increasing the efficiency of economic resources allocation and deployments. Moreover, they are the catalyst to the country's economy and industrialization through providing affordable loans to agriculture, manufacturing, engineering, construction, transport, tourist, services, mining and petroleum sectors.

This chapter highlights deficiencies noted in the operations of Government-Owned Banks, Social Security Schemes and Institutions dealing in Capital Market and Securities.

11.1 Performance of Government Owned Banks and Microfinance Fund

The Government of Tanzania owns Financial Banks, namely TIB Development Bank (TIB), Tanzania Commercial Bank (TCB) (formerly known as Tanzania Postal Bank PLC) and Tanzania Agricultural Development Bank (TADB) and one non deposit taking Microfinance service provider namely SELF Microfinance Fund (SELF MF).

The deposit taking financial institutions (Banks and Microfinance) from customer deposits are safeguarded by Deposit Insurance Board (DIB). The Deposit Insurance Board is a body whose establishment and existence is provided under section 37 of the Banking and Financial Institutions Act, (BFIA) 2006.

I reviewed the operations of these entities and noted deficiencies and scope for improvement in different areas, such as inadequate loans management, insufficient liquidity, low funding by the Government, and slow payment of insurance deposit compensation.

11.1.1 Inadequate Loans Management and Performance

I reviewed loans management and performance of TIB Development Bank, SELF MF, TADB and TCB and noted the following deficiencies: -

(i) Increasing trend of Non-Performing Loans

According to circular No. FA.130/170/01/5 issued by the Bank of Tanzania (BoT) on 22 January 2021, the banks are required not to exceed the Non-Performing Loans (NPL) limit of 5%. In the course of audit, I noted TIB and TCB has an increasing trend of NPL for two consecutive years from 2019 to 2020 **(Table 43).**

The NPL increase in TIB Development bank is caused by client's financial challenges propelled by the economic downfall. The NPL increase in TCB had mainly caused by the merger of the operations of TIB Corporate Bank Limited with the TPB Bank. Following the merger, TCB Bank acquired all assets and liabilities of TIB Corporate Bank Limited and the NPL had increased by 9.23% compared to the one reported in 2019.

Status of non-performing loans is reflected by the ratio of Non-Performing Loans (NPL) to total gross loans/total exposure.

Table 43: Increase Trend in NPL for TIB Development Bank and TCB

Details	TIB Development Bank		Tanzania Commercial Bank	
	2019	**2020**	**2019**	**2020**
NPL (TZS'Million)	260,850	327,296	24,689	93,289
Total Exposure (TZS'Million)	628,804	634,105	420,590	617,810
NPL Ratio	41.48%	51.62%	5.87%	15.10%

Source: *Loan Portfolio Report*

I am concerned that the deterioration of the quality of the loan portfolio erodes the Bank's core capital which in turn affects the capital adequacy ratio.

I recommend that TIB Development bank and TCB institute stringent strategies to manage non-performing loans and reduce NPL ratio to an acceptable level of 5%.

(ii) Presence of Untraceable Borrowers of the ex-UTT Microfinance PLC Loans TZS 225.96 Million

In December 2018, SELF MF acquired all assets and liabilities of then Unit Trust of Tanzania (UTT) Microfinance PLC.

In the course of audit, I noted that SELF MF failed to trace 22 ex-UTT Microfinance PLC borrowers with an outstanding loan amounting to TZS 225.96 million.

SELF MF Management revealed that 17 borrowers issued with Mshahara Loan are ex-employees who were terminated from employment after being found with forgery certificates; therefore, most of them changed their physical address and/or mobile phone numbers that make it difficult to trace them.

I consider that it is likely that SELF MF will not be able to recover the loans which will result into a loss to the Fund.

I recommend that SELF MF strengthen borrower's records keeping by demanding additional contacts of spouse and/or loan guarantor and intensify loan recovery efforts by for example publishing names of loan defaulters.

(iii) Failure to Attain Appropriately Balanced Structure of SELF MF Portfolio

Para 2.4 of SELF Microfinance Fund Credit Policy, 2019 provides that, the Fund's core business is to give whole loans to Microfinance Institutions (MFIs) and retail loans to small and medium enterprises.

My review noted that SELF MF failed to meet the required loan Portfolio mix proportion for Kilimo Product, SME Product, Pamoja Loan, Mshahara Loan, Nufaika Loan and Special Project Loan (**Table 44**). Moreover, the Fund has exceeded the maximum limit for Business Loan and Staff Loans by 20.18% and 1.02%, respectively.

Table 44: SELF MF Loan Portfolio Mix

Loan Product	Loan Amount TZS (Billion)	Actual Portfolio %	Required Portfolio %	Variance (%)
Business Loan	52.76	85.18	65.00	20.18
Kilimo Product	3.25	5.25	9.00	-3.75
SME	2.55	4.12	7.50	-3.38
Pamoja loan	0.16	0.26	6.00	-5.74
Mshahara Loan	1.19	1.92	8.00	-6.08
Nufaika Loan	0.15	0.24	1.00	-0.76
Special Project Loan	0.32	0.52	2.00	-1.48
Staff loan	1.56	2.52	1.50	1.02
Total	**61.94**			

Source: *SELF MF Loan Portfolio Report*

I am concerned that, failure to adhere to the required loan portfolio is non-compliance with SELF Microfinance Fund Credit Policy, 2019 and poses a risk for loan default and imbalance financing to other loan portfolios of retail lending.

I recommend that the SELF Microfinance comply with Credit Policy, 2019, conduct regular reviews of loan portfolio and rectify loan portfolio imbalance.

(iv) Failure to Suspend Interest on Non-Performing Loans

Reg. 31 (1&2) of Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014, requires the bank or financial institution to reverse and suspend interests generated from non-performing loans.

My review found that in the year ended 30 December 2020 TCB's loan management system did not suspend interest of the NPL and overdraft facilities for 16 loan products (Taking examples of Business Loan, Customer Loan, Personal Loan, and Overdraft).

The Management commented that the bank's system was configured to suspend interest on non-performing loans however there were incidents where system malfunction occurred, leading to failure to suspend the interest.

I am of the view that, interest accrued from non-performing loans if not corrected, will misstate the reported Bank's performance reports.

I recommend that TCB (formerly TPC Bank PLC) suspend interest on non-performing loans by ensuring effective operations of the loan management system.

11.1.2 Insufficient Liquidity of TIB Development Bank and Low Funding by the Government

Reg. 60 of the Banking and Financial Institutions (Development Finance) Regulations, 2011 requires a development Financial Institution to maintain sufficient liquid assets to meet maturing financial obligations.

During the year ended 31 December 2020, TIB Development Bank had matured fixed deposits amounting to TZS 119.27 billion and USD 28.76 million. However, the Bank failed to honour those payments after they fell due. Similarly, the Bank had unsettled matured fixed deposits from 2019 amounting to TZS 11.23 billion and USD 474,837 and was not able to pay its tax liability for four consecutive years from 2017 to 2020 amounting to TZS 28.40 billion **(Table 45)**.

Table 45: TIB Development Bank Accrued Corporate Tax

Year	Particulars	Principal TZS (Billion)	Interest TZS (Billion)	Paid TZS (Billion)	Provision TZS (Billion)	Total TZS (Billion)
2017	Tax liability from 2015-2017 tax audit	1.77	1.01	0.23	-	2.55
2018	Corporate tax payable for the year ended 2018	9.95	3.73	2.45	3.12	14.35
2019	Corporate tax for the year ended 2019	6.11	0.69	0.10	-	6.70
2020	Corporate tax for the year ended 2020	5.00	-	0.20	-	4.80
	Total	**22.83**	**5.43**	**2.98**	**3.12**	**28.40**

Source: *TIB Development Bank Tax Report*

I further noted that through the second Five Year Development Plan (FYDPII), 2016/17-2020/21 the Government committed to contribute TZS 1.0 trillion as its share to the Bank to enable it, to carry out its functions effectively. However, the Government managed to contribute a total of TZS 67 billion (6.7%) only in the year 2017 and 2019.

Management of TIB Development Bank explained that, the problem of liquidity resulted from the delay by the Government to inject capital. Additionally, the problem was attributed to the existing tenure mismatch in maturity of long term financed assets by short term liabilities.

Failure to rep ay maturing obligations when they fall due affects the bank's credibility and ability to attract customers. Also, long outstanding tax liability results in accruing interest and penalty thus increasing the amount of tax liability over time.

I recommend that TIB Development Bank (a) establish the turnaround strategy which will improve liquidity position of the Bank and make follow up on capital injection by the Government; and (b) liaise with TRA and request instalment payment arrangements for the outstanding tax payables to avoid the burden of accruing interest and penalty.

11.1.3 Un-favourable Capital Adequacy Ratios for Government Banks

Reg. 19(2) of the Banking and Financial Institutions (Development Finance) Regulations, 2011, requires, a development finance institution to maintain at all times a minimum core capital and total capital equivalent to 13% and 15% respectively of its total risk-weighted assets and off-balance sheet exposures.

My review of Government Banks financial statements namely, TADB, TCB, and TIB Development Bank, noted that, as at 31 December 2020 TIB Development Bank and TCB was 6.9% and 10.94% respectively for both core capital and total capital which is below the minimum requirements of 13% and 15% respectively.

TIB Development Bank explained that unfavourable capital adequacy ratios were caused by excessive losses. For example, as at 31 December 2020 the Bank had accumulated a loss of TZS 134.95 billion which eroded the capital of the Bank. TCB explained that unfavourable capital adequacy was mainly caused by the merger with other Government banks, adding that prior merger with TIB Corporate Bank the capital adequacy ratio was 16.80% (2019) to 10.94% in 2020.

I am convinced that; unfavourable capital adequacy ratio poses a risk for the Bank to lose its eligibility to operate therefore, it might cause the Bank to be put under the supervision of BOT.

I recommend that the Government take necessary and timely measures which include disbursement of additional capital to rescue the Government Bank from operating with un-favourable capital adequacy ratios.

11.1.4 DIB is Not Adhering to its Investment Policy

Para 5.2 of DIB Investment Policy, 2013 requires the investment portfolio mix for government securities (Treasury bills and Treasury bonds) be diversified by DIB in different maturities to meet liquidity needs in a proportion ratio and limit of between 20% and 70%.

My review of DIB investment portfolio mix found that, as at 30 June 2021 the Board had invested TZS 201.40 billion in Treasury Bills and TZS 619.12 billion Treasury Bonds. The investment portfolio mix showed that investment in Treasury bills accounted for 24% of the total investments while the Treasury bonds investment amount accounted for 76%, which is above the limit of 70%.

Excess investments on Treasury bonds risk the Fund's short-term liquidity. I consider non-adherence to the investment policy to be caused by inadequate controls in monitoring the investment composition to align with the investment policy requirements.

I recommend that DIB comply with investment policy by ensuring that the maximum investment in treasury bonds does not exceed 70% of the total investment threshold.

11.1.5 Slow Rate of Insured Deposit Compensation Payment

Strategic Objective No.3 of DIB Strategic Plan, 2019/20 – 2020/21 projected that the commencement of deposit compensation payout to be 30 days after liquidation notices by June 2021. The maximum coverage limit per depositor is TZS 1.5 million.

My review found that for the financial year 2020/21, the Board was supposed to pay insurance deposit compensation amounting to TZS 3.42 billion to 40,718 depositors from 7 closed banks; however, the Board paid a sum of TZS 24.59 million, equivalent to 0.7%, thus resulting in a balance of TZS 3.39 billion, as outstanding insurance deposit compensation.

To fasten the deposit compensation pay-out service, DIB entered into pay-out service agreement with Tanzania Commercial Bank (formerly known as TPB Bank Plc) on 17 September 2018, which was later renewed on 14 April 2020 for two years. I noted that in year 2018, DIB disbursed TZS 667.94 million to TCB Bank to facilitate the pay-out service. Up to 30 June 2021, however, the TCB Bank had paid TZS 154.33 million (23%) to beneficiaries since 2018.

The Management of DIB revealed that, low turn up of depositors to collect their deposit compensation is caused by insufficient customer information and small amounts claimed by a large proportion of depositors which discourages them from collecting the sum.

I recommend that DIB (a) explore more alternatives of informing beneficiaries, including advertising names in newspapers and other platforms to expedite the payment process including posting the beneficiaries names on the DIB website, and (b) remind banks to have complete and updated information of their customers/depositors.

11.2 Performance of Social Security Schemes

Social Security Schemes are schemes established for the purpose of providing social benefits to members of the community as a whole, or of particular sections of the community. There are three mandatory Social Security Schemes, namely Public Sector Social Security Fund (PSSSF), National Social Security Fund (NSSF), and Workers Compensation Fund (WCF).

My review of these schemes noted a number of deficiencies that need Government interventions for improvement as highlighted hereunder;

11.2.1 Inadequate Solvency and Sustainability of PSSSF

i. Low Funding Level of PSSSF

Sect. 57 (1) of the Public Service Social Security Fund Act, 2018 requires the funds to conduct actuarial valuation after every three years.

My review of operation of PSSSF noted that the actuarial valuation conducted as at June 2020 revealed that PSSSF's funding level was at 22% which was below the required level of 40%.

I further noted that on 15 December 2021, the Government issued a non-cash special bond amounting to TZS 2.18 trillion which was a part payment of pre-1999 contributions (TZS 4.63 trillion). The payment, raised the Funding level to 30%, though it was still below the recommended level of 40%. According to the PSSSF, the Government is committed to pay the remaining balance of pre-1999 contribution (TZS 2.45 trillion) which will further improve the funding level to 40%.

I am concerned that, low funding level of PSSSF impacts the Fund's ability to pay pension benefits to public servants.

I recommend that the Government completes payment of the remaining pre- 1999 contribution liability of TZS 2.45 trillion which will improve PSSSF's funding level to the recommended level of 40%.

ii. Insufficient liquidity of the PSSSF to Pay Benefits Obligations

My review of PSSSF financial performance noted that, for a period of three years, the Fund's expense for pension benefit exceeded contributed income (excluding pre 1999 contribution) by TZS 767 billion, TZS 232 billion, and TZS 307 billion for the financial years 2020/21, 2019/20 and 2018/19 respectively (**Table 46).**

Table 46: Excess of Benefit Expenses over Contribution Income

Details	2018/19	2019/20	2020/21
	Amount TZS (Billion)	Amount TZS (Billion)	Amount TZS (Billion)
Contribution's income	1,679	1,322	1,420
Benefits expenditures	1,986	1,554	2,187
Excess of benefit over Contribution	(307)	(232)	(767)

Source*: Financial Statements 2020/21, 2019/20 and 2018/19*

PSSSF attributed the anomaly to the payment of pension benefits to the pre 1999 beneficiaries. The continuous growth of expense of pension benefits with a less proportionate growth in income contributions deteriorate PSSSF capital reserves and ultimately impact the solvency and sustainability of the Funds.

I recommend that PSSSF (a) develop strategies that will increase contribution collections to improve solvency and sustainability of the fund; and (b) continue consultation with the Government to complete the finance of the pre 1999 contributions.

11.2.2 Long Outstanding Loans Issued by Pension Funds TZS 1.50 Trillion

My review on the operation NSSF noted that the Funds had long outstanding loans issued to different Government institutions for a period ranging from 1 to 15 years as at 30 June 2021.

NSSF had outstanding loan amounting to TZS 1.17 trillion composed of principal (TZS 490.16 billion) and accrued interest (TZS 684.42 billion) issued to 10 Government institutions. The earliest loan payment date was overdue since 2007.

NSSF explained that, the Government acknowledges the long outstanding loan liabilities and loan repayment strategies were underway. Moreover, I noted that as at 30 June 2021, PSSSF had outstanding loan receivables amounting to TZS 323.98 billion from the Government Institutions and others organisations, this loan has decreased from TZS 856.63 billion, which was the balance of the financial year 2019/20. The Government repaid its direct loans of TZS 324.86 billion during the year 2020/21.

Failure of the Government institutions to repay the disbursed loans impacts the Fund's solvency and ability to exercise their core function effectively and efficiently.

I recommend that the Ministry of Finance and Planning in collaboration with Government institutions which have borrowed from pension funds to make fruitful arrangements for loan repayments, while Pension Funds need to enhance controls before issuing loans and continue making follow-ups to ensure that all overdue loans are recovered.

11.2.3 PSSSF and NSSF Unable to Make Profit from Sale of Plots and Houses

Trade inventories are stocks that are available for sales, and these include houses and plots. As at 30 June 2021, NSSF had TZS 137.46 billion of trade inventories (2019/20: TZS 232.25 billion), a decrease of 41% compared to the previous year. I noted that during the year, NSSF recorded a loss amounting to TZS 1.80 billion from the sale of plots at Mdala Kinondoni and houses at Mtoni Kijichi with a total cost of TZS 11.47 billion.

Also, I noted that, during the financial year 2020/21, PSSSF sold trade inventories valued at TZS 5.80 billion, which is a decrease of 51% compared to TZS 11.84 billion sold in the financial year 2019/20. I further noted that, the PSSSF sold trade inventories at the cost value without a profit margin.

Failure to make profit from the sale of trade inventories is attributed to ineffective marketing strategies.

I recommend that NSSF and PSSSF deploy an effective marketing strategy to ensure trade inventories fetch a profitable price.

11.2.4 Low Net Return and Long Outstanding Debts from Investment Properties

Return on investment reflects percentage of net income (income minus expenses) from investments made. The ratio is a performance measure used to evaluate the efficiency or profitability of an investment.

My review of National Social Security Fund (NSSF) investment operations noted that, the rate of return on investment property is low and has been declining for the past five years, from 1.2% in 2017 to 0.4% in 2021. The increased rate of investment property is not proportional to the trend of net return as shown in the **Table 47**.

Table 47: Net Return on Investment Properties

Details	2021	2020	2019	2018	2017
Net return **TZS "Million"**	2,151	2,841	2,062	4,588	5,556
Investment Value **TZS "Million"**	604,665	519,373	418,189	461,645	464,639
Rate of return %	0.4	0.5	0.5	1.0	1.2

Source: *Financial Statement 2020/21*

I further learnt that, NSSF was unable to track operating expenses of its individual investment property, hence unable to determine net return per individual investment property. Also, NSSF had not received the rental income of TZS 33.24 billion as of June 2021 (2019/20: TZS 29.82 billion) **(Table 48).** This is contrary to NSSF Financial Policy, 2018 which requires the rental invoice to be paid promptly by tenants and it does not provide any credit term.

Table 48: Outstanding Rental Income Aging Analysis at NSSF

Days Outstanding	Outstanding Rent Income "TZS" Million	
	2019/20	2020/21
Between 3 -9 months	3,237.96	2,211.80
Between 9 -12 months	1,572.11	1,260.38
Above 12 months	25,012.21	29,764.20
Total	**29,822.28**	**33,236.38**

Source: *Financial statements 2020/21*

NSSF stated that, payment of service charges by the Fund and non-review of rental fees and service charges contributed to low net return on investment properties while the long outstanding receivable was mostly caused by tenants' reluctant to pay on time.

Low net return and long outstanding debts on investment property delays the realisation of the invested funds and impact NSSF's working capital.

I recommend that NSSF develops effective strategies and measures that will improve the net return on investment properties, for example, consider revising rental fees and shifting building service costs to tenants.

11.2.5 Deficiencies in Investment Properties Management by Pension Funds

Investment properties comprise land held for future development or capital appreciation, buildings owned by the Fund and buildings developed jointly to earn rentals.

My review on management of investment properties of NSSF, and Public Service Social Security Fund (PSSSF) for the financial year 2020/21 observed the following deficiencies:

a) Absence of Title Deeds

In the course of audit, I found that 3,082 plots (89% of 3,451 plots) valued at TZS 69.80 billion of NSSF which are held for investments did not have tittle deeds or certificates of occupancy naming the Fund as the owner.

b) Presence of Undeveloped and Un-Secured Plots

In the course of audit, I also noted that 3,075 plots (89% of 3,451) valued TZS 69.64 billion which are held for investments owned by NSSF have not been developed. I further noted that, 14 out of 3,075 undeveloped plots had no physical boundaries and signs boards.

I also found that, PSSSF had not put sign boards to indicate ownership of undeveloped plots taking an example Plot 39 at Nunge Beach-Bagamoyo and plot No. 2 and 5 Block N at Pangani-Kibaha.

c) Investment in Land Not Owned by the Fund

NSSF entered into a Joint Venture Agreement in the year 2011 with three partners, namely; Red Cross Tanzania Society, Chama Cha Uzazi na Malezi Bora Tanzania (UMATI) and The Tanzania Girl Guides Association, to form a Special Purpose Vehicle (SPV), to oversee the construction of Kilimanjaro Commercial Complex in Moshi. The terms of the agreements were such that the three partners were to provide land to be owned by the SPV and NSSF to finance construction of the Complex.

The construction of Kilimanjaro Commercial Complex was completed in year 2019. However, the Fund did not have ownership of the land through the SPV because of unresolved shareholding dispute among the partners. Currently the investment land is owned by each of the three partners given their respective plot.

d) Delayed in Completion of Mwanza Tourist Hotel Investment

In 2010 and 2013, NSSF contracted M/s. Habconsult Limited as a Consultant, and M/s. China Railway Jiangchang Engineering Co. Limited (“CRJE”) as a Contractor for the construction of Mwanza Tourist Hotel for a contract sum of TZS 89.83 billion. The construction work was planned to be completed on 30 June 2021.

However, I noted that the construction of the hotel was not completed. As of October 2021, the stage of completion was at 73.5%. I further observed that, the contract with the contractor had expired since 30 June 2021 and there was no further addendum to warrant extension.

Additionally, I found that, on 13 November 2020 NSSF entered into a contract with National College of Tourism for the provision of consultancy service on acquisition of hotel operator. However, at the time of audit on 24 November, 2021 the hotel operator was not appointed resulting in delays in conducting interior design works.

I am convinced that the observed deficiencies on the investment property management impacts the Fund's ability to increase returns on investment properties and to safeguard the properties from encroachment.

I recommend that NSSF: (a) acquire title deeds for plots which did not have the title deeds; (b) in collaboration with PSSSF establish strategies for the development of idle plots and put boundaries' marks, sign boards and physical perimeters on undeveloped plots (c) expedite initiatives to resolve the existing dispute on transfer of Kilimanjaro Commercial Complex land ownership; and (d) extend Mwanza Tourist Hotel contractor's contract and ensure that, the Fund acquire the hotel operator who is waited for the building completion.

11.2.6 Absence of Regulation Governing Social and Vocational Rehabilitation Benefit at WCF

Social and Vocational rehabilitation refers to programs that seek to restore disabled individuals who were injured at work place to their optimal physical, mental, and social ability.

Reg. 31 (4) of Workers' Compensation Fund, Regulations 2016 amplifies that, the payment for rehabilitation benefits shall start at such time that the responsible Minister has issued specific regulations for the benefit upon being advised by the Board.

The Fund had 92 cases of injured works who deserved the rehabilitation treatment. However, as of 30 June 2021, WCF had not commenced payment of social and vocational rehabilitation benefit and other related activities because of the absence of rehabilitation regulations required to operationalise the benefits.

The absence of regulation limits payment of social and vocational rehabilitation benefits by WCF to intended beneficiaries.

I recommend that WCF consult the responsible Minister to develop and endorse rehabilitation benefit regulations.

11.2.7 Un-Identified Operational Status of Employers with Long Outstanding Unpaid Contribution Fees

Sect. 71(1) of Workers Compensation Act, 2015 provides that, an employer carrying on business in Tanzania shall within the prescribed period and in the prescribed form register himself to the Director-General of WCF.

My review of WCF operations found that, as of 30 June 2021, the Fund had 6,240 employers with long outstanding contributions for a period ranging from two to five years amounting to TZS 6.37 billion. For example, Aga Khan Social Welfare Board for Tanzania (Private Company) had not paid contributions since 28 May 2016 and UTT-Projects & Infrastructure Development Plc (Public Company) had not paid contributions since 28 June 2018. I further noted that, the Fund had not determined the operational status (whether the employer is continuing with operation or has closed operation) of employers with long outstanding contribution.

I am convinced that the presence of unidentified operation status of employers with long outstanding contributions fees distort the Fund's records of active members, affects the Fund and Government decision making on employers' registration.

I recommend that Management of WCF in collaboration with other Authorities to determine the operational status of employers with long outstanding contributions and take appropriate measures on time.

CHAPTER 12

REVIEW OF TOURISM SECTOR IN TANZANIA

12.0 Introduction

The Government through Five Year Development Plan III of 2021/22 to 2025/26 is aimed at promoting new tourism product development and diversification for sustainable growth. By the year 2026, a total number of tourists is expected to reach 5 million while its corresponding revenue will be USD 6 billion. These initiatives aimed at increasing the contribution from tourism sector from the GDP of 6% recorded in 2019/20 to 11% by 2025/26.

Despite the good intention of the Government to promote tourism industry, there are still several deficiencies impeding effective growth of the industry. Such deficiencies include intruding activities in the National Parks. These activities are mining and agricultural activities. Additionally, improper management of corridors for wildlife movement, fire outbreak in the National Parks and investment in irrigation systems all inhibit effective growth of tourism. For instance, hydropower project in the water catchment areas of river Mara could affect the ecosystem. I also noticed, delay and inadequate fund from the Government to support parks' activities, following the decision to centralise parks' revenue collection through TRA effective from 1 July 2020.

This chapter provides details of the aforementioned issues:

12.1 The Fate of Ngorongoro Conservation Area (NCA)

In my previous report of 2019/20 (https://www.nao.go.tz/uploads/Annual_General_Report_on_the_Audit_of_Public_Authorities_2019_20.pdf) para 17.1.1, 17,1.2, 17.1.3 I raised serious concern over challenges that threaten sustainability of the country rich in heritage, mostly in conservation and restoration of tour sites. I highlighted threats facing NCA, posed by increased activities within the conservation area contrary to sections 6, 23, 24, and 35 of NCA Act Cap 284. Availability of permanent structures and motor cycles within the area make rangers activities difficult to distinguish legitimate use from poachers. The increased encroachment and blockage to wildlife migratory corridor, and dispersal areas, also interfere with a well-functioning ecosystem. Conservation programs are difficult to be implemented due to the increased in human–wild animal conflicts, massive increase in human population, domestic animals, and environmental degradation, which endanger conservation and the existence of wild animals.

I recommended that the Government take decisions to immediately stop activities that endanger the NCA ecosystem, enhance restoration process of the ecosystem and manage human and animal populations to the reasonable number that will ensure sustainability of the conservation activities in NCA.

In the current audit, I noted little progress in implementing my recommendation since the identified deficiencies still remain as summarised below:

From the review of the Evaluation Report issued in 2021 on the achievement of the then lapsed Corporate Strategic Plan (CSP) of 2017 to 2021, I found that the NCAA's CSP could not be implemented due to the boycott of the indigenous of NCA. For example, livestock strategy aimed at limiting livestock feeding range to agreed areas but the indigenous boycotted it, therefore, there is grazing pressure between livestock and wildlife. Villages with boundary disputes have increased from four, recorded in 2017 to 25 villages by 2020, and visible beacons to be erected along the NCA boundaries were boycotted as well. Incident of encroachment to restricted areas have also increased as the livestock of the indigenous were taken in Embakai and Olmoti Craters and the Northern Highland Forest which is the source of water for Karatu, Manyara, Monduli and all areas of Ngorongoro.

Besides the mentioned anomalies, I continued to notice issues that still put NCA at stake for its sustainability. For instance, there were cases involving zebra killings at Enduleni Zone within the NCAA (**Figure 1).** Eight zebras were killed by using spears.

Figure 1: Zebra Killings in NCA

Source: *Extracted from NCAA Animal Killings Report*

I consider that if the strategic decisions are not taken to review the functions of NCA, there is a risk that its sustainability is at stake.

I reiterate my previous recommendations that Government (a) find alternative means of human development in areas bordering and/or interacting with tourism sites in order to enhance conservation programs to communities within and around tourism sites, and (b) commission a review of NCA and its multiple land use model with a view to curtail human development activities in the NCA and enhance conservation programs.

12.2 Alarming Increasing Trend of Road Accident Animal Killings at National Parks- 614 Animals

TANAPA operates 22 National Parks with a total area of 104,170 km^{2}. Mikumi and Serengeti National Parks are among the 22 National Parks owned by TANAPA, and which have roads crossing the parks. Mikumi National Parks has a crossing tarmac road of 45 km, while Serengeti has 12 km crossing from Mbalageti to Robanarivers.

My review of annual protection reports found that in Mikumi, a total of 535 game animals were killed in road accidents in 2020/21 (106 in 2019/20), an increase of 429 games equivalent to 405%. Likewise, I discovered that 50 games were killed in road accident in Serengeti, 18 in Tarangire and 11 in Lake Manyara National Parks.

I consider that if strict safety measures will not be instituted on reckless driving across the National Parks, there is a possibility that the animals road killing will keep increasing at high rate.

I recommend that Government through TANROADS institute strict safety controls measures across the National Parks to rescue the animals from being killed in road accidents.

12.3 Inadequate Funding for National Parks Development Projects

Before 2020/21, the tourism revenue was being collected by the National Parks and conservations area. In May 2020 the Government directed that the revenue should be collected by TRA with effect from 1 July 2020 and the Government to provide the required funds to the parks and conservation areas as per the approved budget.

However, my review revealed significant deviations between approved budgets and funds released by the Government for development projects. For instance, NCAA expected to receive TZS 31.21 billion based on its respective budget for development activities, but the Government released only TZS 10.27 billion, equivalent to 33% of the approved budget. Thus, only 15 out 36 projects were in the implementation stage at the time of audit on 16 October 2021 because the funds were released in May 2021.

I further noted that the released funds of TZS 10.27 billion were delayed for about seven months as the funds request to the Government was made on 21 October 2020, but the funds were released on 5 May 2021.

Likewise, at TANAPA I noted the development budget was TZS 69.52 billion but only TZS 26.51 billion, equivalent to 38% of the approved budget was released.

The under released funds largely contributed to under implementation of parks development activities relating to infrastructures, conservation and tourism services.

I consider that if this trend continues, it will cause a negative impact on tourism following the deterioration of the infrastructures that support the tourism.

I recommend that the Government provide needed funds to support the development activities of the Parks.

12.4 Undertaking Mining and Agriculture Activities within Saadani National Parks

I found two non-tourism activities i.e., mining operations and sugar plantation are carried out within Saadani National Park. My review revealed that TANAPA was concerned about the park's sustainability; thus, on 10 May 2021, Management wrote a letter with Ref. No. AB. 213/222/01/10 to the Ministry of Natural Resources and Tourism to get the Government position.

Details of these operations are as detailed hereunder: -

12.4.1 Mining Operation within Saadani National Park

I noted M/s Seasalt Company Limited possesses a Mining License No.ML 05/92 that gives right the Company to undertake mining operations of salt refineries within an area of Saadani National Park. The area covering 2400 acres, is owned by TANAPA, as per the National Park Government Notice No. 281 of 2005.

My review revealed that 728.17 out of 2,400 acres, have already been developed by the Company without the consent of TANAPA, contrary to Sect. 95(1) (c) of the Mining Act, Cap 123. The section requires a holder of a mineral right not to exercise any of his rights under the license in respect of land in a National Park declared under the National Parks Act, except with the written consent of the authority having control over the park, reserve or area.

I also found that the Company employees had livestock and poultry rearing the park. This contact poses a risk to wild animal's health as there is a possibility of transmitting diseases between wild and domestic animals.

Also, mining operations led to oil spills, liquid waste, onsite burning of solid waste, and noise pollution.

These activities posed a risk to the ecosystem of the park, causing uncertainty to the sustainability of the park.

I recommend that TANAPA liase with the Chalinze Municipal Council, the Ministry of Lands and Human Settlements, and other Government Agencies to assess the impact of the mining operations in the Saadani ecosystem and take appropriate actions.

12.4.2 Sugar Plantation within Saadani National Park

Bagamoyo Sugar Plantation with Reg. No. 3565-1 was granted 10,000 hectares of land within Saadani National Park by the Government, holding a certificate No.156361MG issued on 1 October 2016 for a term of 66 years.

My review disclosed that five out of eight conservation targets of the park are in overlapping areas of 3,441 hectares which are among the hectares allocated for sugar plantation. Undertaking Sugarcane plantation activities within the park has an effect especially in the strategic conservation areas such as breeding sites, corridors for wildlife, Wami River and Estuary water sources for wildlife, mangrove forest for pollution control, and breeding ground for coral reefs and green turtles.

My further review revealed that the area granted to Bagamoyo Sugar Plantation is the strategic one during dry season due to its evergreen nature and herbivorous' pasture.

The MNRT and Ministry of Lands, Housing and Human Settlements Development visited the park and directed that distance of 200 out of 500 meters from Wami Riverbank to remain in the park's GN as well as 60 meters and 200 meters from the riverbank as the protected area. Despite Government's efforts to resolve the matter, I consider that industrial activities may affect the ecosystem system and endanger the survival of the wildlife. At the same time, agro chemical effluents could affect aquatic animals and fishes.

I recommend that the Government and the Board of Trustees of TANAPA critically assess the impact of the sugar plantation in Saadani National Park and devise mechanisms to mitigate the situation and lessons learnt be documented for future reference.

12.5 Inadequate Tourism Marketing Strategy by Tanzania Tourism Board (TTB)

12.5.1 International Marketing Exhibition Selection Categories Need to be Reviewed

TTB has targeted four categories for international marketing exhibition selection, namely primary source countries (UK, USA, Germany, and Italy), secondary sources countries (France, Canada, Austria, Netherlands, and Spain), tertiary (South Africa and India) and potential market (China, Russia, Turkey, Brazil and the Gulf countries). In my view, the category for ranking was not based on the adequate survey. According to the Ministry of Natural Resources and Tourism statistical bulletin report of 2020, I discovered that some countries that were not in the TTB categories ear-marked for marketing exhibitions had more international visitor arrivals compared to those in TTB categories. For instance, the report shows for six years from 2015 to 2020, international visitor arrivals from Israel (not in targeted category) were 129,017 while from Austria were 40,758 (in targeted category) as shown in **Table 49.**

Table 49: Internal Visitor Arrivals by Country of Residence 2015-2020

Year	Arrivals from Israel	Arrivals from Austria
2015	14,754	6,720
2016	22,967	6,448
2017	36,640	6,733
2018	31,419	7,779
2019	16,348	10,398
2020	6,889	2,680
Total	**129,017**	**40,758**

Source: *Ministry of Natural Resources and Tourism Statistical Bulletin reports of 2020*

Further, I found that the marketing strategy for tourism advertisement has not been reviewed and evaluated by TTB since 2008.

I am convinced that, the strategy needs to be updated to consider changes in the tourism industry.

I recommend that TTB conduct tourism survey or research as the base for categorization of countries to be selected in international exhibitions to attract more potential visitors, update its outdated marketing strategies and establish the best way for marketing the tourism attractions.

12.5.2 Swahili International Tourism Expo (S!TE) Need Regular Evaluation to Realise Benefits

Expo (S!TE) is a website owned by TTB to organize various events to promote Tanzania's tourism to international markets and link Tanzania's tourism companies to the world. The Expo draws hundreds of tourism and travel professionals from all over the world. It takes the form of a travel and trade exhibition with a conference element focusing on sustainability of tourism and conservation and awareness of tourism attractions in Tanzania.

My review of annual TTB action plans for 2018/19 to 2020/21 illustrated that the Board planned to conduct the Swahili International Tourism Expo program at the budget of TZS 1.1 billion for three years, but it conducted only in the year 2018/19. Furthermore, the Board has not yet performed a post evaluation to measure the benefits realised from the conducted program. I learnt that the program was not performed in 2019/20 and 2020/21 due to budget constraints.

I consider that the failure to conduct the post evaluation and inadequate funding of the Expo programs, could cause difficulties in taking an intervention to fix gaps.

I recommend that Management of TTB ensure that post evaluation is regularly performed as a basis of fixing the gaps and find and allocate the required funds for the program as a part of making maximum use of it.

12.6 The Authorities' Capacity and Preparedness to Respond to the Outbreak of Natural Disasters

Disaster preparedness consists of measures undertaken by Government, organizations, communities or individuals to respond better and cope with the immediate aftermath of a disaster, whether be it human-made or natural.

12.6.1 Inadequate Response on Fire Outbreak in the National Parks

My review of fire incidents report dated 23 December 2020 noted that the fire outbreak in KINAPA was investigated, and the report issued. The Report emphasized that the Park took six days to contain the fire from 11 to 16 October 2020 whereby 96.07 sq.km of the park area was devastated. Additionally, the fire devastated the landscape of moorland, creatures and park's infrastructure including ten tourist's huts with 80 bedding capacity. Further, the report detailed that loss of material properties was TZS 993 million and the Park spent TZS 221.51 million to combat the fire.

I learned that this was not the first fire outbreak in KINAPA vicinity as the Park had experienced fire in the years 2002, 2004, 2008, 2013, and 2016 of which a total of 357,565 hectares were burnt.

Although KINAPA had a lesson learnt from a series of fire outbreaks, my review found that the Park was not fully equipped with modern firefighting equipment such as spotter aircrafts and preparedness, including proper training for fire fighters to properly contain disasters.

If the park is not well equipped, it could not efficiently and effectively respond to natural disasters.

I recommend that TANAPA in collaboration with Government (a) assess the impact of fire rehabilitate the infrastructures and plant vegetation in fire affected areas; (b) use the satellites in detecting fire incidents; (c) establish disaster response team to deal with natural disasters; and (d) consider budgeting and purchasing modern firefighting equipment's, including

helicopters and its bucket and strengthen patrols and rescue operations.

12.6.2 Widely and Rapid Spread of Invasive Species Beyond the National Parks Control and Management

In my previous General Report of 2019/20, I recommended that the Government consider and declare the problem of invasive alien species as an issue of national concern. I pleaded with stakeholders at all levels to cooperate to eliminate, control and prevent the existence of invasive plants within Ngorongoro Conservation Area, National Parks and in all other areas countrywide.

My review of the National Parks and Conservation Area on the management of invasive and alien species of plant found that, Nyerere National Park planned to conduct assessment of exotic and alien species of plants into three areas, namely; Matambwe, Kinyanguru and Fuga. However, they managed to conduct an assessment in one area (Matambwe) whereby invasive species were observed. Lack of budget led to failure to conduct the assessment in other two areas of invasive species. Additionally, a total of 203.53 hectares in Lake Manyara National Park and Lake Longil was invaded by invasive species.

My review of the National Parks and Conservation Area on the intervention of management of invasive and alien plant species noted that, Nyerere National Park planned to conduct assessment of exotic and alien plant species into three areas namely Matambwe, Kinyanguru and Fuga but managed to conduct assessment in one area (Matambwe) whereby invasive species were observed. Non conducting of the assessment of invasive species to other two areas were due to a budget constraint. I also noted that in Lake Manyara National Park and Lake Longil a total of 203.53 hectares had been invaded by the invasive species.

In the absence of coordinated efforts from all stakeholders including the Government to combat invasive species, animal pastures are at high risk of disappearing thus endangering the livelihood of wild animals.

Therefore, I reiterate my recommendation that the Government consider and declare the problem of invasive alien species as an issue of national concern and ensure stakeholders at all levels are taken on board to eliminate, control and prevent existence of invasive plants within Ngorongoro Conservation Area, National Parks and in all other areas countrywide.

12.7 Delay in Implementation of Initiatives for Sustainable Water Availability for Wildlife

(i) Protection of River Mara water through the establishment of Joint Water Management Plan between Kenya and Tanzania

Tanzania and Kenya planned to have a Joint Water Management Plan on protection of Mara River Basin while aiming to avoid conflict on the use of Mara River water to mitigate possible effects to ecosystem of SENAPA. The plan started since 2012, but until June 2021, the matter was not concluded.

(ii) Inclusion of Speke Gulf Area as Part of Serengeti National Park

Speke Gulf Area is an area that stretches for about 2 miles from the south eastern corner shores of Lake Victoria and borders Serengeti National Park at the western edge. The Government plans to include it in SENAPA as wildlife corridor to access water from Lake Victoria.

I found that an Internal assessment has been conducted to this corridor covering a period from 1972 to 2018 which is 46 years and revealed that, grassland areas at Speke Gulf has been decreasing significantly from 61.48% in the year 1972 to 29.77% in the year 2018 which is highly attributed to increase in human settlement and farming activities.

At the time of audit in November 2021, I found a number of decisions at the Ministry level that included human settlement annexation and border modification.

The earlier implementation of the projects will rescue the wildlife during drought season and support the great migration of wildebeests which is one of the tourism attractions.

I recommend that the Government support TANAPA as priority to expedite the initiated programs on Mara River Basin and Speke Gulf-Lake Victoria projects.

12.8 Conservation of Tourism Sites Outweighed by Desire for Human Developments

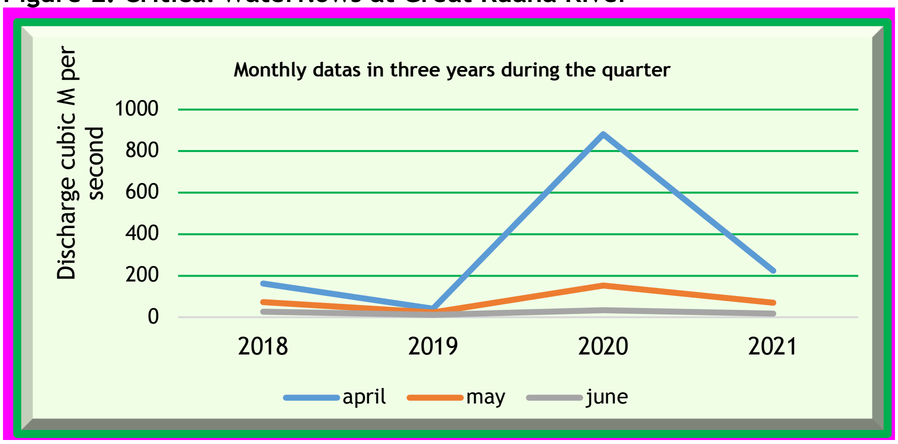
In my previous General Report of 2019/20, I raised serious concern regarding increasing invasion of human activities in the National Parks.

My review noted that the challenges are persisting. At Tarangire National Park, I disclosed that the Park boundary stretch of 164 km out of 243.9 km was not secured due to various reasons such as lack of beacon to provide park demarcation.

While at KINAPA, I observed that the people living within the vicinity of half-mile zone were conducting activities in the Park contrary to the Government Notice No. 278 of 2005.

Additionally, my review of ecological report of Ruaha National Park noted decline of water in the Great Ruaha River, which is a permanent source of drinking water for wildlife **(Figure 2).** Management revealed that the decline in water discharge into was caused by uncontrolled growth of population who inappropriately use water for irrigation purposes.

Figure 2: Critical Waterflows at Great Ruaha River



Source: *Ecological performance report 2020/21*

I consider that encroachment of the National Parks could lead to the destruction of ecological nature around the Parks and even endanger the surrounding species due to uncontrolled human activities.

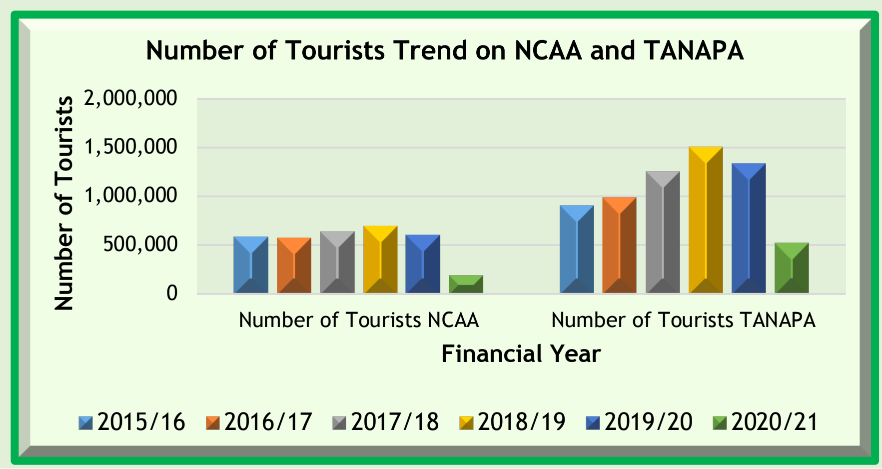
I reiterate my recommendation that Government (a) find alternative means of human development in areas bordering and/or interacting with tourism sites to enhance conservation programs to communities within and around tourism sites and (b) critically establish boundaries for all the encroached National Parks and relocate the encroachers.

12.9 Economic and Financial Impacts of COVID 19 Pandemic on Tourism

Countries across the world have taken various initiatives which include travel restrictions, quarantines, curfews, border closures or incoming passenger restrictions, screening at airports and travel advice regarding regions with corona virus spread to prevent the spread of Covid-19 pandemic. These actions have greatly affected the movement of people across the globe, including Tanzania.

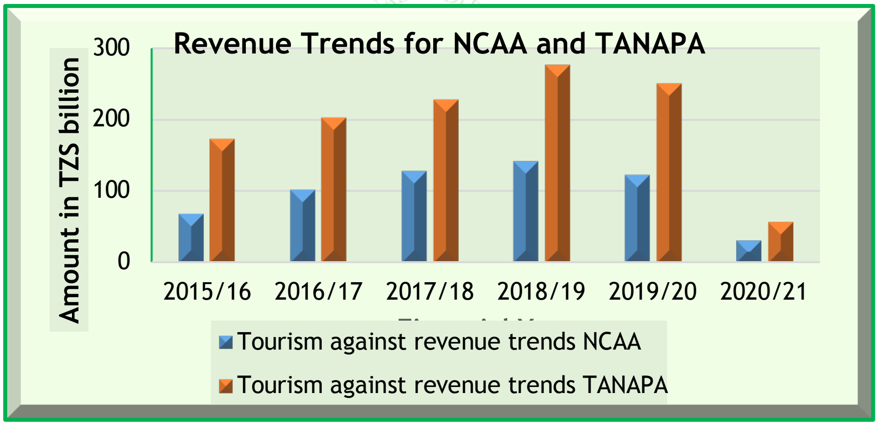
In 2020/21, TANAPA received 511,801 visitors and collected revenue TZS 56.98 billion while in 2019/20 received 1.08 million visitors and collected revenue of TZS 250.97 billion. This indicates a decline in revenue by TZS 193.99 billion (77%) and visitors by 565,589 (52%) compared to the previous year. Similarly, NCAA in the same period collected TZS 31.42 billion from 191,614 visitors while in 2019/20 collected TZS 143.52 billion from 609,984 visitors. This indicates a decline in revenue by TZS 112.1 billion (78%) and visitors by 418,370 (69%) compared to previous year **(Figure 3&4).**

Figure 3: Trend of the number of tourists from 2015/16 to 2020/21



source: Auditors analysis based on data from NCAA& TANAPA

Figure 4: Trends of tourism Revenue from 2015/16 to 2020/21



Source: *Auditors' analysis based on data extracted from NCAA &TANAPA*

The impact of the COVID 19 pandemic on the number of international tourists' visitations has significantly affected the tourism industry.

I recommend that the Government ensure availability of health and safety measures to enhance visitor's confidence that includes sufficient hygienic equipment, social distancing initiatives, and temporally isolation centres.

12.10 Rhino Special Tourism Zone Within Serengeti National Park Put on Hold

The Government, through TANAPA planned to introduce rhino special tourism zone within SENAPA that was expected to commence its operation in August 2021. SENAPA operates three Rhino monitoring areas namely Moru, Nyamalumbwa and Ndasiata. Further, the designated areas have other tourist attractions such as Lake Magadi, “Jiwe la Msumi”, Ngong Rocks, Maasai Paintings and kopjes.

I observed that the working documents such as Rhino Tourism Guideline and Product Fees are in place to operationalize the Rhino special tourism zone. However, up to the time of audit in November 2021 the Rhino Tourism zone was not operationalised as planned due to some challenges that needed to be sorted out first. Those challenges include, relocation of Sopa Lodge, Kusini and Magadi Camps; improvement of roads; decision for the picnic; and strengthening the security for the rhinos.

I consider that delay in implementation of the rhino special tourism zone deny TANAPA more revenue as the tourists would have been increasing to the new attraction and boost TANAPA revenue.

I recommend that Government through TANAPA addresses all challenges that put the project on hold for its operationalisation.

12.11 Absence of Scanners at Tourist Entrance Gates and Presence of Defective CCTV Camera for Security Matters at Kilimanjaro and Arusha National Parks (KINAPA)

At KINAPA, my site visits made in July 2021 to the gates of Machame, Rongai, Londolosi, Lemosho and Marangu observed that tourists entered into KINAPA, but they were not inspected or scanned, including their belongings. I further observed that, 2 (Machame and Marangu) out of 8 gates of the parks had CCTV cameras. Furthermore, I observed that the CCTV cameras at Machame gate were not functioning.

I recommend that KINAPA install security facilities such as scanners together with well-functioning CCTV cameras around the gates to strengthen security.

CHAPTER 13

PERFORMANCE OF WATER AUTHORITIES

13.0 Introduction

Water Supply and Sanitations Authorities (WSSA's) are parastatal organisations whose operations are governed by the Water Supply and Sanitation Act No. 5 of 2019. These parastatals are responsible for provision of water supply and sanitations services to urban areas.

Performance of Water Authorities is measured through various targets set in the Memorandum of Understanding (MoU) between the Ministry of Water and Water Authorities. Its activities are regulated by the Energy and Water Utilities Regulatory Authority (EWURA) in the technical and economic aspects.

The key indicators of WSSA's performances include protection of customer's interest (service accessibility and quality of services); sustainability of the water authorities; revenue collection efficiency; operational costs; infrastructure and environmental sustainability; Management of Non-revenue Water (NRW) and other cross cutting issues like increase in water sources through implementation of different water sector projects.

Despite the Government's support in various water development projects to ensure social economic developments in the country through maximum accessibility of water, my review of financial performance and operation efficiency of Water Authority, they were still repeated anomalies in the accessibility of clean and safe water, sanitation services and delay in completion of water infrastructure projects.

This chapter highlights significant deficiencies found in the performance of Water Authorities and other crosscutting matters affecting the provision of water services as detailed below:

13.1 Continuous Increase in Non-Revenue Water TZS 175 Billion

Non-Revenue Water (NRW) is the amount of water that WSSAs produces (or purchase from other Water Authorities), but lost before it reaches customers. It is one of the key performance indicators of the efficiency of water Authorities. It is calculated by using water produced or purchased from other Authorities minus amount of water sold to customers. It is presented in percentage of water produced or purchased.

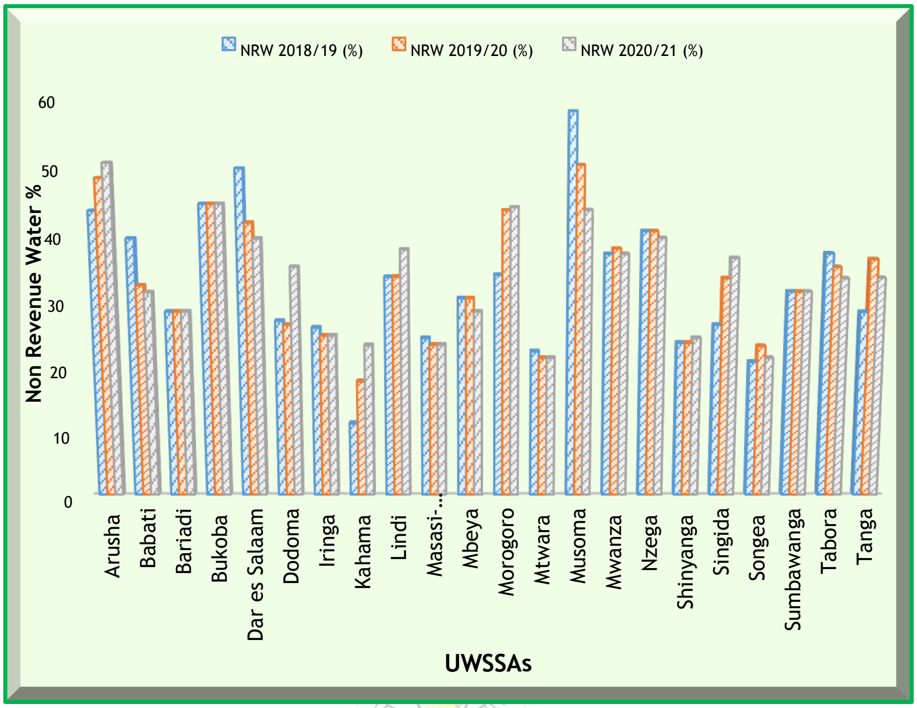
NRW continued to be one the major challenges to the Water Authorities and it mostly resulted from physical (losses of water due to leakages and overflow caused by outdated infrastructure) and commercial (losses of revenue due to illegal connections) factors.

According to EWURA standards, the acceptable level of NRW for Water Authorities is less than 20% of all water produced. The Government through the Ministry of Water has been supporting Water Authorities to strengthen their water infrastructures in order to control or minimize NRW and comply with standards set by EWURA.

I found that over the past three years, there has been an uneven trend in overall NRW for 22 out of 24 Water Authorities. The overall NRW attained by 21 WSSAs is unsatisfactory and far from the acceptable service level benchmark of below 20% because of old, outdated infrastructure and illegal connections. During the year, the total loss was equivalent to TZS 175 billion, which is higher by 9% compared to the previous year's balance of TZS 157.59 billion. **Figure 5** shows the trend of non-revenue water for the past three years.

The water loss, if not managed, will make WSSAs continue to incur avoidable losses.

Figure 5 : Trend of Non-Revenue Water



I recommend that the Government intercedes and review water management infrastructure in WSSAs and develop mitigating plans for the better management of infrastructure and reduction of Non-Revenue Water.

13.2 Slow Pace in Implementation of Water Supply and Sanitations Projects TZS 37.1 Billion and USD 6.05 Million

Water Supply and Sanitation Authorities (WSSAs) through the Memorandum of Understanding signed with the Ministry of Water developed Strategic and Business Plans that link with national policies (such as Five Years Development Plan II 2016/17 to 2020/21), to strengthen and increase water sources, production and distribution. The Ministry propels directions and funds through the Government's budget and WSSAs to use internal generated revenue and donors' funds for implementation of Water Development Projects.

My review noted slow pace in implementation of water projects as follows:

(i) DAWASA has a project for the construction of water treatment plant in Dar es Salaam along Msimbazi valley. The contract value of USD 6.05 million was signed on 25 February 2019 for the period of 45 months, including defect liability period of 19 months to be completed on 4 January 2021. My review found that the project was relocated from earmarked Jangwani to Buguruni area because Jagwani area had already been gazetted for City Park and is heavily exposed to regular floods. This caused the completion date to be extended from 4 January 2021 to 3 January 2025, exactly four (4) years extra from the original completion date.

(ii) Babati UWSSA has a project for improving water supply in townships of Dareda-Singu-Dagailoy- Sigino-Bagara with the contract sum of TZS 7.5 billion, out of which only TZS 105 million was already paid as at 30 June 2021. I discovered that the project was stalled for a year from 9 July 2020 to 30 June 2021 due to conflicts from the community, and up to 30 June 2021, only 2% of the work had been done.

(iii) Arusha UWSSA has a project for expansion of Sewer Network valued TZS 2 billion for 12 months. The project was expected to be completed on 11 August 2021, but up to the time of my audit in October 2021 only 65% of the works was executed. It was further extended to December 2021.

(iv) Musoma UWSSA has a sanitation project in Musoma Municipality with a contract sum of TZS 27.6 billion, scheduled to be implemented for 18 months up to June 2021. The project was financed by the Ministry of Water. However, my review noted that up to June 2021, only 11% of works was completed and a total of TZS 6.9 billion was already paid. However, due to substandard performance by the contractor, the implementation was suspended.

I am of the view that the noted delays were due to different challenges experienced in the implementation of projects like inadequate financing from the Ministry of Finance and Planning or its own revenue sources, inadequate project management and performance of the contractors.

I recommend that the Government through the Ministry of Water intervene and ensure all uncompleted water projects are completed to ensure availability of water and sanitation services to the public.

13.3 Anomalies in Meter Reading and Billing Procedures by UWSSAs

The Memorandum of Understanding (MOU) between WSSAs and the Ministry of Water requires Water Authorities to have a continuous monitoring of water production and distribution in terms of quantity and quality. Moreover, the MOU requires the Authorities to install water meters for the purpose of measuring the amount of water produced and supplied to customers.

My review disclosed that, the Customer Complaints Register of water and sanitation services maintained at EWURA for three years from 2018/19 to 2020/21 indicates 228 cases complained by customers were relating to billing matters. Out of which, 30 (13%) cases were yet to be resolved up to 30 June 2021.

Further, my review of operations of DAWASA, Dodoma UWSSA and Mbeya UWSSA during the year 2020/21 discovered that the Authorities billed some of their customers based on estimates rather than the actual water used.

At DAWASA, I found 1,207 customers were billed TZS 3.7 billion at the constant rate throughout the year, rather than being billed based on the actual meter readings. This means the customers were either overcharged or undercharged. Further, I noted that DAWASA continued to supply water to 31,837 customers with an outstanding bill of TZS 7.8 billion, contrary to the credit policy of DAWASA, which requires a bill to be settled within 30 days.

Likewise, at Mbeya UWSSA found that 402 customers were billed TZS 79 million at constant rate without considering meter readings throughout the year. At Namtumbo UWSSA, 1,168 customers (62% of the total customers) were billed at flat rate of TZS 4,500 (TZS 63 million) without considering meter readings.

Furthermore, at Mwanza UWSSA I noted TZS 381 million were recognized as revenue from the disconnected customers and thus were wrongly charged.

I consider that the noted deficiencies were mainly caused by non-conducting of customer survey, meter verification, and inadequate controls on the billing procedures.

I recommend that Urban Water Supply and Sanitation Service addresses the above anomalies by instituting measures and controls in meter reading and billing procedures to ensure that customers pay for realistic bills based on actual water consumption

13.4 Low Level of Debt Recoverability for UWSSAs TZS 104.96 Billion

Effectiveness and efficiency in revenue collection of UWSSA is analysed through collection efficiency and account receivable turnover.

The credit policy of UWSSAs is to recover bills due within the following month and to disconnect from water service any customer who has accumulated his/her bills for more than 90 days without paying. I noted that, UWSSAs still experienced increase in debts and struggled in collecting debts which were significantly outstanding beyond the period of credit limit.

In 2020/21, I discovered that 23 UWSSAs had a debt of TZS 104.96 billion compared to TZS 112.40 billion of 2019/20 for supplying water and sanitation services to the Government Institutions, and other institutions (Commercial, industrial, religious, etc) **(Table 50).**

Table 50: Debt for WSSAs

S/N	WSSAs	2019/20 TZS 'Million'	2020/21 TZS 'Million'
1	Dar es Salaam	58,165.64	45,837.23
2	Mwanza	6,705.41	7,039.29
3	Dodoma	6,596.58	6,434.07
4	Mbeya	5,863.61	6,263.26

S/N	WSSAs	2019/20 TZS 'Million'	2020/21 TZS 'Million'
5	Tanga	5,460.36	5,579.85
6	Kahama-Shinyanga	3,818.42	5,355.51
7	Moshi	4,572.02	5,003.53
8	Arusha	1,714.52	3,625.44
9	Morogoro	2,748.14	2,832.71
10	Musoma	2,167.94	2,488.14
11	Mtwara	1,860.82	2,405.63
12	Iringa	1,492.71	1,815.64
13	Kahama	1,771.95	1,748.71
14	Shinyanga	1,886.69	1,625.01
15	Tabora	1,971.13	1,472.11
16	Songea	1,692.80	1,412.78
17	Bukoba	768.41	834.27
18	Lindi	786.21	776.27
19	Singida	606.65	706.49
20	Masasi Nachingwea	672.79	587.84
21	Sumbawanga	557.84	528.64
22	Babati	446.52	522.04
23	Bariadi	69.97	65.18
	Total	**112,397.11**	**104,959.65**

Source: UWSSAs Audit Report

This implies that measures undertaken by UWSSAs in ensuring that funds are collected on time were not adequate.

The non-recovery of debts affects the liquidity of UWSSAs and cause financial hitches in meeting other operational needs.

I recommend that the Government assist UWSSAs in ensuring effective measures are employed in debt collections and enable smooth performance of Water Authorities. Also, UWSSAs should consider installation of prepaid water meters for bad debtors to curb growing debts.

13.5 Shortage of Water Production by WSSAs

Water Supply and Sanitation Act No.5 of 2019 gives mandate to WSSAs to provide water supply and sanitation services in the allocated cities and clusters. My review of 23 Water Supply and Sanitation Authorities (WSSA's) observed the shortage of water supplied at 17 Water Supply and Sanitation Authorities (WSSAs) **(Table 51)**

Shortages were mainly caused by delays in the project implementation or completion caused by under release of funds from the Ministry of Water, as well as inadequate project management. Further, water production shortages lead to water rationing within the cities.

Table 51:Shortage of Water Supplied in Regions

S/N	WSSAs	Required water (M^3 per day)	Actual water production (M^3 per day)	Water shortage (M^3 per day)	Water shortage in %
1	Lindi	5,210	2,327.44	2,882.56	55%
2	Songea	17,897.00	9,000.00	8,897.00	50%
3	Morogoro	71,486.00	37,038.49	34,447.51	48%
4	Mwanza	154,000.00	80,383.26	73,616.74	48%
5	Arusha	109,000.00	60,000.00	49,000.00	45%
6	Masasi Nachingwea	11,973.00	6,793.00	5,180.00	43%
7	Singida	14,410.00	8500.00	5910	41%
8	Dodoma	108,597.20	66,605.00	41,992.20	39%
9	Tabora	29,438.00	18,000.00	11,438.00	39%
10	Sumbawanga	11,600.00	7,500.00	4,100.00	35%
11	Dar es Salaam	762,000.00	509,200.00	252,800.00	33%
12	Musoma	24,000.00	16,068.52	7,931.48	33%
13	Mbeya	88,000.00	59,500.00	28,500.00	32%
14	Mtwara	22,202.00	15,000.00	7,202.00	32%
15	Tanga	46,030.00	31,930.53	14,099.47	31%
16	Moshi	47,833.00	33,973.00	13,860.00	29%
17	Kahama	17,500.00	12,600.00	4,900.00	28%

Source: *Entity's Management Letters*

Further, at Dodoma WSSA, I noted produced water at Swaswa Ponds and Chamwino service areas did not comply with Water and Wastewater Quality Monitoring for Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) standards.

I recommend that the Government, through the Ministry of Water, ensure water production capacities is increased to enhance clean water and supply. This can be achieved through timely release of required funds and close follow up of the projects under implementation.

13.6 Non-Existence of Sanitation Infrastructure

WSSAs are obliged to provide sanitation services, including ensuring safe treatment and disposal of sewage. Through performance contract with the Ministry of Water, each WSSA is required to reach sanitation coverage of 40%.

In my previous report 2019/20, I noted some of the WSSAs had not started implementing construction of sanitation infrastructure. Additionally, in 2020/21, the same WSSAs had not yet started the development of sanitation infrastructures. Such delays hinder the human development due to delays in economic utilisation and supply of clean water.

WSSAs who delayed construction of sanitation infrastructure were Babati, Bukoba, Kahama, Sumbawanga, Singida, Lindi, Nzega, Namtumbo, Kyela and Korogwe. This was caused by to financial constraints as sanitation projects require a substantial investment to be completed.

I thus recommend that the Government through the Ministry of Water solicits funds from donors, or internal sources and assist WSSAs in implementing the construction of the sanitation infrastructures.

CHAPTER 14

REVIEW OF HIGHER LEARNING, TRAINING AND RESEARCH INSTITUTIONS

14.0 Introduction

Higher Learning, training and research institutions consist of universities, colleges, other academic institutes, education centres, research centres, vocational training authority and entities which are regulating, managing and supporting development of higher learning institutions such as Tanzania Education Authority (TEA), Higher Education Students' Loans Board (HESLB), Tanzania Commission for Universities (TCU) and National Council for Technical Education (NACTE).

Higher Learning and research Institutions receive subventions from the Government to finance their recurrent and development expenditures. Assessment of operational efficiency of higher learning institutions is vital for developing body of knowledge in the country and realizing value from the investment in tertiary education. My responsibility is to evaluate efforts deployed by the Government and Higher Learning Institutions to achieve targeted objectives in promoting education in the Country.

This Chapter highlights shortfalls observed regarding the performance and management of Higher Learning Institutions. It points out weaknesses and challenges limiting effectiveness and efficiency in achieving: Key objectives of teaching, research and consultancies; infrastructure management and development; students' enrolment targets; students' welfare management; and level of utilization of Information Communication and Technology in key operations activities.

14.1 Inadequate Management of Special Purposes Entities/ Centers/ Units/ Companies Operated by Higher Learning Institutions

Special Purposes Entities/Centers/Companies operated by Higher Learning Institutions have been established to meet certain objectives relating to training, research, consultancies and other outreach social services. I noted various deficiencies in managing these entities as follows:

14.1.1 Deficiencies in Managing ICT Centre and Leather Production Unit at DIT

Dar es Salaam Institute of Technology (DIT) has been implementing the project to establish the India-Tanzania Centre of Excellence in Information Communication and Technology (ICT) since 2009. I found the following deficiencies in managing of the Centre: The Centre did not have strategic plan, budget, and annual work plan contrary to the requirement of Para 2.2.1.2(ix) of the project Operational Policy and Procedures; Inadequate management of Community Information Centres (CICs), that led to closure of nine CICs out of ten without justified reasons; Establishment of courses before conducting study or labour survey, contrary to Para 4.1 of Operational Policy and Procedures; and establishing course and fee structure without approval from the Centre Advisory Committee and other organ managing tertiary educations. Closure of centres was attributed to inadequate market survey for professional short courses and market requirements; lack of marketing strategies led to fewer students being admitted. I am convinced that the Centre will not meet the objectives of its establishment as Centre of Excellence in Information and Communication Technologies in Tanzania.

My review of operations of Leather production unit at DIT found the following deficiencies: The Standard Operating Procedures (SOP) for leather processing was not approved by the Council. Also, Leather Processing Manual for guiding tanning and production activities was not established. There was inadequate record keeping such that raw hides/skins received from customers lacked some important information like customer names, contacts, measurement of weight and thickness. Further, the absence of budget, annual production plan, and performance production report for tannery.

This was associated with ineffective operating procedures and weak controls over management of the Institute. I am concerned that DIT will not meet targets of growth of leather technology, producing trained experts in leather technologies and producing leather products for supporting the Institute’s budget.

I recommend that Dar es Salaam Institute of Technology work on the identified deficiencies and institute proper controls to make the Centre and the unit operate effectively and efficiently.

14.1.2 Underperformance of UDSM Subsidiaries

The University Computing Centre (UCC) and Dar es Salaam University Press (DUP) are subsidiary companies of the University of Dar es Salaam (UDSM) established for managing Information and Communication Technology (ICT) services and Publishing services respectively.

My review revealed that UCC generated the profit of TZS 124.47 million in 2020/21 which is 22% of the targeted profit of TZS 574 million as per the Strategic Plan of 2016/17-2020/21. I further identified that the revenue earned decreased from TZS 7.8 billion in 2016/17 to TZS 5.07 billion in 2020/21, respectively, a decrease of 35% and in contrast with UCC Strategic Plan target that expected a growth rate of 10% annually from 2016/17. This is attributed to ineffective implementation of strategies for modernisation of products and training programs.

At DUP, I found that the publishing and printing services which were a major source of revenue of the DUP have been declining yearly. In 2018/19 to 2020/21 the revenue decreased by 50% from TZS 57 million to TZS 28 million respectively. The underperformance is mainly attributed to inadequate publishing and printing strategies and financial constraints.

I recommend that (a) University of Dar es Salaam and University Computing Centre conduct market research for introducing new products based on current market demand and improving the existing products and services; and (b) University of Dar es Salaam and Dar es salaam University Press improve publishing and printing services by enhancing marketing, improving governance and management of the Press, and investing in current technology on printing services.

14.1.3 Deficiencies in Operationalisation of Ardhi University Built Environment Consulting Company Ltd (ABECC)

ARU Built Environment Consulting Company Ltd (ABECC) was established to carry out consultancies and works Services. I found that 11 projects with total contract amount of TZS 4.85 billion had not been transferred to be managed under ABECC contrary to the requirements and purposes for establishment of the Company; seven staff including the top management were not recruited as per the requirement of ABECC staff establishment, and top management has been acting for more than two years; Cooperate Strategic Plan and Business plan were not completed and approved, contrary to the proposal for the establishment and operationalization of ABECC, 2019.

I recommend Ardhi University and Built Environment Consulting Company Ltd (a) speed up the transfer of the projects to ABECC as planned (b) ensure ABECC is staffed for efficient and effective operations; and (c) complete preparation of Strategic Plan and Business plan.

14.1.4 Underperformance of Printing Centres Operated by Tanzania Institute of Education

Tanzania Institute of Education (TIE) has seven printing centres in different regions with printing machines each, four centres out seven are commercially operated for profit generation and three were non-commercial. I found that, two commercial printing centres in Dar es Salaam and Mbeya were operating under the loss of TZS 43 million and TZS 65 million respectively while centres of Tabora and Songea were dormant.

This has been caused by outdated machinery and unfavourable infrastructure conditions. I observed that TIE lacked capacity to meet key activities of printing and publishing.

I recommend that Tanzania Institute of Education equips the Centres with modern machinery and improve infrastructure in printing Centers to enhance their effectiveness and efficiencies.

14.2 Deficiencies Noted on Discharging Key Functions by Higher Learning Institutions

14.2.1 Inadequate Management of Technical and Vocational Education Training

Management of Technical and Vocational Education Training has been entrusted to the National Council for Technical Education (NACTE) which oversees quality assurance and quality control of technical education and training of all tertiary education institutions (non-universities); and Vocational Education and Training Authority (VETA) which oversees quality assurance and quality control of vocational education and training. I found the following deficiencies in managing technical and vocational education training as follows:

I observed that VETA had conducted quality audit of only 73 registered Vocational Education Training Centres (VET centre) equivalent to 9% of 779 Centres contrary to Sect. 4 (1) (a) to (n) of VETA Act, 1994 and Corporate Strategic Plan of VETA, that requires the Centre to conduct quality audit by 50% of registered Vocational Education Training Centres annually.

I am convinced that unaudited centres were unlikely to meet the required training standards without noticed and could produce substandard vocational education and incompetent graduates.

Further, at VETA, I found a number of students to teachers' ratio was exhausted. From the assessment at some VETA centres, there was a ratio of one teacher to more than 50 vocational students in some programs, contrary to the required standard of 1:16 to 1:20 for Category A, B and C and Category D is 1:5 as set in the Accreditation of VET Programs, Guideline and Procedures on regard of teacher trainees' ratio per class. This was caused by inadequate number of vocation teachers VETA is facing. The existing teachers are overworked, the situation that could impair the quality of vocation training offered to students.

I recommend that VETA and Government (a) Invest more resources on quality audit of VET centres and substantial number of centres be audited annually; and (b) Employ and train more

vocational training teachers for enhancing quality of vocational education in Tanzania.

At NACTE I found that the Council was not validating Curricula on time. Curricula validation took an average of 7 months instead of 3 months after the curricular was submitted by a customer, charging the application, contrary to Para 5.1 of NACTE Customer Service Charter, 2019.

I am convinced that, training institutions could train students with irrelevant or expired curricula because of delays in introducing and approving new programs/curricula.

I recommend that NACTE strengthens controls on tracking and timelines in approving curricula submitted by the academic institutions.

14.2.2 Inadequate Management and Low Level of Research and Consultancy Activities

Key functions of universities are to advance learnings and knowledge by teaching, research, consultancy and service to the Society. These functions advance Tanzania's economic, social and technological development and beyond through excellent teaching, research and public services. From the review of implementation of universities functions, I found various deficiencies in conducting research and consultancies at the following universities:

At Dar es Salaam University College of Education (DUCE), I noted low level of research and consultancy activities. Research outputs in term of the number of books published, books chapters, research reports and policy, conference papers submitted, and conference proceedings, were very minimal compared to the number of academic staff. My analysis of research activities from the University's facts and figures' reports noted few research outputs made by 227 staff as follows; one book, one Book Chapter written, 76 Journal Paper Published, nine Conference Papers Submitted, two Conferences Proceedings Submitted and no Research Report produced. The ratio of staff against research work performed indicated that few staff were involved in research work and most of them could not perform research activities except writing Journal Papers.

Additionally, DUCE conducted only three consultancy services compared to four in the previous year. This has been caused by lack of long-term strategic plan for research and consultancies services, inadequate capacity of staff to acquire consultancy services and conduct research activities, and lack of marketing strategy on consultancy services. Thus, the College's key functions on research and consultancies were not effectively implemented.

I recommend that DUCE (a) develop long term Strategic Plan for improving research activities and consultancy services based on available number of staff and other resources; and (b) add investment in manpower capacity building and other resources for research and consultancies activities.

At University of Dodoma (UDOM), I found that UDOM did not have sufficient controls on managing research and consultancy contracts. Some consultancy contracts were entered into by staff and third parties instead of university and third parties, and thus staff discretionary declared to the University. It was difficult to ascertain completeness of all agreements entered into by staff due to lack of tracking mechanisms of all consultancy contracts entered into by staff and third parties. Additionally, research contracts entered between UDOM and Donors were left to coordinators for execution without mechanism for management's oversight. There were no controls for managing the quality of research and consultancy activities. I am convinced that there is a risk of losing the University's reputation in case deliverables, should they fail to meet the expectations of the third parties or in case of underperformance.

I recommend that UDOM ensures controls on registration and monitoring of researches and consultancies are enhanced. All contracts to be centrally registered and signed by authorized personnel only on behalf of the University.

Further, I observed that Sokoine University of Agriculture (SUA) had deficient performance in consultancy activities. SUA conducted 30 consultancies and generated TZS 2 million equal to 1% of annual target of TZS 204 million revenue. The number of consultancies conducted was very low in comparison with its capacity of more than 500 academic staff. Further, I noted the following deficiencies in managing consultancies: There was no approved consultancy policy; consultancy bureau was not operationalized since it was planned in 2016; and there was no long-term consultancy strategy and targets for consultancy functions. I am concerned that; the University is not implementing one of its key activities effectively and is generating insignificant income from consultancy services to support its budget.

Further, I noted that SUA did not conduct quality assurance, and monitoring in research, consultancy and outreach services contrary to the requirement of SUA Quality Assurance Policy of 2017.

I recommend that SUA (a) develop long term strategic plan for improving consultancy activities based on available manpower and other resources for increasing consultancy services and revenue; (b) operationalize the consultancy bureau and complete approving consultancy policy; and (c) conduct quality assurance services on research, consultancy and outreach services.

14.2.3 Lack of Patents and Non- Transferring of Agricultural Technology to Users for Adoption by CARMATEC

I found that the Centre for Agricultural Mechanization and Rural Technology (CARMATEC) did not have patent, intellectual property or copyrights of innovation or invention, introduced for 12 technologies developed during the year. Further, I discovered that the agricultural machinery technology prototype was not transferred to users for adoption, contrary to Sect 15.1&2 of CAMARTEC Act, 1981 and Sect. 4.1 of CARMATEC ACT, 1981.

I am convinced that the Centre’s Innovations could be stolen and lead to loss of public resources already utilized, and agricultural technology prototypes developed could not be beneficial /adopted in rural areas for agricultural improvements.

I recommend that the Government through CARMATEC (a) Develop Patent, intellectual property or copy right for innovations and inventions; and (b) Develop and fund a business

model that support transfer of designed technologies to users and enabling users to access that technology.

14.2.4 Manual Processing of Examination Results at Ardhi University

I found that Ardhi University (ARU) had inadequate controls on processing of examination results. Examinations results were manually processed before being uploaded into the system, and examinations results were not uploaded on time. The 1st semester examinations results, for instance, were not uploaded into the system until the end of 2nd semester. I am convinced that manual processing of examination results was prone to human errors and could lead to intentional manipulations.

I recommend that Ardhi University enhance its systems, process and publish examination results through the System on time.

14.2.5 Inadequate Management of Student Loans Repayment by HESLB

I found that the Higher Education Students Loan Board (HESLB) did not meet annual targets of tracing 35,000 loan beneficiaries for loans recovery for the financial year 2020/21 and 5,842 cumulatively employers. HESLB traced 26,696 loan beneficiaries (76% of annual target) and 2,677 employers (46% of target). Further, loan beneficiaries residing outside of the country were not traced, contrary to the requirement of Loan Repayment and Recovery Manual, 2019. This was caused by poor strategies on loan recovery from beneficiaries with overdue loans. I am convinced that HESLB financial ability will decline in future for financing student loans since there was a cumulative loan of TZS 185 billion which was not collected from beneficiaries.

I recommend that Higher Education Students Loan Board (a) strengthen efforts on tracing loan beneficiaries and employers; and (b) involve Foreign Affairs Ministry and Tanzania Embassies to trace and recover loans from beneficiaries residing out of Tanzania.

14.2.6 Inadequate Number of Qualified Coordinators at Tanzania Institute of Education (TIE)

I found that TIE lacked qualified coordinators/teachers for managing curriculum development, training of curriculum implementers and other development services for fifteen subjects, contrary to its strategic plan on strengthening the capacity of TIE staff on effectively delivering of its functions. Fifteen subjects had no coordinators in related fields/subjects. This was caused by lack permit to recruit qualified employees. I am convinced that the Curricula of the respective subjects could not be effectively developed.

I recommend that Tanzania Institute of Education and the President's Office, Public Service Management and Good Governance to employ coordinators/teachers of related fields for developing curricula and materials for noted subjects.

14.2.7 Inadequate Management of Skill Development Fund (SDF) and Education Fund by Tanzania Education Authority (TEA)

I found that, TEA did not perform field studies based on the verification and monitoring of the Skills Development Fund (SDF) following the Bursary Scheme projects of TZS 1 billion disbursed to 61 implementing entities. No verification visits were done to training providers/firms until the end of implementation period agreed with implementers. This was contrary to the requirement of SDF Bursary Scheme for Vulnerable Groups Operational Guideline. This was caused by lack of professional experts, transport and delays in signing MoU with TASAF for cooperation on projects monitoring. I am convinced that the projects could be mismanaged, occasioning misuse of public funds without TEA’s attention or lack of timely rectification.

I recommend that Tanzania Education Authority (TEA) and Government provide adequate resources and engage TASAF for timely monitoring and verifications of projects.

I further observed that the district councils took long time to release funds to implementers of Education Projects managed by

TEA. For instance, I learnt that TZS 1.6 billion released by TEA for 24 educational projects through the district councils were disbursed to schools after four months. According to TEA and Implementers' agreements, the projects were required to be completed within four months after the release of funds from TEA. However late disbursement by the district councils delayed the completion of projects. I am convinced that the duration of four months was too long and affected the timely completion of projects and funds could be misappropriated.

I recommend that Tanzania Education Authority (TEA) and President's Office Regional Administration and Local Government introduce control mechanisms which would enable funds released by TEA to be disbursed to project implementers without delay.

14.2.8 Low Capacity of Vocational and Training Centres to Admit Large Number of Youth Entering the Labour Markets without Work Skill

Technical and Vocational Education Training (TVET) indicator report issued by the Ministry of Education, Science and Technology in July 2021 estimates that more than one million primary and ordinary secondary school graduates terminate their education journey every year and enter the labour markets.

To ensure the work force has required skills and technical know-how, the Government provides alternative educational and vocational training opportunities to produce artisans, technicians' skilled workers, and other professionals which fit current labour market and enhance self-employment through enhancing vocation training and accessibility of vocational education. This was managed by Vocational Education and Training Authority (VETA) and National Council for Technical Education (NACTE) as well as other organs and private entities.

My review of skills and vocational education provision indicated low enrolment capacity of students by Government vocation and training centres. Despite the increase in number of enrolled students from year 2017/18 to 2020/21, the annual enrolment is lower compared to the number of youths entering the labour markets each year without required working skills (**Table 52**). For instance, in 2020/21 it was only 214,878 students (21%) who accessed vocational and training education in Government Centres, compared to more than 1,000,000 youths terminating their formal education journey every year, and 119,000 (12%) who students accessed privately owned institutes (**Table 52).** Thus, more than 666,122 primary and ordinary secondary school graduates who discontinued their education journey entered the labour markets without having the required working skills.

Table 52: Annual Enrolment of Students by Government and Private Centres

Year	Number of Enrolled Students						
	VETA Vocational Training	NACTE TET	Central Government own VET	Local Government own VET	Total Enrolled Students (Government)	Private Owned Institutes	Grand Total
2017/18	44,176	12,247	10,304	1,022	67,749	80,109	**147,858**
2018/19	46,554	13,428	13,500	1,363	74,845	125,178	**200,023**
2019/20	144,066	16,130	7,492	855	168,543	60,093	**228,636**
2020/21	165,390	16,130	28,798	4,560	214,878	119,000	**333,878**

Source: *VETA audited reports and TVET indicator report of 2021*

Further, I discovered that a number of students enrolled by VETA exceeded the available capacity, while there were under utilization of available capacity by 31% for Vocational and Training Centres managed by the Central Government and Local Government **(Table 53).**

Table 53: Unutilized Enrolment Capacity of Central and Local Government Owned Centres

VET Institutions Ownership	Number of Students			Capacity Underutilisation %
	Capacity	Utilised	Unutilised	
Central Government	42,000	28,798	13,202	31
Local Government	6,500	4,560	1,940	30
Subtotal	**48,500**	**33,358**	**15,142**	**31**
VETA	160,000	165,390	0	Over utilized
Grand Total	**208,500**	**198,748**	**15,142**	

Source: *VETA Audited Report 2020/21*

Even though VETA enrolled more students than its capacity, still there was significant number of students who were not registered for VETA Vocational Training Opportunity due to limited capacity. For the five years, VETA has been able to admit only an average of

43% of all applicants. This means it has not even reached 50% of all the applications received **(Table 54).**

Table 54: VETA Annual Applicants: Registered and Not Registered

Academic Year	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Total
Total Number of Applicants to Join VETA	13,642	14,124	15,661	15,415	12,094	70,936
Number of Applicants -Selected/Successful	5,853	6,202	5,982	6,233	6,545	30,815
Number of Applicants -Not Selected	7,789	7,922	9,679	9,182	5,549	40,121
Percentage of successful against Applicants	**43**	**44**	**38**	**40**	**54**	**43**

Source: VETMIS (VET Management Information System)

I am convinced that about more than 666,122 primary and ordinary secondary school graduates who terminated their education journey every year and entered the labour markets without required working skills and could not access vocational and training educations. This indicate that the capacity of Vocational and Training Centres managed by both Central and the Local Government is unutilised, while significant number of primary and ordinary secondary school graduates drop out from their education journey every year and entered the labour markets without having the required working skills.

I recommend that the Government; (a) expand existing Infrastructures of Technical and Vocational Education and Training (TVET) institutions; (b) establish more TVET centres; and colleges, and strengthening trainings as well as training tools; and (c) all available capacity at Local Government and Central Government centres should be utilised to enrol and train more students.

CHAPTER 15

EFFICIENCY OF REGULATORY BODIES IN EXECUTING THEIR MANDATES

15.0 Introduction

The Regulatory agency/authority is an independent governmental body established by a Legislative Act to set standards in a specific field of activity; or operation to protect public and Government interest and then enforce those standards.

Regulatory authorities have various functions such as inspecting regulated services or goods, developing guidelines and directives, setting indicatives prices and licensing.

There are 57 Regulatory Bodies established to undertake different regulatory roles in Tanzania. My review of the efficiency and effectiveness covered most of the regulated sectors that include healthcare and pharmaceutical by Tanzania Medical and Drugs Authority, insurance by Tanzania Insurance Regulatory Authority, energy by Energy and Water Regulatory Authorities, telecommunications by Tanzania Communication Regulatory Authorities, protecting effective competition in trade and commerce and protecting consumers from unfair and misleading market conduct by Fair Competition Commission and land transport sectors of road, railways and cable transport by Land Transport Regulatory Authority.

Nevertheless, my audit has identified weaknesses and deficiencies in some areas, especially in governance structures and risk management, including lack of sufficient oversight inspections, absence of guidelines, and deficiency in customer billings and counterfeits products. This chapter highlights the deficiencies in detail.

15.1 Effectiveness and Efficiency in Registration and Licensing Process

15.1.1 Inadequate Management of Licensing Process

My review of Regulatory Bodies with a mandate of licensing found the following deficiencies:

At the Gaming Board of Tanzania, I found that as of 30 June 2021, the Board had issued licenses to 60 gaming operators. However, these licenses were issued without sufficient security bond being deposited by gaming operators to protect the licensee's patrons against defaults in gaming debts owned by the licensees as required by Sect. 18A of Gaming Act, [R.E 2019]. By not submitting the security bond, the licensee's patrons are at stake in case of defaults.

Also, my review of the Export Processing Zone Authority (EPZA) on the process of issuing licenses to applicant noted delays in issuing new licenses to nine investment companies for periods ranging from 76 to 972 days. Furthermore, I found that the Client Service Charter of EPZA does not spell out the timeframe to be taken to issue the licenses. I consider that delay in licensing the investment companies could demoralise the investors; as a result, they could decide not to invest in Tanzania.

I recommend that (a) Gaming Board of Tanzania ensure gaming operators maintains an amount sufficient to protect the licensee's patrons against default in gaming debts, and (b) Export Processing Zone Authority investigate the factors that cause delays and ensure the applications are processed within the timeframe that has to be spelled out in the Client Service Charter.

15.1.2 Deficiencies in Management of the Registered Contractors, Architects and Quantity Surveyors, Auditors and Accountants

I reviewed the contractor's register of Construction Registration Board (CRB) and found that in 2020/21, there were 12,090 registered contractors, of which 11,599 were permanent, 284 were joint venture (local) and 207 were temporary (foreign). Nevertheless, in 2020/21, I found that none of them were reviewed to ascertain if they still met the registration requirements pursuant to their types and classes of registration contrary to Sect. 4(q) of the Contractors Registration Act, Cap 235, (R.E 2002), which requires the Board to review registered contractors.

This deficiency was caused by a loophole in Contractors Registration Act, Cap 235, [R.E, 2002] that requires the review to be done on discretion of CRB and therefore can decide as to when the review was done.

I consider that as a result of the failure to review the status of contractors and update the records, the register could contain names of incompetent and non-existing contractors.

I recommend that Management of Construction Registration Board ensure the review of contractors is done to ascertain if they still met the registration requirements pursuant to their types and classes of registration and review the guideline to include annual contractors review as mandatory.

Also, my review of the Architects and Quantity Surveyors Registration Board (AQRB) revealed that the Board had 1,762 registered professionals, out of which 208 attended Continuous Professional Development (CPD) programmes and 1,554 did not attend the CPD programmes in 2020/21 contrary to the Continues Professional Developments Programs guidelines which requires all registered persons to attends CPD programmes as prescribed by the Board and obtains minimum of 20 hours of CPD programs in every calendar year. Further, I noted that, out of 208 registered professionals who attended CPD programmes, only nine attained full CPD hours while 199 partially attained the CPD hours.

By non-attaining the CPD hours may impair professional competence, skills and competitiveness of architects and quantity surveyors.

I recommend that AQRB ensure all registered professional attend continuous professional development training and attain the required CPD hours.

At National Board of Accountants and Auditors (NBAA), I found that 668 registered members did not attain CPD hours in 2020/21. Out of

668 members 503 were in ACPA category, 103 were in FCPA category while 62 were in TACPA category. Further, I noted that the Board wrote a letter with ref No CBC.110/118/01220 dated 28 June 2021 to non-compliant members, but found that the penalty fee as prescribed in the Third Schedule of the Accountants and Auditors (Registration) By-Laws, 2017 was not enforced.

Also, I noted that the Board had no learning and development guidelines as a reference tool for seminars, workshop or presentation to its registered members on CPD topics to be covered.

I consider that non-attaining the CPD hours could result in inability into develop and maintain professional competence and skills while the absence of guideline, the selection of the training program could not be objective.

I recommend that National Board of Accountants and Auditors ensure all non-compliant to Continues Professional Development (CPD) requirements are penalized and ensure learning and development guidance is prepared and put into use for CPD programs.

15.2 Effectiveness and Efficiency in Statutory Fee or Tariff Determination and Collection

15.2.1 Unregulated Natural Gas Price for Domestic Market and Un-updated Tariff Order for Water Sales

At Energy and Water Regulatory Authority, I found that the Authority has never issued indicative natural gas prices for domestic market which is contrary to Rule No. 17 (1) and (2) of the Petroleum (Natural Gas Pricing), 2020 that requires indicative natural gas prices for domestic market to be issued after every six months.

I consider that final consumers' natural gas prices are not adequately protected as a result gas operators may determine natural gas price on their discretions.

I recommend that management of Energy and Water Utilities Regulatory Authority ensure natural gas indicative prices are issued as required by the law for protecting the domestic market.

Furthermore, my review of the tariff orders registers of Water Supply and Sanitation Authorities (WSSAs) maintained by EWURA noted that 49 (44%) out of 112 WSSAs have been operating with expired tariff orders during the year ended 30 June 2021.

EWURA informed me that on 18 January 2021, the Authority was directed by the Ministry of Water to suspend the new tariff orders intended to commence on 1 January 2021 until further notice.

I recommend that the Government through Energy and Water Utilities Regulatory Authority critically and on timely basis review water tariff orders to enable WSSAs to be self-reliant while delivering quality services to clients.

15.2.2 Inadequate Management and Collection of Fees

From the review of collection of fees charged by Regulatory Bodies regarding certification of product or registration of professionals during the financial year ended 30 June 2021 I noted the following deficiencies;

Tanzania Bureau of Standards has not been managing adequately the annual fee for products certification, for instance, my sample of 50 out of 1,862 companies showed that, the annual certification fees for renewal of product certification for 14 licenses was paid after lapse of the due date, while fees for six licenses were paid before the expiry date, and 23 licensees fees were not paid.

National Environment Management Council had registered 1,212 environmental experts as at 30 June 2021. However, 876 out of 1,212 equivalents to 72% of experts, did not pay their fees, contrary to Reg. 2 of Fees and Charges Regulations, 2019, which requires the experts to pay for registration fees, certificates, and subscriptions. Furthermore, I noted that as at 30 June 2021, the outstanding debt of uncollected environmental expert fee stood at TZS 1.2 billion.

Procurement and Supplies Professionals Technicians Board (PSPTB) conducted annual conferences, research, workshops and seminars in 2020/21, but found from code 10002 in respect of members who participated in workshops did not pay their fees amounting to TZS 447.16 million, while the annual conference fee was TZS 194.78 million from code 10003 which summed up to TZS 641.94 million.

I consider that inadequate collection of the required fees did not only deny the implementation of the planned activities but also indicated non-compliance with the laws.

I recommend that Tanzania Bureau of Standard, National Environment Management Council and Procurement and Supplies Professionals Technicians Board ensure the required fees are collected as required by the laws and ensure appropriate measures are taken against non-compliant members.

15.3 Effectiveness and Efficiency in Inspection and Monitoring of the Regulated Services

15.3.1 Challenges in Carrying Out Fuel Marking Exercises by TBS

On 17 April 2021, the Government directed TBS to officially take over the tasks of fuel marking from a private firm in a move that sought to save costs. Despite the vested function, my review revealed that there was no binding agreement between EWURA as a regulator and TBS as implementer on how the directives on fuel marking were going to be implemented.

For that reason, TBS decided to act on the directives as a matter of emergency that included temporary adoption of 74 staff members from the former private company for executing the fuel marking exercise; use of single source to procure the fuel marker while bypassing tendering procedures; and use of facilities and equipment which the former private company was using.

My further review revealed that fuel marking was done through a manual system despite its voluminous nature. Furthermore, I found that on 30 June 2021, EWURA conducted an evaluation on fuel marker detection systems and found that there was no customization; no installed central monitoring systems; and the six voluntary testing points were not established. The system was aimed and presumed to be very accurate for fuel data management that included management of suppliers' fuels; management of marked fuel at the premises of the suppliers' facilities, fuel data sharing between EWURA and TBS for reconciliation and billing purposes.

I consider that the, unplanned activities could impact the instituted internal control and may circumvent the adopted working procedures. In addition, using the contracted staff members posed a significant sabotage risk to the operation if the former company still fought to have interest in the activity.

I recommend that Tanzania Bureau of Standards (TBS) and Energy and Water Utilities Regulatory Authority (EWURA) through respective Ministries: (a) legalise the transfer of this function and develop a formal agreement between EWURA and TBS to define performance terms; and (b) ensure the effective management system is developed to facilitate the detection systems to automatically transmit the test results to the central monitoring systems at EWURA and TBS.

15.3.2 Inadequate Coverage Inspection of the Imported Goods by Fair Competition Commission (FCC)

I conducted an audit on how inspections of imported goods are carried out by FCC from the entry points and found that, the Commission had allocated inspectors only at Dar es salaam Port and no inspectors to all from other entry points, including Mwalimu Julius Nyerere International Airport. The sub-standard goods were seized in Dar es Salaam at different times through inspections and surveillance in the market. This indicates that sub-standard goods might enter the market through other major imports entry points where there were no Commission's staff. In addition, I observed that the Commission had deployed six inspectors at Dar es Salaam Port but there was no rotation among them while, they have been working at the same station for more than four years.

I consider that non deployment of inspectors to all entry points of could result in counterfeit goods entering the country and circulating in the market without being detected.

I recommend that Fair Competition Commission improve staffing of the anti-counterfeits division by increasing the number of inspectors and ensuring there is inspector's rotation at points of imports entry.

15.3.3 Inadequate Inspections Coverage By the Gaming Board of Tanzania

In the course of audit, I found that Gaming Board of Tanzania (GBT) did not conduct the onsite compliance inspection on Gaming Management Systems to verify whether the licensees complied with conditions of the gaming by checking issues such as details of approval, secured connectivity and communication to the server to all betting machines, as well as checking for any system upgrade. This is contrary to GBT Inspection Manual of 2020 that requires conducting onsite compliance inspection on gaming operations in Tanzania.

The essence of conducting inspection is to assess compliance with gaming legislations and other regulatory requirements to ensure proper regulation of gaming industry. In the absence of onsite compliance inspection, assurance on operators' systems could not be assured and would lead to loss of revenue expected from the gaming activities.

I recommend that Gaming Board Tanzania review the adequacy of resources (including system inspectors) of the compliance and inspection department to ensure that they can periodically conduct inspection of gaming management systems.

15.3.4 Insufficient Working Tools and Absence of Operating Procedures and Automated System for Tallying at TASAC

Tanzania Shipping Agencies Corporation (TASAC) has an exclusive mandate for clearing the import and export of sugars, live animals, cooking oils, Government trophies, and fertilizers. However, I found that the Corporation had no Standard Operating Procedures or guidelines for clearing these items. Without operational instruments, it will be difficult to benchmark the number of live animals and poultry required to enter or cross the country.

TASAC performs tallying in order to confirm if the vessels' goods listed in the manifest are the same as the goods which are physically counted by TASAC. Upon receiving the vessel documents including the manifest, TASAC verifies the contents of the documents if they align with physical verification (tallying). Although this work is important for TASAC to discharge its mandate, my review found that the tallying function was not automated in order to increase efficiency, reduction of time and minimize chances of corruption.

In the absence of automated tallying function, TASAC could spend much time in the tallying process, leading to penalising customers with fines or extra port charges for overstaying at the port unfairly due to delays in clearance during the tallying process. Moreover, there is possibility of human errors due to manual tallying.

I recommend that management of Tanzania Shipping Agencies Corporation (a) expedite the process of developing Standard Operating Procedures for efficient and effective management of imports and exports clearing under exclusive mandate; and (b) institute the system to automate the tallying activity for efficient performance.

15.3.5 Eight Insurance Registrants Hosting Data Centers Outside the United Republic of Tanzania

My review of the status on maintenance of insurance data centre at TIRA found that eight out of 28 Insurance companies are hosting their data centres (primary, secondary or both) outside the United Republic of Tanzania, contrary to Sect. 6(2) (d) and (e) of the Insurance Act, 2009 and Circular No.085/2020 from TIRA which requires insurance companies to host their data centres in the United Republic of Tanzania.

I consider that there is a possibility that TIRA would not be able to access registrant data for management decisions.

I recommend that Tanzania Insurance Regulatory Authority follow Sect.142 (1) of the Insurance Act, 2009 to ensure all eight registrants maintain data centres within the United Republic of Tanzania.

15.3.6 Absence of action by TIRA on Non- retention of Premium Locally for Externalization of TZS 31 Billion

My review of insurance companies' inspection reports at TIRA revealed that 14 insurance companies had externalized TZS 31 billion without retention of 5% or more of the shareholders' fund contrary to Para. 7 of Revised Circular No.055/2017. This anomaly has been reported by Directorate of Surveillance and Prudential Supervision with the recommendation that the law has to be enforced on the 5% but there was no action taken by the Management to enforce the law.

I consider that by not invoking the sanctions against the non-compliant companies, TIRA weakens efforts to build the capacity of the local companies.

I recommend that Tanzania Insurance Regulatory Authority implements the recommendation issued by Directorate of Surveillance and Prudential Supervision to enforce retention of 5% from the 14 non-compliant companies.

15.3.7 Not issuing Demand Note for Penalty to Insurance Companies and Broker TZS 108.25 Million

My review found that 17 insurance companies delayed in submitting their returns for a period ranging from one to 99 days, while 68 brokers delayed for two to 58 days of which altogether attracted a penalty of TZS 108.25 million. However, there was no demand notes issued for the delay in submitting the returns, contrary to Sect. 78 (5) of the Insurance Act, 2009.

I consider that this is a non-enforcement of the existing law and delay in raising invoices could deny the Authority to collect penalties on time.

I recommend that Tanzania Insurance Regulatory Authority (a) develop and implement a systematic mechanism that will ensure effective tracking and charging of penalties on delayed submission of quarterly returns; (b) issue guidelines of the specific timing for which demand notes shall be raised; and (c) issue demand notes to all insurance companies and brokers that have delayed submitting quarterly returns and ensure payment of the raised amount is made promptly.

15.3.8 Inadequate strategies to Curb Illegal Gaming Activities

Gaming Board of Tanzania (GBT) primary objective is to oversees, monitor and regulate the conduct of gaming activities in Tanzania. The regulatory performance reports showed presence of non-compliance with gaming regulations and illegal gaming activities being noted during every impromptu inspection. Illegal gaming activities includes placing gaming devices in unapproved premises; substandard and illegal gaming machines. During the financial year ended 30 June 2021, 401 slots machines were seized because of their involvement in the illegal gaming activities.

Management explained that while such non-compliances persist, GBT has been conducting regular and spontaneous inspections but it could not cover large part of the country in which the gaming operations were carried out due to its limited resources (inspectors and technology).

I recommend that Gaming Board of Tanzania (a) perform risk assessment of different regions where gaming activities are conducted to enable proper design of its inspection plan; (b) intensify its strategies to combat non-compliance in routine operations by involving other organs that have mandate in the areas where gaming activities are carried out; and (c) consider designing any other programmes deemed best in combating non-compliance and illegal gaming.

15.4 Inadequate Monitoring and Harmonization of E-sticker Innovation Introduced by Tanzania Insurance Regulatory Authority (TIRA)

TIRA introduced insurance e-sticker to be used by all policy holder insuring Motor vehicles, whereby there will be no physical stickers displayed as evidence of insurance. Despite e-stickers being a good innovation, it is against Sec.4 (1) of Motor Vehicles Insurance Act, 2002 and the Regulations made under this law, G.N No.95 of 1979 which requires a physical sticker to be displayed as evidence of insurance. This is due to a delay in harmonization of the Road Traffic Act with E-sticker innovation done by TIRA and it could lead to ineffective compliances by the respective users.

Further, I assessed the transition from manual insurance stickers to electronic stickers and noted that no stock-taking was conducted in 32 insurance companies to establish the balance of existing physical stickers that would have allowed management to make proper decision on the timing to officially launch the e-stickers system. In addition, the Authority issued a letter with Ref No DA.28/81/016/22 dated 16 April 2021 instructing insurance companies to return all existing physical stickers by 15 May 2021. However, up to August 2021 only four companies out of 27 returned 1,170 stickers with complete leaf that involved TZS 35.10 million, while 243 returned stickers were partially issued but I was not availed with any document on how the partially utilised leaf will be compensated.

This is caused by absence of documented benefit realisation plan that would consider implementing the e-stickers while considering available stickers in the market. In my view this exercise could lead to inadequate smoothness of transition.

I recommend that TIRA and the Ministry of Internal Affairs (a) speed up harmonisation of the Road Traffic Act to ensure e-Stickers are included; (b) consider any returns from the insurance companies after 15 May 2021 as null and void and institute appropriate procedures for writing off the physical stickers; and (c) in future any major changes need to be supported by benefit realisation plan.

CHAPTER 16

EFFICIENCY OF PUBLIC ENTITIES UNDER HEALTH SECTOR

16.0 Introduction

The health sector is key to human development and economy as it guarantees the good health of workforce. The sector includes infrastructures, professionals, medical equipment and supplies, reagents, medicines, curative and preventive care, and health insurance. Thus, assessment of performance Public Authorities and other Bodies (PA & oBs) involved in health sector is paramount due to their role of providing health related services to the public.

PA & oBs under health sectors reviewed were National Health Insurance Fund (NHIF), Muhimbili National Hospital (MNH), Muhimbili Orthopaedic Institute (MOI), Jakaya Kikwete Cardiac Institute (JKCI), Tanzania Medicine and Medical Devices Authority (TMDA) and Medical Stores Department (MSD).

My operational efficiency review of PA & oBs under health sector noted the entities facing several challenges such as inadequate medical facilities and equipment and operational working tools and systems resulting from inadequate fund.

This chapter highlights issues and recommendations which require attention for improvement of Health sector in the country.

16.1 Inadequate Solvency and Sustainability of the NHIF

NHIF has a role of providing quality health insurance to beneficiaries. Operational review of the Fund noted the following deficiencies:

16.1.1 NHIF Experiencing Deficit of TZS 109.71 Billion

The Fund recorded a deficit for the year after tax amounting to TZS 109.71 billion (2020: TZS 49.7 billion). Mostly, the deficit was attributed to the Fund's contribution income being less than benefit expenses. Benefit expenses have been growing at higher rate than growth in contribution income for the past five years resulting in deficit of TZS 59.03 billion (2020: TZS 41.13 billion) from dealing with members, where from 2020, benefit expenses grew at 8.2% while contribution grew at 4.6%. This indicates a declining trend in cash flow from operating activities. An increase in utilisation of services among beneficiaries was attributed to the increase in the number of members and beneficiaries, and the impact of the Covid-19 pandemic among beneficiaries and their related treatment costs.

Due to the above, the Fund's accumulated surplus has been decreasing on yearly basis.

I recommend that NHIF (a) re consider on the strategies on how to generate surplus from dealing with members and overall surplus for the sustainability of the Fund, and (b) fast track the completion of the current ongoing actuarial valuation of the Fund in order to determine the sustainability of the Fund and where possible, to adopt the recommendations by the actuary to remediate the deficit arising from dealing with members.

16.1.2 Long Outstanding Contribution Receivable at NHIF TZS 11.60 Billion

The Fund had a total of TZS 13.80 billion of receivable contributions for more than 30 days after the month in which the contribution relates contrary to Sect. 9 of the NHIF's Act, 1999 (as amended by NHIF (amendment) Act, 2015). The Fund managed to collect only TZS 2.20 billion from 1 July 2021 to 30 November 2021, hence leaving uncollected balance of TZS 11.60 billion, out of which TZS 8.76 billion (76%) were due from Public Authorities and Other Bodies and Ministries. The Fund is exposed to financial loss due to the increased risk of non-recoverability of these receivables and cash flows challenges due to significant uncollected balances.

I recommend that (a) the Government through the Ministry of Finance verify and pay the long-term outstanding arrears for Ministries and other Public Institutions amounting to TZS 8.76 billion, and (b) NHIF continue to make follow up on the remaining outstanding arrears from Private Employers amounting to TZS 2.84 billion.

16.1.3 Matured Loans and Fixed Deposit TZS 98.47 Billion not Collected and Loan Issued without Agreement TZS 129.04 Billion

As at 30 June 2021, I noted the Fund had matured loan amounting to TZS 79.47 billion (99%) out of TZS 80.66 billion issued to three Government entities was not collected. Also, the fund had matured fixed deposit investment amounting to TZS 19 billion (principal and accrued interests) with TIB Development Bank as at 30 June 2021. However, the amount was not collected due to unfavourable liquidity position of TIB Development Bank.

Further, I found that the Fund did not have a duly signed loan agreement for the loans amounting to TZS 129. 04 billion disbursed from the financial years 2010/11 to 2020/21, to finance the construction of Benjamin William Hospital and procurement of medical equipment for the Centre.

Failure to collect matured loans and deposits impacts the cash flows of the Fund and increase the risk of collectability and lack of a signed loan agreement with all terms and conditions of the loan could result in a significant loss to the Fund in case of a dispute.

I recommend that NHIF (a) make close follow up with the Ministry of Finance and Planning to ensure repayment of the long outstanding loan; and (b) continue making robust follow-ups for the draft loan agreement to be signed and ensure the terms and conditions are observed and complied with by all parties; (c) negotiate with TIB Development Bank on alternative arrangements of matured fixed deposit repayment.

16.2 Review of Medical Stores Department and Hospitals

The core function of Medical Stores Department (MSD) includes to develop, maintain and manage an efficient and cost-effective system of production, procurement, storage and distribution of drugs and medical supplies to all public health facilities. Operational review of the MSD, Jakaya Kikwete Cardiac Institute, Muhimbili Orthopaedic Institute and Muhimbili National Hospital noted the following deficiencies.

16.2.1 Significant Rejections of Medical Insurance Claims by NHIF TZS 3.87 Billion

Health facilities and hospitals provide medical services to NHIF members and claims the costs incurred for medical services to NHIF based on the criteria indicated by NHIF. During the financial year 2020/21, I found that Muhimbili National Hospital and Jakaya Kikwete Cardiac Institute (JKCI) lodged claims to NHIF amounting to TZS 55.53 billion, out of which claims amounting to TZS 3.87 billion (7%) were rejected by NHIF, while in 2019/20 the rejected amount was TZ 3.13 billion (4%). This indicates that rejected claims has been increasing.

The reasons for rejections include: calculation errors, missing details of services claimed to be provided after verification of claims, improper coding of disease, double claiming, proven cases of fraud, no/invalid NHIF approval letter, no/invalid authorization number, no/invalid clinician or patient signature, non-adherence to NHIF pricing, non-adherence to Standard Treatment Guideline (STG), not in NHIF benefit package, over utilisation of prescribed item, overprescribing, invalid/no seal of health facility on form 2C/2E, and long hospital admission without notification.

I consider that there is possibility of staff involved in offering medical services to NHIF members' compromise with set procedures agreed between NHIF and hospital or health facilities for services provided. This implies that the hospitals or health facilities get a loss for medical services provided to the corresponding patients.

I recommend that MNH & JKCI (a) ensure staff adhere to the rules and regulation of NHIF; (b) review and correct claims before submitting them to NHIF for refunds; and (c) revisit rejected claims and re-submit to NHIF for refunds for those that will be found correct or duly evidenced.

16.2.2 Anomalies Noted in Granting Exemptions to Patients at MNH & MOI

In efforts to ensure that every Tanzanians get required medical services in respect of their economic status, the Ministry of Health developed a National Health Policy, 2017. The policy requires public owned health facilities to provide health services to some patients free of charge without compromising the quality of service rendered.

My assessment of three years exemptions at MNH revealed persistence increase in exemptions whereby unrealized income due to exemption increased from TZS 8.78 billion in 2018/19 to TZS 16.19 billion in 2020/21. MNH grant exemption without any subsidy from the Ministry of Health for the service provided and due to persistent increase in exemption, quality of services at the hospital may be compromised.

Despite increasing trend of exemption at MNH, my review found non-compliances with established procedures for exemptions. For instance, I discovered exemptions amounting to TZS 2.59 billion for consultation were processed directly through medical system by respective doctors without prior consent of social welfare officer, contrary to Para 2.5.5 (i) & (ii) of Standard Operating Procedures, 2015, which requires before granting exemption to patients suffering from chronic diseases, such parties should present to an authorising Social Welfare Officer, a referral form or letter to confirm whether exemption conditions have been met by scrutinizing relevant verification documents including exemption identity card.

Further, at Muhimbili Orthopaedic Institute (MOI), I noted there was no evidence supporting eligibility for patients who were exempted from payment of medical services of TZS 97 million during 2020/21. The files of exempted patients lacked information such as a letter from Local Government or any other information that show the patient was unable to pay the bills. Also, I noted exemptions amounting to TZS 120 million were granted without welfare assessment for eligibility, in this case, exemptions were approved without involvement of the Welfare unit assessment.

Inadequate control could lead to granting exemption to ineligible patient leading to loss of public funds.

I recommend that (a) MNH & MOI ensure all exemptions are granted only to eligible patients and they should be well supported with appropriate documentations by involving Welfare unit in the process; and (b) MNH liaise with the Ministry of Health

on possibility of subsidizing exempted patients and ensure completely automation of exemption process.

16.2.3 Payment of Advance to Suppliers by MSD and MOI without Contract and Evidence of Delivery Made TZS 15.00 Billion

Para 164 of MSD's Financial Regulations, 2011 provides that, advances to suppliers shall only be made as per the terms of contract if any or as per generally accepted commercial practice.

During the financial year ended 30 June 2021, MSD made Advance payments to five suppliers (Keko Pharmaceutical Industry, GPSA, Nakuroi Investment Company Ltd, Technical Service and General, and Wide Spectru (T) Ltd) amounting to TZS 14.89 billion without any binding contract or other agreements stipulating the basis of the payments. Besides, there were no any procurement processes that were initiated in transacting with these five suppliers.

Further, I found that from 1 July 2021 up to the time of audit in September 2021 the advance payment balance has been reduced by TZS 8.03 billion but no evidences of the provision or delivery of service or goods were obtained to justify the reduction of advance payment balance.

Furthermore, I found that payment vouchers for these advances were stamped "paid" before the approval date and other advances were stamped "paid" after the year end. This anomaly highlights lack of internal controls over advance payments to suppliers and overriding of controls to facilitate soft loans to suppliers.

Also, Muhimbili Orthopaedic Institute (MOI) made payments of TZS 112.14 million to 13 suppliers in advance, but MOI could not provide supporting receipts including invoices, delivery notes, purchase order, contract and inspection and receiving reports for goods which were paid for.

Advance payment to suppliers without contract and evidence of delivery of goods or services could indicate misappropriation of public funds by providing soft loans to suppliers.

I recommend that MSD and MOI (a) investigate reasons as to why goods paid for were not delivered up to 30 June 2021 although they were ordered for urgent needs; (b) make follow-up with the paid suppliers to ensure goods or services paid for are delivered/provided or the refund is made; and (c) ensure in future no advance payment is made to suppliers without following the procurement procedure and having binding contract.

16.2.4 Health Facilities with Un-utilized Fund Deposit for More than One year TZS 23.97 Billion

The Ministry of Health remits funds to MSD in respect of health facilities to finance the purchase of medicines and on receipt of funds MSD opens account in respect of each health facility and distributes items in accordance with the distribution schedule.

Based on Standard Operating Procedures (SOP) for Integrated Logistic Supply Orders (May 2021), each primary health facility is required to order and receive four consignments from MSD during the year at an interval of 4 months between one consignment and another. I reviewed the utilisation of the fund allocated to each health facility during the year and noted the deficiency explained below;

In 2020/21, 130 health facilities had un-utilised fund balances of TZS 23.97 billion for more than one year. Inquiry with MSD revealed that the reason for un-utilised balances was mainly due to some dormant accounts which are supposed to be freezed by the Ministry of Health.

I recommend that Medical Stores Department liaise with the Ministry of Health regarding the un-utilised funds in dormant accounts to ensure the funds are efficiently re-allocated to other activities and utilized.

16.2.5 Long Outstanding Trade Creditors at MSD and MNH for More than 12 Months TZS 188.26 Billion

As at 30 June 2021, Medical Stores Department (MSD) had an outstanding account payable of TZS 176.31 billion, out of which TZS 163.97 (93%) billion was outstanding for more than 12 months.

I also learnt that Muhimbili National Hospital (MNH) had an outstanding account payable balance of TZS 31.95 billion. Out of which TZS 7.66 billion (24%) was outstanding for the periods of up to 12 months while TZS 24.29 billion (76%) was outstanding for more than 12 months.

This was attributed to inadequate working capital to settle the financial obligations when they become due for payment, and failure to pay creditors in time which could affect good reputation of the entities and their creditworthiness.

I recommend that MSD and MNH increase efforts to collect long outstanding receivable to raise its working capital and settle outstanding debts when they fall due.

16.2.6 MSD Failure to Fulfil Customers' Orders by 66%

According to MSD Business plan 2021, the customer satisfaction or order fulfilment was to be improved to 75% by June 2021. However, up to 30 June 2021 MSD managed to fulfil only 34% of total customers' orders of 43,180,884 items and leaving 66% of orders unfulfilled.

Although there is an improvement in fulfilling customers' orders from 0.6% reported in my previous year report of 2019/20 to 34% in year 2020/21, still MSD needs to exert more effort to reach the target of 75% set. Up to the year ended 30 June 2021, the amount due from health facilities and hospitals was TZS 71.12 billion, but MSD had received funds for supplying medical products to those facilities amounting to TZS 214.33 billion. This implies deposits exceeded amount due from health facilities and hospitals by TZS 143.21 billion (**Table 55**).

Table 55: Deposit and Amount Due from Hospitals and Health Facilities

Hospitals and Health facilities	Advances/ Deposit TZS (Million)	Receivables TZS (Million)	Difference TZS (Million)
National hospital	3,050.85	1,640.45	1,410.41
Zonal Referral, Regional, District and special hospitals	21,740.40	12,498.42	9,241.98
Private Sector (DDH, FBO, NOP and Health Facilities)	5,181.46	5,088.04	93.42

Hospitals and Health facilities	Advances/ Deposit TZS (Million)	Receivables TZS (Million)	Difference TZS (Million)
Public District Designated Hospitals	1,528.55	-	1,528.55
DED & Town Councils	56,027.27	2,324.22	53,703.05
Health Centers	1,908.11	1,056.26	851.85
Dispensaries	54,152.36	3,660.61	50,491.75
Vertical Programmes - Goods	18,033.17	8,661.83	9,371.34
Govt Inst. (Army, Police, Prison,Edu Int, Oth)	52,708.29	36,186.76	16,521.53
Total	214,330.46	71,116.59	143,213.87

Source: *MSD Audit Report for the year 2020/21*

Similarly, MSD had amount due TZS 231.85 billion from Government in respect of vertical programmes services up to the year ended 30 June 2021.

The failure to adequately fulfil customer orders is attributed to shortage of funds to meet all customers' demands, since most of the funds are tied on Government receivables for vertical programmes services. In this regard MSD could not meet its mission of making available, at all times, medicines and medical supplies of acceptable quality and at affordable prices to all Tanzanians.

The delayed delivery and non-fulfilment of customers' orders led to delayed provision of health services to the community and MSD image is tarnished.

I recommend that MSD (a) find a means of raising more funds by collecting the remaining outstanding Government receivables and purchase enough health commodities to meet its customers' demand; and (b) come up with strategies to ensure achievement of targeted order fulfilment rate.

16.2.7 Expired Medical Products at MSD and MNH Warehouses TZS 23.04 Billion

The rate of expiry of medicines at MSD for the financial year 2020/21 was 5% of the cost of sales of TZS 196.83 billion which has remained the same as previous expiry rate of 5%. This rate has exceeded the tolerable rate of 2% provided in Para 7.3.3 of MSD inventory Management Guideline of June 2018.

My further analysis revealed that the Department had a total of 7,676,436 unserviceable stock with the cost of TZS 22.80 billion, which had been in MSD warehouse from 16 April 2000 to 30 June 2021.

Furthermore, I discovered that MSD received funds from the donor amounting to USD 239,023.92 to finance the destruction of Antiretroviral Drugs (ARV). Still, the respective ARV were not destroyed at the time of audit in December 2021, while the permission was granted by the Ministry of Finance and Planning on 7 October 2021.

Also, at Muhimbili National Hospital (MNH) I found there was a delay in requesting the verification of expired/obsolete medicines, surgical consumables and reagents from the responsible Government Authorities as the requests to verify expired/obsolete stock of TZS 235 million from 2014 to June 2020. These requests were sent to Paymaster General on 29 September, 2020 and 22 September, 2020 respectively. I consider that this is contrary to Para 26 of the Public Assets Management Guideline (Revised Edition, 2019) which require the same to be submitted to Paymaster General within 21 working days after a loss has occurred.

MSD and MNH are incurring unnecessary storage and security costs on unserviceable stock, also the continuous presence of expired items threatens the health of staff working in such warehouses.

I recommend that (a) Medical Stores Department destroy medical products whose permission has been granted; and (b) Medical Stores Department and Muhimbili National Hospital make follow up on the permission to destroy the existing unserviceable stock items.

16.2.8 Substantial delay in Payments of Medical Bills at Muhimbili National Hospital (MNH) TZS 35.14 Billion

Para 2.4.1 (XV) of Standard Operating Procedure on financial management of MNH, 2015 requires suspension of services to credit customers with outstanding amounts of more than 60 days.

I assessed the outstanding medical bills of three insurance Companies and PA & oBs, and revealed payments of bills amounting to TZS 35.14 billion were delayed for more than 60 days from the payment's due dates contrary to aforementioned operating procedure requirement (**Table 56).**

Table 56: Analysis of Delayed Payments of Bills

Customers	Amount (TZS) "Million"	Delay
NHIF	32,182.31	From 1 to 2 months
AAR Insurance	48.39	From 5 to 6 months
Strategis Insurance	613.85	From 2 to 5 months
Workers Compensation Fund-WCF	70.06	4 months
Moh Revolutionary Gov't of Zanzibar	112.71	More than 1 year
NSSF	477.57	From 1 month to 5 months
Other Government Institutions	1,638.67	From 2 months to 1 year
Total	**35,143.56**	

Source: MNH Management letter

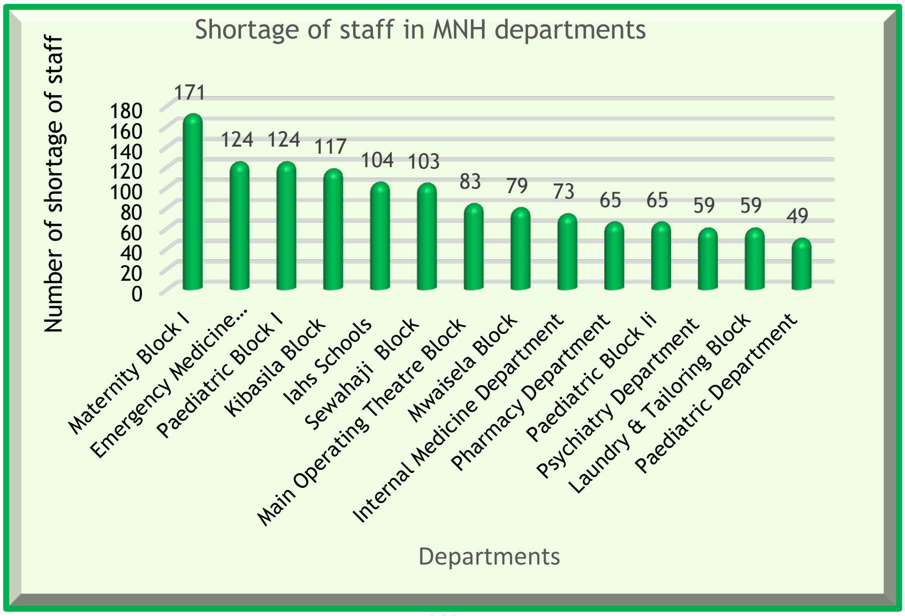
The payment is attributed to manual processing of medical insurance claim forms, delayed invoicing to other credit customers other than NHIF and delayed processing of billed amount by NHIF. Delayed payment of bills affects the operations of the Hospital in terms of employees cost and other relevant medical costs previously incurred.

I recommend that NMH; (a) ensure all medical bills are paid in time and any delay be dealt with as per requirement of para 2.4.1 (xi-xvi) on credit control procedures of Standard Operating Procedures on financial management 2015; and (b) liaise with NHIF management to fast-track automation of billing to timely process invoices and payments.

16.2.9 Inadequate of staff at Muhimbili National Hospital

MNH's staff establishment provides requirement of 4567 staff for financial year 2020/21. However, up to the time of my audit in November 2021, MNH had a total of 2734 staff recording a shortage of 1833 staff (40%). The most affected departments are indicated in **Figure 6.**

Figure 6: Departments with Significant Shortage of Staff



Furthermore, I found that 485 new employment vacancies were approved between the financial year 2017/18 and 2020/21, out of which employment permit were issued by the President's Office, Public Service Management and Good Governance (PO PSMGG) for 248 staff only.

The shortage of staff is attributed to decline in number of staff at MNH resulted from withdrawal of staff in service with fake certificates and retirement. Understaffing could affect the quality-of-service delivery by MNH.

I recommend that MNH make follow up with the Public Service Recruitment Secretariat to ensure vacant positions are filled.

16.3 Review of Tanzania Medicine and Medical Devices Authority

The key function of **Tanzania Medicine and Medical Devices Authority** (TMDA) is to protect and promote public health by ensuring quality, safety and effectiveness of medicines, medical devices, diagnostics and other health related products. My review of operational efficiency of TMDA revealed the following deficiencies:

16.3.1 Low level of Inspections on Accredited Drugs Dispensing Outlets (ADDOs) and Dispensaries at Southern Highland

From the review of Southern Highland zonal inspection reports against zonal work plan for the year 2020/21, I found that out of 1559 and 1074 registered ADDOs and dispensaries respectively, zonal office managed to inspect only 444 ADDOs (28.5%) and 192 dispensaries (17.9%) during the year 2020/21.

I am convinced that inspected premises are crucial in safeguarding the health of people within the southern highland zone. Management attributed the anomaly to inadequate manpower to increase the rate of inspection.

Lack of inspection could result into the presence of unregistered medicines and medical devices and also the presence of unqualified personnel for ADDOs and others.

16.3.2 Failure to Conduct Follow up on Implementation of Observed Weaknesses Noted During Inspection

During the zonal visit to Southern Highlands, I noted that, for the year 2020/21, the zonal office performed premise inspections and noted some of the weaknesses such as presence of medicines which were not allowed at the level of Duka la Dawa Muhimu, presence of unregistered medicine and medical devices, presence of unqualified personnel for ADDOs and others.

However, until the end of financial year no follow up was made with respective operators by the zone office to ensure that the corrective measures had been undertaken following advice and the recommendations notice given during the previous inspections contrary to Para 3.10 (i) of TMDA’s Guidelines for Operation of Zonal Offices, 2020.

The anomaly was mainly attributed to inadequate plans to verify implementation of recommendations raised during inspection and inadequate staffing level at the zonal office. There is high possibility that similar weaknesses will continue in future which could impact the people’s health in the zone.

I recommend that Tanzania Medicine and Medical Devices Authority management; (a) facilitate the zone office with the reasonable number of staff; and (b) enhance the follow up mechanism on the issued recommendations to premises operators during inspections to improve compliance.

CHAPTER 17

REVIEW OF CROPS AND PRODUCE BOARDS

17.0 Introduction

The National Five Year Development Plan (FYDP) 2021/22 – 2025/26 and records on implementation of the FYDP II indicated that the Agriculture sector in Tanzania accounted for 65% of the total employment and accounted for an average of 27.7% of GDP for the year 2020. The Government continued to implement different agricultural programs and strategies to ensure transformation of agriculture into business with value addition, aiming to ensure food security, availability of raw materials to industries and excess production for export. In ensuring efficiency in management and facilitation of agriculture development, the Government has established different Crop Boards, Agricultural Bank and institutions such as agricultural research institutions.

Despite establishment of the Crop Boards and Agricultural Bank still, agriculture sector continues to face challenges which include: inadequate extension services; unreliable markets and uncompetitive prices; inappropriate financing mechanisms to run core functions of the Crop Boards and inadequate coordination among key agriculture stakeholders, inadequate loans to farmers and dependence on rainfall for agriculture. Other challenges include high prices of agricultural inputs and lack of reliable financial institutions to support agricultural development.

17.1 Declining Trend in Production of Cash Crops

The Cashewnut Board of Tanzania (CBT) five years' plan of 2021/22 -2025/26 targets production volume of 700,000 metric tonnes by the year 2025/26. As per CBT Agriculture Department Reports, the trend of production for four years has declined by 33% from 313,826.39 tonnes in 2017/18 to 210,785.84 tonnes in 2020/21.

Similarly, I found that Tanzania Pyrethrum Board (TPB) reported a decline in the production of pyrethrum flowers from 2,510 tonnes to 2,412 tonnes in 2019/20 and 2020/21 respectively which led to a decrease in value by TZS 3.01 billion of exported crude extract, powder and marc (**Table 57**).

Table 57: Pyrethrum Production, quantity and value of Export

Product Type	2019/20 (Tonnes)	Value in Billion (TZS)	2020/21 (Tonnes)	Value in Billion (TZS)
Pyrethrum flowers	2,510	-	2,412	-
Crude extract	70	13.60	55	10.69
Powder	108	0.35	98	0.30
Marc	880	0.42	704	0.37
Total		**14.37**		**11.36**

Source: *Directors Report for the financial year 2020/21*

At Tanzania Smallholders Tea Development Agency (TSHTDA), I found that green leaf production in 2020/21 for five main producers located in Njombe, Mufindi, Muheza, Lushoto and Bukoba declined by 3.67 million Kgs equivalent to 4% from the production of 82.91 million Kgs reported in 2019/20 to 79.24 million Kgs in 2020/21.

I further found that green leaf production in 2020/21 for Smallholders declined by 340 tonnes equivalent to 3% from 11,819 tonnes produced in 2019/20 to 11,479 tonnes produced in 2020/21. Similarly, Tanzania Tea Board reported decrease in tea production of 1,205.23 tonnes (equivalent to 4%) from 28,714.67 tonnes in 2019/20 to 27,509.44 tonnes in 2020/21. The decline in production of cash crops has continued and this is in contrast to the objectives of the Government to increase food security, raw materials for industries and excess crops for exports.

I recommend that the Government through respective boards continue finding out the reasons and solution for the declining production of such crops.

17.2 Inadequate Production and Monitoring of Quality Seeds/Seedlings for Increasing Crop Productivity

Among the factors contributing to the increase in crop productivity is the availability of good quality seeds and seedlings.

At **Tanzania Coffee Board (TCB),** I learnt that the Board Strategic Plan for 2020/21 - 2024/25 entails initiatives to multiply 20 million coffee seedlings by June 2021. In line with the plan, I noted that TCB contracted 844 JKT Itende to produce 1 million coffee seedlings, Tanzania Coffee Research Institute through TaCRI Mbozi branch to produce 3 million seedlings, and JJAD Kagera Farners (T) LTD to produce 1.5 million seedlings. However, I noted inadequate implementation of the initiative whereby JKT Itende and TaCRI Mbozi branch managed to produce only 223,841 (22%) and 350,000 (12%) respectively.

Also, **TSHTDA** in collaboration with the Tea Research Institute of Tanzania under the Agricon Boresha Chai Project had a project which targeted to produce 750,000 tea seedlings in three different villages for improved tea clones to replace the current tea plants for increasing productivity. However, I noted unavailability of supply of water in the shed area at Lupembe village which had a target of producing 150,000 seedlings while the reason provided was failure of the machine to pump water from the source due to obsolescence of the water pipes and fitting of the project.

At **Tanzania Pyrethrum Board**, through Naliendele Research Institute, I found that the Board distributed 71.9 tonnes of seeds in the financial year 2020/21, which could result in about 9.2 million plants. However, there was no tracer study conducted by the Board to indicate from the seeds distributed, how many were actually planted and how many survived and what were the limiting factors in terms of the survival rate.

I consider that among factors which could contribute to improved crops productivity is investment in production of seeds/seedlings with good quality. Thus, inefficiencies in ensuring availability of improved seeds partly impact the production of the respective crops negatively.

I recommend that Boards in collaboration with research institutions ensure adequate efforts in production of quality seeds/seedlings are monitored and followed up.

17.3 Deterioration of Cashew nuts Quality from the Coast Region and Decreased Production Volume from New Cashew Nut Growing Areas

Quality standards of cashew nuts recognise cashew nuts grade I and II only. CBT Agriculture Department Reports of 2020/21 showed that the Coastal Region recorded deteriorated quality of cashew nuts in the region for the year 2020/21 whereby 12% of the production volume (10,551 tonnes) was grade I and the remaining 88% was grade II as compared to the national average of 95% grade I.

Statistics also confirmed a decline in production volume from new cashew nuts growing areas such as Mkuranga, Rufiji and Kibiti over the past six years from 2,359 tonnes in 2014/15 to 208 tonnes in 2020/21. The decline in production is attributed to inadequate follow up of new areas emerging in growing the crop and lack of appropriate extension services by the Board and respective Local Authorities.

I recommend that management of Cashew Nut Board Tanzania in collaboration with the Ministry of Agriculture and Local Authorities in which the crop is grown to review the strategies in place and improve the production and quality of the crop.

17.4 Existence of Expired Pesticides TZS 847.24 Million

Cotton Development Trust Fund reported the value of obsolete stock of pesticides valued at TZS 847.24 million for the year ended June 2021 from TZS 648.40 million reported in prior year being an increase of TZS 198.84 million. This was a result of expiration of stocks of pesticides whereby TZS 120.82 million was inventory of pesticides expired from purchases made in 2019/20.

I discovered that, apart from the inventory which expired from 2019/20 the rest expired pesticides had been in stock for a period of more than five years since their expiration (2012/13 - 2017/18). The stocks in question were kept in Tanzania Cotton Board (TCB) Warehouses which are also used to keep other stocks. The expired stocks continue to be kept due to delayed approval from Tanzania

Pesticides Research Institute (TPRI) while escalating expiring inventory was due to purchases of pesticides with short shelf life.

I am convinced that whether CDTF should make proper assessment of its requirement and consumption of pesticides before purchases. The amount spent for expired stores are fruitless and contribute to the loss of public funds. Further, delayed disposal of expired inventory leads to unnecessary holding costs.

I recommend that Management of (a) CDTF in collaboration with TCB analyse trend consumption of pesticides in order to avoid large amount of expiring inventories; and (b) CDTF and TPRI expedite the process of disposing of the expired inventories.

17.5 Outstanding Debt Owed to the Smallholders Tea Farmers and Tobacco Farmers TZS 437.88 Million and USD 396,161.84 Respectively

Section No. 4 of Tea Act, 2009 (Amended), requires that the Tea Board of Tanzania (TBT) to monitor the implementation of the contract between tea farmers and buyers in order to protect rights of both parties.

My review found that TBT had no mechanism in place to monitor implementation of these contracts such as registering the contracts for the sake of monitoring the terms of the contracts. As a result, there were farmers who had sold green leaf tea since 2018 but were not paid on time resulting in an outstanding debt of TZS 910.65 million as of June 2021 due from DL Group of Companies owner of Itona, Luponde and Ikanga Tea Factories. As such the parties (farmers and buyers) entered into a MoU for debt settlement through Tanzania Smallholders Tea Development Agency (TSHTDA) where it was agreed that 50% was to be paid by 31 July 2021 and the remaining 50% by 30 August 2021. However, as of January, TZS 437.88 million was still outstanding.

Further, through data obtained from Tanzania Tobacco Board I found that, Tobacco farmers from Mpanda, Chunya, Kahama and Kaliua had outstanding debts amounting to USD 396,161.84 due from Grand Tobacco Company Limited for sales made in the period of 2019/20.

In absence of monitoring mechanism by the Tea Board and Smallholders Farmers Agency, farmers are not paid on time which in turn affects productivity in subsequent years as farmers could be discouraged from using the contracts. Similarly, outstanding debts for Tobacco farmers demotivates them from intensifying their efforts in the production of such crop.

I recommend that (a) Tea Board of Tanzania and TSHTDA ensure all farming contracts are registered and design a mechanism for their monitoring and enforcement to safeguard interest of farmers and buyers; and (b) Tobacco Board in collaboration with the Tobacco AMCOS ensure follow up and recovery of the outstanding debt.

17.6 Increase in Price of Fertilizer in the Market Due to Fertilizer Scarcity

I found that Tanzania Fertilizer Regulatory Authority (TFRA) has been complying with the requirement by issuing indicative prices only for fertilizers imported under Bulk Procurement System and the last indicative price was issued in November 2020 and was signed by the Permanent Secretary of the Ministry of Agriculture.

However, through Management of TFRA, I was informed that, traders were reluctant to import fertilizers and even to submit requirements for Bulk Procurement System (BPS) tenders since April 2021 demanding for change in indicative prices to reflect the world market costs. This created scarcity of fertilizers during this period which then resulted in revocation of BPS in July 2021 by the Minister for Agriculture.

After revocation of BPS, I continued noting the increase in fertilizer prices and the Management of TFRA did not apply requirements of the regulations to set indicative prices and manage them. As such, last issued indicative prices which were supposed to be applied from November 2020 were at average of TZS 66,995 per 50kgs for DAP and TZS 53,318 for UREA. However, during the audit in July 2021 the prices were TZS 90,000 and TZS 86,000 for DAP and UREA respectively which are above the average indicative prices.

I consider that, if immediate measures are not taken price escalation might continue while scarcity of fertilizers also persists which will then impact crops productivity in the coming years.

I recommend that the Government through Ministry of Agriculture and Tanzania Fertilizer Regulatory Authority consider any necessary short term and long-term plans that will provide both availability of fertilizers and at an affordable price.

CHAPTER 18

PERFORMANCE OF EXTRACTIVE INDUSTRY

18.0 Introduction

Extractive industry is an aggregate industrial sector that involves extraction of raw materials from the earth to be used by consumers. Such raw materials include minerals, gas, oil and aggregates from the earth. Tanzania has such large deposits of various mineral resources and hydro carbons which can significantly contribute to the country's economic growth.

I reviewed operation of public entities involved in the extractive industry sector in both petroleum and mining sub-sectors. Reviewed entities include PURA, EWURA, TPDC, NDC, TANESCO, Mining Commission, STAMICO and STAMIGOLD.

Moreover, I reviewed Production Sharing Agreement (PSA) in Petroleum Sector to assess the compliance with agreed terms, Performance of Mineral Processing Plants in Mining sector, and Effectiveness of Legal framework in Mining sector, and operation of decommissioning and environment management in mining sector. This chapter highlights issues noted during my review.

18.1 Operational Review of Extractive Industry Sector Related Public Entities

My review of extractive industry sector related public entities noted the following deficiencies which requires the Government attention:

18.1.1 Delayed Legal Transfer of Kiwira Coal and Power Limited (KCPL) to STAMICO and Inoperative Kyerwa Tin Company

Tan Power Resources Limited (TPRL) had 70% shareholding in Kiwira Coal mine, but it failed to operate the mine and as result the Government decided to repossess the 70% shareholding in 2014. On 23 January 2018, the Treasury Registrar (TR) wrote to STAMICO confirming that KCPL is 100% owned by the Government and that STAMICO is mandated to supervise and operate the mine on behalf of the Treasury Registrar. STAMICO started using the mine's assets, including coal processing plant, 75KW generator, two (2) Lorries, Toyota land cruiser, ambulance and machine wheel loader at Kabulo Coal mine.

However, legal transfer had not been completed since then, as the Registrar of Companies still recognized 70% and 30% ownership to TPRL and Government respectively. I noted that, the mine was yet to be legally transferred to STAMICO because Tanzania Revenue Authority (TRA) had not issued capital gain tax clearance certificate due to TZS 2.9 billion pending tax liabilities assessed against TPRL. As a result, STAMICO is unable to properly plan for investment on the mine.

I further noted STAMICO has a subsidiary Company known as Kyerwa Tin Company Limited (KTCL) in Karagwe - Kagera that was incorporated in 2014 to buy and sell tin minerals. However, I noted that the company ceased its operations in 2017/2018 because STAMICO had no funds to run the Company. The Government did not inject capital into the Company since its establishment in 2014. Furthermore, I noted that STAMICO was in a process of closing this Company and several initiatives were taken including seeking advice from the Treasury Registrar since June 2017 though no response has been received.

I consider delayed actions in both cases limit investment decisions and have impact on the strategic investment decisions for STAMICO. Moreover, a subsidiary that has remained un-operational for such longer has administrative cost implication to STAMICO such as security expenses.

I recommend that (a) Treasury Registrar's Office, and TRA in collaboration with STAMICO expedite decisions on ownership transfer of Kiwira Coal Mine; and (b) Treasury Registrar's Office provide advice and guidance to STAMICO regarding the winding-up of Kyerwa Tin Company Limited (KTCL) in response to the request by STAMICO.

18.1.2 Failure to Connect 25 Mines to the National Grid by TANESCO due to Budget Constraints

Para 3.1.2 of National Energy Policy of 2015, requires the Government to; enhance power reliability, and coverage of transmission and distribution networks; and ensure timely investment in construction, rehabilitation and expansion of the transmission and distribution infrastructure.

The mining sector is one of the sectors that contribute to the growth of the national economy. Their operations involve mega processing plants that require high power consumption to operate. The cost-efficient source of energy is electric power supplied by TANESCO because using fuel generators is expensive and environmentally unfriendly. Because of benefits associated with use of electricity, 25 mining companies applied for connection to national grid to minimise operational cost. However, I noted that TANESCO did not connect these mines to the national grid because of budget constraints.

I consider that, had TANESCO supplied the mines with electricity, the cost of imported fuel incurred by the mines could have been saved and TANESCO could benefit from selling electricity to the mining sector. For instance, STAMIGOLD consumed 7,102,904 litres of diesel in 2020/21 that cost approximately TZS 14.72 billion at TZS 2,073 per litre. This would reduce tax exemptions given to the mines in procurement of fuel while increasing TANESCO's revenue.

I recommend that TANESCO management conduct a cost benefit analysis that will enable the Company to develop strategies and set aside a sufficient budget for connecting the mines to the national grid to enhance growth of economy through mining sector.

18.1.3 Unresolved Challenges in Implementation of Mchuchuma Coal and Liganga Iron and Steel projects

On 21 September 2011, National Development Corporation (NDC) and Sichuan Hongda (Group) Company Limited signed a Joint Venture Agreement and formed a company, namely Tanzania China

International Mineral Resources Ltd (TCIMRL), to implement the Mchuchuma and Liganga projects.

Despite my previous year recommendation, I continued to note the following shortcomings that had delayed the implementation of the projects:

(i) Delayed Decision Making by Government

In July 2019, the Government formed a negotiation team to negotiate with the investors to clear unresolved issues (few of them are detailed under Para (ii) below) and to comply with the new changes to the mining laws and regulations.

I was informed that; investment incentive issue was among of the challenges to be resolved. I noted that TCIMRL and the Government through TIC signed performance contract and its addendum on 21 September 2021 on several incentives approved by National Incentives Steering Committee (NISC). However, the TCIMRL was yet to be issued with Government Notice which would legalise award of investment incentives stipulated in the performance contract.

(ii) Unpaid Land Compensation for Mchuchuma and Liganga Projects Amounting to TZS 13.32 Billion

Sect. 4(1) of the Land Acquisition Act No. 47 of 1967 requires compensation to be fair, adequate, and promptly paid within six months after valuation report otherwise, interest offered by Commercial Banks in fixed deposit shall be recoverable until compensation is paid.

Land Valuation reports undertaken by Iringa District Council in 2015 submitted to NDC and TCIMRL on Mchuchuma and Liganga projects determined a compensation cost of TZS 4.48 billion and TZS 8.84 billion respectively which aimed at compensating citizens (local communities) around the project areas. However, to date, no arrangement to pay the compensation has been made despite a lapse of six years.

I am concerned about the prolonged delays by the Government in finalising the negotiations. TCIMRL continues incurring operational costs for almost three years while no production has been made since 2018. Such delays could increase project cost and discourage investors in the sector.

I recommend the Government (a) expedite ongoing negotiations that eventually can determine implementation of the projects and realisation of the benefits intended to accrue from the project; and (b) consider issuing the GN for the signed incentives to allow TCIMRL to proceed with the performance contract.

18.2 Production Sharing Agreement (PSA) Monitoring in Petroleum Sector

Tanzania uses Production Sharing Agreements (PSAs) as fiscal regime in monitoring petroleum operations. The PSA is the primary contract that governs the country's relationship and oil companies. The principal objective of the fiscal regime is to ensure that the country gets the full benefit from the natural resources, subject to attracting the investment necessary to realise that benefit. For the state to realise the benefits of petroleum operations, compliance with PSA's provisions is of most importance.

18.2.1 Implementation of Power Purchase and Production Sharing Agreements for TANESCO and TPDC Respectively

(a) Delayed Discussion on Renewal of Songas Power Purchase Agreement

In 2004 Tanzania Electric Supply Company Limited (TANESCO) and Songas Limited entered into a 20 years Power Purchase Agreement (PPA) for Songas to sell to TANESCO the complex dependable capacity and all of the net electrical output.

As per Article 4.1 (b) of the PPA, at the end of the 17th Agreement Year and each Agreement Year thereafter, Songas and TANESCO were supposed to discuss the renewal or extension of this Agreement on terms and conditions consistent with this Agreement, unless either Party gives notice to the other Party that it does not wish to extend the Agreement.

However, I found that 17th year ended January 2021 and discussion for renewal or extension of PPA between the parties had not commenced as required. Based on the significant power contribution of Songas to the national grid of 1,735 MW Hour (15% of 11,271 MW Hour generated in 2020/21) and challenges encountered in implementation of this agreement until now, TANESCO needs to analyse the possible consequence if the agreement expires without any decision on the power gap filled under the current agreement.

I consider that, early preparations and discussion provide ample time for both parties to deliberate on the challenging terms of the agreement for improvement if it is considered relevant to renew or extend the agreement.

I recommend that management of TANESCO in collaboration with Ministry of Energy expedite making analysis of the power purchase agreement to assess all unfavourable terms and conditions that require improvement to enable fruitful and beneficial discussion with the other party in case the parties wish to renew or extend the agreement.

(b) Unresolved Disputes on Production Sharing Agreement Between TPDC and PAET

In 2001 TPDC entered into a production sharing agreement (PSA) on behalf of the Government of the United Republic of Tanzania with Pan African Energy Tanzania Limited (PAET) to develop and operate Songosongo gas block. The Agreement was for a Development Licence of 25 years as it may be extended pursuant to Section 44 of the Act (Petroleum Act, 1980) before amendment of this Act in 2015.

Clause 8(b) (ii) & (iii) of the PSA provide that, TPDC shall elect to participate in a Development Programme by committing to pay a portion of the cost of such Development Programme (at a percentage ranging from 5% to 20%) by notice to PAET within 90 days of its receipt of notification from PAET that the Ministry of Energy has approved the Additional Gas Plan to which such Development

Programme relates. Article VIII of the PSA amplifies that, if TPDC does not notify PAET within 90 days of its election to participate, TPDC shall be deemed to have elected not to participate.

I detected unresolved disputes between parties (TPDC and PAET) on the participation in the Songosongo gas block operation. TPDC claimed that PAET denied the Corporation its right to participate in development operation after filling notification of its intention within 90 days after award of Gas development (2001) following PSA clauses. However, PAET responded that the notification was time barred and thus, contractual obligations were not fulfilled by TPDC. As the result, TPDC decided to involve the Government in the negotiation. On 16 to 19 July 2012, the Government Negotiation Team (GNT) and PAET held a meeting and came out with resolutions that directed TPDC to have 10% working interest for the entire Block with sole right. It was also agreed that PAET would carry (finance participation cost) TPDC for the cost and recover them from the profit gas as per Joint Operation Agreement (JOA) to be signed by TPDC and PAET.

However, as of June 2021, the agreed directives were not implemented and no follow up were made. I consider that, state participation in development operations had benefits such as gaining experience and expertise for TPDC personnel who would be seconded to the field; transfer of knowledge that could be used in other projects of such nature and revenue generation to TPDC.

I recommend that TPDC with the Government assistance (a) take relevant measures to ensure that PAET implements the negotiation team directives; and (b) make a cost benefit analysis and advise the Government on the possible TPDC takeover or joint operation of Songosongo Block after the expiration of PSA in 2026.

18.3 Operation of Decommissioning and Environment Management in Mining Sector

Mining operations have negative environmental impact such as water pollution, land pollution and air pollution which are harmful to plants and animals. To mitigate the environmental hazards, Tanzania has established NEMC and enacted various laws and regulations aimed at removing or reducing the negative impacts of environmental pollution. However, I detected noncompliance with laws and procedures governing environmental management;

18.3.1 Primary Mining Licence Owners Operating Without Environment Impact Assessment (EIA) Certificate

My review revealed that the Mining Commission had issued 33,096 Primary Mining Licence as of 30 June 2021, without the holders of licences obtaining environmental impact assessment certificates from NEMC as required by the Section 81 (3) of Environment Management Act (EMA).

Carrying out mining operations in absence of EIA could pose a risk of environmental surrounding the mining activities. For instance, from a review of NEMC Lake Zone investigation reports, I noted cases involving overflowing waste water contaminated with chemicals from four Vat Leaching Plants (located at Nyabisare Village in Musoma District) which had caused death of eight cattle.

I found that these Vat leaching Plants had no Environmental Impact Assessment (EIA) certificates and it was recommended by investigation committee that, the plants be registered for EIA.

I recommend that National Environment Management Council and the Mining Commission enforce the compliance with Sect.81 (3) of Environment Management Act (EMA) for all mining undertakings.

18.3.2 Absence of a Joint Framework between NEMC and Mining Commission to Monitor Environmental Rehabilitation

Sect. 227(1) (2) of Environment Management Act, 2004, requires the Minister to prescribe in the regulation, activities or process which threaten the environment of which environment performance bond may be required; and that the environmental performance bond is to be deposited with the director of environment as a security for good environmental practice until it is refunded to the depositor.

My audit found that as of February 2022 the required regulations were not developed to set out activities or process that threaten environment which would require environmental performance bond. I also learned that, in accordance with section 47(f) of the Mining Act, Cap. 139 [R.E. 2019] the mining licence holders (special mining licence) are required to provide rehabilitation bond which will finance the costs of rehabilitating and making safe the mining area on termination of mining operations.

The rehabilitation bond is monitored and under the control of the Mining Commission. As a result, NEMC does not have direct rights to dictate financing of environmental rehabilitation from the Rehabilitation Fund. Additionally, the mining licence holders are not informed of activities or process which threaten the environment as described by EMA.

For instance, before transferring the ownership of Pangea Mineral Limited of Tulawaka Mine (currently STAMIGOLD) to the Government, Pangea Mineral Limited paid USD 11.63 million as rehabilitation fund on 31 January 2014, after closing its operations. As I reported in my previous year report of 2018/19, the amount was spent by STAMICO in normal operations of STAMIGOLD and no balance was available as of June 2021. Similarly, Tanzanite One Mining Ltd was required to set aside 1% of its gross sales to meet cost of the mine closure. Operation of the mine ceased in December 2017. According to the Tanzania Sorting Company (Tansort) valuation reports, gross revenue of the company was USD 31.02 million as of December 2017 and therefore, rehabilitation fund was supposed to be USD 310,280.95. However, I noted that the fund deposit for rehabilitation was only USD 9,992.50 equivalent to 3% of required amount.

Absence a framework to jointly enforce monitoring of rehabilitation fund (in the environment category) by both NEMC and Mining Commission endanger effective rectification of the environment on termination of mining operations. Moreover, rehabilitation of the mining site becomes the Government burden which has role to safeguard its citizens from environmental hazards.

I recommend that NEMC, Mining Commission and Vice President's Office establish a joint mechanism that will ensure equitable rights of the all parties in monitoring and enforcement of rehabilitation fund for environment rehabilitation.

18.4 Review of Legal Framework in Mining Sector

Legal framework is the entire legal and regulatory structure governing the mining sector. It includes the constitution, legislation, regulations and contracts, and international treaties regulating the sector. The legal framework plays a crucial role in ensuring good governance and sustainable development, as it serves as the backbone of the relationship between the Government, the mining companies and other stakeholders in the sector.

My review on effectiveness of legal framework in the Mining sector noted the following deficiencies:

18.4.1 Lack of the Model Mining Development Agreement

Sect. 4(1) of the Mining Act, CAP. 123 [R.E 2019] defines "development agreement" as an agreement made between the Government and the holder of a mineral right to conduct mining operations under a special mining license (SML).

Sect. 129 (1) of the Mining Act, CAP.123 [R.E 2019] states that "The Minister may, on recommendation of the Commission, make regulations for any matter which, in accordance with this Act, is to be provided for by the regulations or which may be prescribed". Subsection (2) (f) of this section states that, "In particular, but without limiting the generality of the subsection (1) such regulations may provide for standard model of development agreement and other various forms to be used under this Act.

My review found that, the Mining Commission and Ministry of Minerals had no standard model of development agreement and regulations. The standard model would have enabled mining investors (both local and international) to understand and form salient features of the mining sector contractual terms which entail rights and obligations of both parties (the Government and investors).

I consider that, given the multiple requirements from multiple acts, regulations, rules and guidelines and from multiple entities governing business mining sector; the Model Mining Development Agreement would have been one stop document to enforce compliance like, the management of tax and non-tax revenues in the mining sub-sector.

I recommend that, despite the presence of laws and regulations detailing different requirements in the mining sector, the Mining Commission need to come up with the Model Mining Development Agreement or Model Contract Framework, which can be used as a benchmark for the forthcoming agreements/contracts between the United Republic of Tanzania and holder of a mineral right.

18.4.2 Inadequate Enforcement of Government's Non-Dilutable Free Carried Interest in Mining Companies

Sect. 10(1) of the Mining Act Cap 123 (R.E 2019) provides that, in any mining operations under a mining licence (ML) or a special licence (SML) the Government shall have not less than 16% non-dilutable free carried interest shares in the capital of a mining company depending on the type of minerals and the level of investment.

To enforce the requirement, the Government established Mining (State Participation) Regulations, GN No.939/2020. Reg. 6 and 7 of the same Regulations appointed Treasury Registrar to acquire the non-diluted free carried interest shares on behalf of the Government and mandated in consultation with the Mining Commission to be responsible for managing and controlling the shares.

I reviewed enforcement and management of non-diluted free carried interest share in the financial year 2020/21 and found the following deficiencies: -

(a) Lack of Shares Certificates as Evidence of 16% Free Carried Interest Shares in the Mining Companies

Reg.10(1)(a) of the Mining (State Participation) Regulations, GN No.939/2020 provides the rights of the holder of non-dilutable free carried interest shares to include the right to be issued with shares certificates as evidence of title over a number of shares held in a mining company.

According to mining cadastre from 1 August 2017 up to 30 June 2021, the Mining Commission issued 62 Mining Licenses (MLs) after amendments of the Mining Act, 2010 in 2017 which introduced the requirement of 16% free carried interest shares. However, upon inquiry from the Mining Commission, BRELA and the Treasury Registrar's Office, I found that, there was no evidence of shares certificates in respect of the Government shareholding from the 62 licenses issued as required by the Act.

(b) Non-Acquiring 16% Shareholding from Manufacturing Companies Engaged in Mining Industrial Minerals

The Mining Act required the Government to have not less than 16% non-dilutable free carried interest shares in the capital of a mining company depending on the type of minerals. I noted that Government had not acquired 16% of the holding from manufacturing company's engaged in mining industrial minerals provided that the Mining Act does not exempt manufacturing companies engaged in mining industrial materials which were issued with ML or SML, such as cement producing companies.

Therefore, the Mining Commission and Treasury Registrar need to determine the means to enforce requirement of the Act.

I recommend that the Treasury Registrar establish a collective mechanism to administer and manage 16% non-dilutable Free Carried Interest shares in the capital of a mining company as per the requirement of the Mining Act among others, acquisition of shares certificates for 16% non-dilutable free carried interest shares.

18.5 Absence of Mechanism to Safeguard Long Outstanding Unresolved Disputed Petroleum Recoverable Cost USD 371 Million

Petroleum Recoverable cost refers to cost incurred by the International Oil Company (IOC) in respect of Petroleum operations which in accordance with the provisions of the Production Sharing Agreement (PSA) (Petroleum Operation Agreement) and Petroleum (Cost Recovery Accounting) Regulations, 2019 are allowed to be deducted out of gas sales revenue (cost gas) by the International Oil Company prior determination of gas sales profit (profit gas) for sharing between the Government and the Contractor (International Oil Company). Under Sect. 12(p) of the Petroleum Act, 2015 PURA is mandated to undertake administration of Production Sharing Agreement or other contractual arrangement and is obligated to conduct cost recovery audit.

Reg. 31 of the Petroleum (Cost Recovery Accounting) Regulations, 2019 provide that, where the PURA and the IOC fail to resolve any issue with regard to notice of exception (raised from conducted cost recovery audit), the parties shall refer any unresolved disagreement to the pre-qualified independent expert. The expert’s recommendation and the resolution shall be final and binding and the accounts shall be adjusted accordingly.

My review of petroleum cost recovery monitoring by PURA noted that, for the period prior to 2015 petroleum cost recovery was monitored by Tanzania Petroleum Development Corporation (TPDC). For the period before 2015 to 2018 (Recoverable cost determination for year 2019 to 2021 is ongoing) the total amount of disallowed recoverable cost was USD 466 million out of which USD 95 million was accepted and adjusted by the IOC and the remaining balance of USD 371 million was outstanding disputed disallowed recoverable cost as detailed in the **Table 58**.

The outstanding disallowed recoverable cost has been outstanding for the period of 2 to 13 years with no resolution. PURA explained that, PURA & IOC had appointed an independent expert to determine final allowable recoverable costs. However, as at the time of audit (February 2022) no resolution was reached for the outstanding disallowed recoverable cost disputed.

Moreover, I found that the parties have not taken initiatives to safeguard the outstanding disputed disallowed recoverable costs. I learned that, the custodianship of the disputed amount remained with the respective IOCs and therefore, continued to deduct the disallowed disputed recoverable cost in determination of gas profit for distribution between the parties (Government and IOC). For instance, I noted that Songo and Mnazi Bay block operators had deducted disputed disallowed recoverable cost amounting to USD 107 million (29%) from the total outstanding disputed disallowed recoverable cost amount of USD 371 million.

Table 58: Unresolved Disputed Petroleum Recoverable Cost USD 371 Million

Block	Years	Disallowed Recoverable Cost -USD (Million)	Agreed and Adjusted Recoverable Cost-USD (Million)	Disputed Recoverable Cost USD-(Million)
BLOCK 1	Up to 2015	106.54	37.32	69.21
	2016-2018	12.39	0.84	11.55
	Sub-total	**118.93**	**38.17**	**80.76**
BLOCK 4	Up to 2015	68.33	11.59	56.75
	2016-2018	11.22	0.54	10.68
	Sub-total	**79.55**	**12.13**	**67.42**
BLOCK 2	Up to 2015	105.23	5.75	99.48
	2016-2018	19.98	4.14	15.84
	Sub-total	**125.21**	**9.89**	**115.32**
MNAZI BAY	Up to 2015	68.14	23.14	45.00
	2016-2017	5.52	1.21	4.31
	Sub-total	**73.67**	**24.35**	**49.31**
SONGO	Up to 2015	55.02	10.46	44.56
	2016-2018	14.11	0.14	13.96
	Sub-total	**69.13**	**10.61**	**58.52**
Grand Total		**466.48**	**95.14**	**371.34**

Source: *Petroleum Recoverable Cost Pool by PURA*

I consider that, delayed resolution of the outstanding disputes decreases the chances for the parties (PURA and IOC) to resolve the dispute. Lapse of time could distort the evidence or facts occasioning to the loss of revenue to the Government. Moreover, without an effective mechanism to safeguard the disputed recoverable cost, there is a risk that IOCs will fail to remit the amount (USD 371 million) once the dispute is resolved. In addition, I consider that wastage of time to resolve the issue benefits IOCs from liquidity and return on investment (if any) of the sum in dispute, denying the Government revenues. This could also occasion loss due to inflation emanating from devaluation of currency.

I recommend PURA (a) establish a mechanism that will safeguard availability of disputed disallowed petroleum recoverable cost and reduce opportunity loss caused by disputed recoverable cost being held and utilized by the IOCs; and (b) in collaboration with other relevant authorities (example Ministry of Energy and Attorney General) expediting resolution of long outstanding unresolved disputed disallowed recoverable cost by following the procedures detailed in the PSAs and Petroleum Act and related regulations.

CHAPTER 19

SPECIAL AND FORENSIC AUDIT

19.0 Introduction

Pursuant to Reg. 78 of Public Audit Regulations, GN No. 47/2009 the Controller and Auditor General may cause to be conducted a special audit in respect of accounts of any public authority or institution, Ministry, Independent Department, Local Government Authority and such any other body. A special audit may be conducted where an accounting officer or any person, institution, Public Authority, Ministry, Independent Department, Agency, Local Government Authority and such any other body, requests in writing to the Controller and Auditor General as stipulated in Reg. 79 (1) of the same Regulations.

Reg. 82 of the same Regulations empower the Controller and Auditor General, where applicable, to perform a special audit on any of the Ministries, Independent Departments, Agencies, Local Government, Public Authorities and other bodies.

I performed special audit on misappropriation of funds at TPA, Mwanza Port from July 2015 to March 2020, special audit on TPA operations, special audit on various claims raised by concerned citizens of Moshi District Council on the conduct of Moshi Urban Water and Sanitation Authority, special audit at Tanzania Posts Corporation (TPC), special audit on Loan borrowed by NIP from NSSF and special audit at Tanzania Institute of Education (TIE).

This chapter summarizes the issues which were observed during the mentioned special audits:

19.1 Special Audit at Tanzania Ports Authority (TPA)

19.1.1 Funds Misappropriated at Tanzania Ports Authority (TPA), Mwanza Port from July 2015 to March 2020

My review of the bank statements submitted by management revealed that a total of 157 cash transfer transactions totalling to

TZS 34.67 billion were made from TPA HQ to Mwanza Port from January 2015 to March 2020. My audit scrutiny noted the following:

a) Cash Transfer Requests Not Provided for Audit verifications TZS 22.64 Billion

Out of 157 cash transfer the Management provided for audit verification only 51 cash transfer requests with value of TZS 12.03 billion. The cash transfer requests of the remaining TZS 22.64 billion were not provided for audit verifications.

b) Approval for Cash Transfer were not Provided for Audit verifications TZS 24.29 Billion

Similarly, out of 157 cash transfers, the Management provided for audit scrutiny only 49 Internal Memorandum approvals of TZS 10.38 billion while approvals of TZS 24.29 billion (TZS 34.67 billion - TZS 10.38 billion) were not provided for audit verifications.

c) The Approved Amount Exceeds the Requested by Mwanza Port TZS 907.33 Million

I further noted that, out of 49 cash transfer approvals only 27 approvals had corresponding cash request with total amount of TZS 1.187 billion.

However, I noted that Management authorized and approved transfers amounting to TZS 2.095 billion from TPA HQ to Mwanza Port instead of the amount requested by Mwanza port totalling to TZS 1.187 billion. Thus, transfers of TZS 907.33 million were approved in excess.

d) Cash Transferred to Mwanza Port Exceeded the Approved Amount by TZS 2.09 billion

Cash transferred to Mwanza port amounted to TZS 2.89 billion. However, I noted only that TZS 812.78 million was approved to be transferred to Mwanza Port, thus the amount transferred to Mwanza had exceeded the amount approved by TZS 2.09 billion. The excess transferred sum of TZS 2.09 billion was misappropriated by Mwanza Port officials.

These anomalies indicate weakness in internal control to ensure funds are not transferred to respective port in excess of what was approved and approval is made only to the tune of cash requested by the respective port.

I recommend that Tanzania Ports Authority Management (a) recover the misappropriated sum from the responsible officials; and (b) review the cash transfer process for the purpose of enhancing the control.

19.1.2 Misappropriation of TZS 8.38 Billion from Mwanza Port by Cash Withdrawals

I reviewed bank statements of Mwanza Port Expenditure Bank Account for five years and three months from 1 January 2015 to 31 March 2020. Audit extraction of all debits (withdrawals) transactions from the Account Statement noted a total of 7,888 transactions amounting to TZS 31.76 billion being cheques withdrawn.

Out of 7,888 cheques withdrawn with the value of TZS 31.76 billion, only 4,777 cheques with the value of TZS 19.41 billion were submitted for audit verification by the CRDB Bank on 30 November 2020. The 4,777 cheques obtained include 2,043 cheques amounting to TZS 8.38 billion, which were stamped "pay cash" and endorsed (signed) at the back by the payee. The cheques withdrew cash from Mwanza Port Expenditure Account without supporting Payment Vouchers contrary to Para 4.9.3(a) of the TPA Financial Regulations 2012. Therefore, the 2,043 cheque payments were invalid as they all lacked transaction approvals and utilisation evidence such as payment vouchers, supporting Invoices or Bills.

Although the Port had 3 signatories, I noted that all 2,043 cheques paid for 5 years and 3 months were signed by two signatories.

One of the signatories who signed, vide email dated 7 January 2021 confirmed that the amount of TZS 8.38 billion was withdrawn without having supporting payment vouchers and other supporting documents.

I recommend that Tanzania Ports Authority (a) ensure recovery of TZS 8.38 billion from the involved staff; and (b) conduct investigations on the remaining 3,111 cheques which were not submitted by the bank.

19.1.3 Subcontracting of Works by Contractor without Informing TPA and Payment for Works above Actual Costs by TZS 64.30 Billion

TPA entered into a contract with “Main contractor” on 3 August 2019 for dredging of the entrance channel and turning basin, making environmental impact assessment and purchasing other equipment for the operation of the port at a contract price of TZS 172.36 billion for a period of one year to August 2020 at Tanga Port. Based on the contract, the cost for dredging of the basin was estimated to be an amount of TZS 104.92 billion (60% of the total contract price).

However, from the review of the contract I noted that on 1 August 2019, “Main contractor” entered into an agreement with “Subcontractor” for dredging of entrance channel and turning basin at a contract price of USD 18.15 million (equivalent to TZS 40.46 billion) for a contract period of 11 months without involving TPA. “Main contractor” entered into a contract with “Subcontractor” before signing the main contract with TPA. This contract was contrary to sub-Clause 4.4 of General Conditions of the contract between TPA and “Main contractor” that required Contractor not to subcontract the work, and if need be, then the Company was to inform TPA 28 days earlier.

Further review noted that the actual cost paid for dredging of entrance channel was USD 18.22 million (equivalent to TZS 40.62 billion) with an addition of USD 73,824 (equivalents to TZS 164.55 million) that was paid to the shipping agency services used by “Subcontractor”. Amount charged by the main contractor TZS 104.92 billion as contractual sum was higher by TZS 64.30 billion over the actual cost of the work charged by subcontractor TZS 40.62 billion.

I recommend that TPA and Ministry of Works and Transport take (a) strict measures against Main contractor for providing the unrealistic price of work; and (b) measures against responsible

officers supposed to do market research of prices of the work as the basis for negotiation with contractor.

19.1.4 Increase in Project Cost by TZS 4.44 Billion Due to Delay in Procurement Process

TPA through single source procurement method awarded the tender to contractor "B" on 29 August 2019 at a contract price of TZS 12.28 billion following the drop of the first contractor for Jetty, Ramp and Heavy-Duty Paving at Ndumbi port in Lake Nyasa.

During the review of the procurement process I noted that TPA tender board approved the first award of this contract on 27 October 2017 with an amount of TZS 4.42 billion to contractor "A". On 31 October 2017, The Authority requested the assessment of the capacity of the contractor to be carried out before awarding the contract. During assessment the recommended award price was further increased to TZS 7.84 billion due to calculation errors and increase in scope of the work. The assessment took about 5 months before award the contract. Hence, the delays resulted to drop of the work by Contractor A.

After the drop of contractor A, TPA decided to follow single source procurement method and awarded the tender to contractor "B". Through that single source there was an increase in the cost of the contract by TZS 4.44 billion from contractor "A" to the awarded contractor "B". There was no justification for such an increase in price. Due to delay in awarding the contract also TPA delayed in achieving the targeted objectives.

I recommend that TPA take measures against those who delayed the contract that resulted in additional costs to the authority.

19.1.5 Amounts Recorded as Receivable by TPA But Rejected by the Debtors TZS 8.38 Billion

The financial statements of TPA for the year ended 30 June 2020 shows the Authority had outstanding debts due from Companies and Public entities amounting to TZS 95.85 billion. During verification of the amount due, I sent a confirmation letter to 48 sampled

Companies and Public Entities with TZS 59.15 billion (62%) to confirm their liability due to TPA.

Out of 48 confirmation letters sent, only seven were responded to by the debtors who provided debts amounts according to their records. As per TPA records those seven confirmations had a balance of TZS 11.48 billion while the debtors accepted only TZS 3.10 billion, and rejected the remaining balance of TZS 8.38 billion.

This implies that TPA maintains inaccurate records of debtor's balances which may lead to fraudulent practices.

I recommend that TPA (a) make follow up on 41 debtors who have not responded to the confirmation letters; (b) investigate the remaining balance of debtors' amount; and (c) in future, ensure regular reconciliation is performed with debtors to establish correct debts records.

19.1.6 Non-Adherence to Technical Specification on Procurement of Cranes by TPA

On 4 July 2018, TPA entered into a contract No.AE/016/2016-17/CTB/G/40 for procurement of two units of 45 tons terrain mobile cranes. The two units were delivered on 31 January 2019.

During procurement process, the evaluation team found discrepancy in technical specifications whereby the Telescopic boom as per TPA requirement was 66 metres (50 metres with jib boom of 16 metres) while the bidder provided the crane with total length of 57 metres (38 metres with jib boom of 19 meters) which was below the requirement. Despite the noted anomalies, the Tender Board proposed the award of the tender to the suppliers on 25 January 2018 at Euro 1,524,868 (approximately TZS 4.1 billion).

Through negotiation report with the supplier dated 1 March 2018, I noted that the supplier explained the length of the boom that suit requirement of TPA and negotiation team agreed with the explanation provided by the supplier.

I am of view that the decision made by the negotiation team was not correct since as per tender document TPA requested Telescopic Boom of 66 metres which was suitable as per feasibility study or engineer estimates that were done prior to tender advertisement. Also, the change in specification affected the crane performance since they were different from the required specifications i.e., the cranes capacity was below the capacity specified in the bid documents. Thus, caused the cranes to have a fault in operations and consequently cost TPA to repair the cranes.

I recommend that TPA take appropriate measures against all responsible officers involved in changing specifications from those basic requirements indicated in tender documents.

19.1.7 Unremitted deductions to the Appropriate Authorities of TZS 5.86 billion

TPA through the Ports of Dar es Salaam, Tanga, and Mtwara entered into contracts with eight Companies to provide labourers' service such as for operating ports machines and loading and offloading cargo at those Ports. The terms of payments of contract also include payment of Skills Development Levy (SDL) and NSSF contributions for labourers.

TPA made payment of SDL from September 2016 to June 2020, amounting to TZS 1.39 billion to the eight companies for onward submission to TRA, but based on the confirmation from TRA, only TZS 210.48 million was remitted to TRA out of total TZS 1.39 billion paid by TPA to eight companies, leaving TZS 1.17 billion unremitted.

Further I noted that, TPA made a payment of NSSF contribution amounting to TZS 5.23 billion to the Service Providers. Out of total contribution of TZS 5.23 billion; TZS 548.56 million was remitted by the Service Providers to NSSF, thus, TZS 4.69 billion was not remitted.

I am concerned that, the non-submission of SDL and NSSF contributions amounting to TZS 1.17 billion to TRA and TZS 4.69 billion to NSSF increase the risk of the loss of public funds.

I recommend that TPA ensure (a) eight companies submit to TRA TZS 1.17 billion or the Authority is refunded without further delay; and (b) in collaboration with Ministry of Works and Transport take appropriate measures against the involved Services Providers including the refund of TZS 4.69 billion of NSSF contribution.

19.1.8 Withholding Tax Not Deducted from Payment Made to Suppliers USD 471,665 and TZS 377.99 Million

TPA made payments amounting to USD 23.23 million to seven contractors for construction project of one stop Centre building. I noted that, withholding tax amounting to USD 471,665 was not deducted from the payments made as required by Sect. 83 of Income Tax Act, Cap. 332 (R.E. 2019). I further noted that, withholding tax of TZS 377.99 million was also not deducted from the payment made to one construction company that was paid TZS 8.92 billion (VAT inclusive). Thus, the Government has incurred a loss of TZS 377.99 million and USD 471,665 due to non-deduction of withholding tax.

I recommend that TPA ensure the contractors refund the amount that was paid to them in respect of withholding taxes.

19.2 Special Audit at NIP

19.2.1 Review of Loan Borrowed by NIP to Cover Operation Costs during Development of Plots No.775/39 and No.776/39 Located in Ohio Street, Dar es Salaam - USD 1.53 Million

On 28 February 2011, the National Social Security Fund (NSSF) and the National Institute of Productivity (Now it is a department under Prime Minister's Office) entered into a Partnership Agreement for the development of Plot No.776/39 and Plot No. 775/39 located in Ohio Street which included the construction of parking lots, halls, offices, hotel apartments and particular areas for business. In accordance with Article VI (c) of the Agreement, the proportion of ownership for the development of the plots is 75% and 25% for NSSF and NIP, respectively.

On 08 April 2011, NIP management borrowed USD 1.53 million from the NSSF to cover operation costs during the development of plot no. 776/39 and 775/39 without the approval of the Prime Ministry Office since there was no Board available by then. The loan had to be repaid within five years from the date it was taken (until June 30, 2016). But NIP did not repay the loan, whereby up to 30 September 2020, the outstanding loan amount accrued to USD 5.86 million.

In my review of the Loan applicability, I found that from July 2011 to October 2015 at different times, management of NIP approved the transfer of a loan amount of USD 1.12 million for the payment of various costs, including relocating tenants, brokerage costs and administrative fee contrary to the purpose of the loan as shown in **Table 59.**

Table 59: Loan Funds Used Contrary to Objectives

S/N	Details	Amount (USD)	Payment Details
1	Brokerage costs	480,000	On 15 July 2011, NIP management approved a payment of USD 480,000 as a brokerage fee for soliciting a core investor to develop Plots No.775 / 39 and no. 776/39. Also, there was no contract for that assignment.
2	Legal Costs	22,756	On 11 August 2011, NIP paid USD 22,756 for legal advice without a contract. Similarly, the Company was not registered under Business Registrar and Licensing.
3	Tenants compensation	413,277.45	The amount was used for administrative purposes instead of compensation to tenants.
4	Administration costs	201,100.88	NIP used this amount for administrative issues while TR has terminated the joint venture between NIP and NSSF
	Total	**1,117,134.33**	

Source: *Transfer payment certificates*

This indicates that, NIP incurred ineligible expenditures that would have been avoided if the oversight body (i.e., Board or Prime Minister's Office) were involved before taking and use of the loan. Further, I noted that the loan has not been productive, and has increased the Authority's burden unnecessarily.

I recommend that appropriate action be taken against those responsible for allowing unproductive loan funds without the consent of the Prime Minister's Office.

19.3 Issues on the Construction Project of Vocational Institution in Ludewa

19.3.1 Termination of the Contract Due to Failure by Contractor to Implement the Contract

Vocational Education and Training Authority (VETA) entered into a contract no. PA/024/2014/2015/HQ/W/024 LOT No.01 on 15 November 2016 for the construction of Ludewa Vocational Training Institution at a contract price of TZS 7.92 billion. The project was required to be completed within a period of 32 weeks starting from 5 December 2016 (the date the project location was handed over to the contractor) to 10 September 2017. General Condition of the Contract (GCC 1) indicated Mekon Arch Consult Limited as the Main Consultant.

I noted that on 17 October 2017 the consultant requested VETA to extend the contract period for 5 months for the reason of delay in advance payment for four months, heavy rain from January to May 2017 and the consultant instructed the contractor to stop in order to investigate the soil (geotechnical investigation) because the soil in project location indicated cracks.

The extension was granted from 10 September 2017 to 15 February 2018, but still the work was not completed. Management of VETA granted the second extension of four weeks from 20 February 2018 to 19 March 2018, but still the contractor did not complete the project. VETA and contractor agreed on 5 June 2018 to extend the contract from 20 March 2018 to 30 March 2019. Despite that extension, the project was not completed.

On 26 September 2018, before the end of extension period of 30 March 2019, VETA wrote a letter to contractor to inform him that he had not been on site for 200 days from 15 February 2018 and management is intending to terminate the contract no PA/024/2014/2015/HQ/W/24 (LOT 1), as he failed to indicate the use of advance payment and to complete the project within the agreed time.

Assessment of the work done indicated that, up to the time of termination of the contract on 26 September 2018, the contractor had completed the work with the cost of TZS 551.60 million out of total project cost of TZS 7.91 billion. Total payments made to contractor was TZS 1.16 billion (TZS 1 billion for advance payment and TZS 150.94 million for certificate no.1).

I further noted that, out of 19 buildings that were required to be constructed, six buildings were at the stage of creating the foundation, five buildings at the stage of constructing the foundation and eight buildings were yet to start.

Following the termination of the contract, VETA attempted to liquidate the performance bond amounting to TZS 986.24 million, but could not succeed due to court case filled by the contractor.

Failure to complete the project has resulted in termination of the contract leading to an increase in the cost of project due to price inflation of materials when the Authority will resume the project.

I recommend that VETA (a) involve law enforcing organs to determine if there were corrupt practices that led to engagement of this contractor who seem to be either incapable or dishonest; and (b) find the proper means of completing the project following the termination of the contract with the respective contractor on 26 September 2018.

19.4 Various Concerns Raised by Suspicious Citizens of Moshi District Council against the Moshi Urban Water and Sanitation Authority (MUWSA)

19.4.1 Old Pipes Un-installed from Old Water Systems and Used in Mang'ana Water Project

During my interview with MUWSA staff I noted that iron pipes with radius of 10 inches were un-installed from Shiri and Nsere projects and used in main pipe of the new projects (Mang'ana water project) which had a cost TZS 2.15 billion in Moshi District Council. During the interview with MUWSA staff, they failed to provide the exact period when these old pipes were installed, but they suspect that these pipes were installed during the colonial period, which implies they were old. I visited pipes storage room and observed a sample of old pipes that were un-installed from the old system and installed in new systems.

I could not establish the criteria that were used by MUWSA to decide to use old pipes to Mang'ana water project which had a total value of TZS 2.15 billion without considering that lifespan of assets decreases with time. Since the quality of pipes was not assessed before installation, they are unlikely to be sustainable for a long period and it may cost the Authority within a near future.

Based on the explanation above, it is clear that, the concerns over old pipes being used in Mang'ana project submitted by suspicious citizens of Moshi District Council were true.

I recommend that Moshi Urban Water and Sanitation Authority: (a) conduct Engineering Testing and Evaluation by using expert on the old iron pipes that were installed in Mang'ana water project to assess their quality and sustainability; and (b) take strict measures against the staff who were involved in the exercise by failing to fulfil their responsibilities of advising or restricting the use of old pipes to the new project.

19.4.2 Dirty Water Produced by Mang'ana Water Project

Based on the description provided by management of MUWSA, the construction of Mang'ana water project started in December 2016 and ended in December 2018 by using Force Account to provide water services to citizens of North Uru in Moshi Village Council.

Based on MUWSA financial reports, Mang'ana water project had a total cost of TZS 2.15 billion, excluding the cost of iron pipes of TZS 441 million which were un-installed from Shiri and Nsere and re-installed to Mang'ana water project.

During the interview with MUWSA staff, they informed me that, Mang'ana water project was producing dirty water especially during the rainy season. I visited the Citizens at Mang'ana project and interviewed them, they informed me that Mang'ana water was dirty during rainy season.

A test conducted by MUWSA indicated that, water had more dust particles during the rainy season to the range of NTU 8-8.17 (Nephelometric Turbidity Units) which was above the standard established by WHO of NTU 5, thus making water unsafe for human consumption.

Dirty water was caused by non-installation of filtration system at the source and main pipe.

I recommend that Moshi Urban Water and Sanitation Authority: (a) conduct architectural study and install water filtration system at the Mang'ana project; (b) in future, consider architectural study based on the infrastructure of the respective location in order to avoid challenges resulting from inadequate architectural studies; and (c) take strict measures against responsible staff by failing to fulfill their responsibilities of ensuring that water filtration system is installed.

19.5 Special Audit at Tanzania Institute of Education

19.5.1 Non-consideration of Guidelines for writing, Publishing and Distribution of Textbooks which resulted in a Loss of TZS 25.57 Billion by TIE

On 7 August 2014, the Government through Education Circular No.4 of 2014 directed the Tanzania Institute of Education (TIE), which is responsible for preparing learning and teaching materials, including writing textbooks, to write text books for primary and secondary schools. In response, TEA prepared and distributed 21.56 million copies of 44 categories of text books for standard I up to III and form I up to VI from 2014 to 2017 at a total cost of TZS 25.57 billion.

However, in May 2017, the Government, through the Ministry of Education, replaced those textbooks from schools due to significant shortcomings identified by the readers. The drawbacks include lack of flow and correlation between drawings and relevant information in pictures, the content of topics in syllabuses was not included in the textbook, errors in grammar and tenses, language limitations, content and logical fallacies.

These shortcomings were attributed to preparation of those textbooks without complying with Government Education Guidelines for preparation and Certification of educational materials of 2014. I am concerned that the Government has incurred a total loss of TZS 25.57 billion for the textbooks that were not used.

I recommend that the Tanzania Institute of Education ensure the textbook quality by making sure that the preparation of the textbook follow the Guidelines for the Preparation and Certification of Educational Materials.

19.6 Issues on Loans Issued by Katani Company Limited to Farmers

19.6.1 Over Deductions of Loan to Sisal Farmers TZS 669.53 Million

Katani Company Limited established an arrangement for the sisal farmers to claim their liabilities by presenting the invoice indicating the farmers' description, the size of work, amount claimed and approval of farmers' association to work in the respective farm.

During my verification of invoices that were issued by farmers to Katani Company, and deductions made by the Company for the loan advanced to farmers from 2008 to 2018, I noted that total loan of TZS 2.28 billion were issued to 673 farmers, and the total amount of repayment deducted from payment to farmers was TZS 727.22 million, hence making outstanding loan of TZS 1.55 billion.

Loan recovery of TZS 366.60 million was deducted from payment to farmers in respect of leaf purchase and advance made to farmers of Mwelya farm. But the actual loan amount that was issued to Mwelya farmers was TZS 86.31 million, hence making the invalid deductions of TZS 280.29 million.

Likewise, farmers were deducted TZS 389.24 million from the advance issued to them and from the sale of leaf to Katani Company Limited. These deductions were made without the evidence of invoices to farmers to verify the validity of loans. These deductions were from farmers of Ngombezi, Mwelya, Magoma, Magunga and Hale.

Thus, deductions amounting to TZS 669.53 million were made from payments to farmers without the evidence of issuance of the loans to the respective farmers. Invalid deductions to farmers reduced the amount that could have been paid to farmers, hence affecting the farmers financially.

I recommend that Katani company Limited refund the amount of TZS 669.53 million wrongly over deducted from payments to farmers.

APPENDICES

Appendix I:Analysis of Audit opinion on Financial Audit and Compliance Audit

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
1	Air Tanzania Company Limited	Unqualified	Non-Compliant
2	Ardhi University	Unqualified	Compliant
3	Ardhi University Convocation	Unqualified	Compliant
4	Aru Built Evironment Consulting Company	Unqualified	Compliant
5	Arusha International Conference Centre	Unqualified	Compliant
6	Arusha Technical College	Unqualified	Compliant
7	Arusha Technical College - Production Consulting Company	Unqualified	Compliant
8	Arusha Urban Water And Sanitation Authority	Unqualified	Non-Compliant
9	Architects and Quantity Surveyors Registration Board	Unqualified	Compliant
10	Babati Urban Water Supply And Sanitation Authority	Unqualified	Compliant
11	Baraza La Kiswahili Tanzania	Unqualified	Compliant
12	Bariadi Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
13	Bukoba Urban Water Supply And Sanitation Authority	Unqualified	Compliant
14	Capital Markets and Securities Authority	Unqualified	Compliant
15	Cereals and other Produce Board	Unqualified	Non-Compliant
16	Cashew nut Board of Tanzania	Unqualified	Non-Compliant
17	Cashew nut Industry Development Trust Fund	Unqualified	Compliant
18	Centre for Foreign Relationship	Unqualified	Non-Compliant
19	Centre for Agricultural Mechanization and Rural Technology	Unqualified	Compliant
20	College of African Wildlife Management, (CAWM)	Unqualified	Non-Compliant
21	College of Business Education	Unqualified	Compliant
22	Contractors Registration Board	Unqualified	Compliant
23	Co-operative Audit and Supervision Corporation	Unqualified	Compliant
24	Cotton Development Trust Fund	Unqualified	Non-Compliant
25	Copyright Society of Tanzania	Unqualified	Compliant
26	Dar es Salaam Institute of Technology	Unqualified	Non-Compliant
27	Dar es Salaam Institute of Technology Company Limited	Unqualified	Compliant
28	Dar es Salaam Maritime Institute	Unqualified	Compliant
29	Dar es salaam University College of Education	Unqualified	Non-Compliant
30	Dar es Salaam University Press	Unqualified	Compliant
31	Dar es Salaam Water Supply and Sanitation Authority	Unqualified	Non-Compliant

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
32	Deposit Insurance Board	Unqualified	Compliant
33	Dodoma Water Supply and Sanitation Authority	Unqualified	Non-Compliant
34	Electrical Transmission and Distribution Construction and Maintenance Company	Unqualified	Non-Compliant
35	Energy and Water Utilities Regulatory Authority	Unqualified	Non-Compliant
36	Engineers Registration Board	Unqualified	Compliant
37	EWURA Consumer Consultative Council	Unqualified	Compliant
38	Export Processing Zone Authority	Unqualified	Compliant
39	Fair Competition Commission	Unqualified	Non-Compliant
40	Fair Competition Tribunal	Unqualified	Compliant
41	Gas Company (Tanzania) Limited	Unqualified	Compliant
42	Geita Urban Water and Sanitation Authority	Qualified	Compliant
43	Higher Education Students' Loans Board	Unqualified	Non-Compliant
44	Housing and Pensions Company Limited	Unqualified	Compliant
45	Institute of Accountancy Arusha	Unqualified	Non-Compliant
46	Institute Consultancy Bureau	Unqualified	Compliant
47	Institute of Adult Education	Unqualified	Non-Compliant
48	Institute of Finance Management	Unqualified	Non-Compliant
49	Institute of Rural Development Planning	Unqualified	Non-Compliant
50	Institute of Social Work	Unqualified	Compliant
51	Iringa Urban Water Supply And Sanitation Authority	Unqualified	Non-Compliant
52	Jakaya Kikwete Cardiac Institute	Unqualified	Compliant
53	Kahama - Shinyanga Water Supply and Sanitation Authority	Unqualified	Non-Compliant
54	Kahama Urban Water And Sanitation Authority	Unqualified	Compliant
55	Kariakoo Market Corporation	Disclaimer	Disclaimer
56	Kibaha Education Centre	Unqualified	Non-Compliant
57	Kigoma/Ujiji Urban Water Supply and Sanitation Authority	Unqualified	Compliant
58	Kikuletwa Power Plc	Unqualified	Compliant
59	Kilimanjaro Airport Development Company Limited	Unqualified	Non-Compliant
60	Kilimanjaro International Leather Industry Company Limited	Unqualified	Non-Compliant
61	Land Transport Regulatory Authority	Unqualified	Compliant
62	LATRA Consumer Consultative Council	unqualified	Compliant
63	Lindi Water Supply and Sanitation Authority	Unqualified	Compliant
64	Makambako Urban Water Supply and Sanitation Authority	Unqualified	Compliant
65	Marine Parks and Reserves Unit	Unqualified	Compliant
66	Marine Services Company Limited	Unqualified	Non-Compliant

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
67	Maritime Education and Training Fund	Unqualified	Compliant
68	Masasi Nachwengwea Water Supply and Sanitation Authority	Unqualified	Compliant
69	Mbeya University of Science and Technology	Unqualified	Non-Compliant
70	Mbeya Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
71	MCB Company Limited	Unqualified	Compliant
72	Medical Stores Department	Unqualified	Non-Compliant
73	Mkulazi Holding Company Limited	Unqualified	Non-Compliant
74	Mkwawa University College of Education	Unqualified	Compliant
75	Morogoro Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
76	Moshi Co-operative University	Unqualified	Compliant
77	Moshi Urban Water Supply and Sanitation Authority	unqualified	Compliant
78	Mtwara Urban Water Supply And Sanitation Authority	Unqualified	Compliant
79	Muhimbili National Hospital	Unqualified	Non-Compliant
80	Muhimbili Orthopaedic Institute (MOI)	Qualified	Non-Compliant
81	Muhimbili University of Health and Allied Sciences	Unqualified	Non-Compliant
82	Muleba Urban Water Supply and Sanitation Authority	Qualified	Non-Compliant
83	Musoma Urban Water Supply and Sanitation Authority	Unqualified	Compliant
84	Mwalimu Nyerere Memorial Academy	Unqualified	Compliant
85	Mwanga Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
86	Mwanza Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
87	Mzumbe University	Unqualified	Non-Compliant
88	National Arts Council	Unqualified	Non-Compliant
89	National Board of Accountants and Auditors	Unqualified	Compliant
90	National Bureau of Statistics	Unqualified	Non-Compliant
91	National Construction Council	Unqualified	Compliant
92	National Council for Technical Education	Unqualified	Compliant
93	National Development Corporation	Unqualified	Compliant
94	National Economic Empowerment Council	Unqualified	Non-Compliant
95	National Environment Management Council	Unqualified	Non-Compliant
96	National Examinations Council of Tanzania	Unqualified	Compliant
97	National Health Insurance Fund	Unqualified	Non-Compliant
98	National Housing Corporation	Unqualified	Non-Compliant

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
99	National Institute for Medical Research	Unqualified	Non-Compliant
100	National Institute of Transport	Unqualified	Compliant
101	National Insurance Corporation of Tanzania Limited	Unqualified	Non-Compliant
102	National Museum of Tanzania	Unqualified	Compliant
103	National Ranching Company Limited	Unqualified	Compliant
104	National Social Security Fund	Unqualified	Compliant
105	National Sports Council	Unqualified	Non-Compliant
106	Ngara Urban Water Supply and Sanitation Authority	Qualified	Compliant
107	Ngorongoro Conservation Area Authority	Unqualified	Compliant
108	Njombe Urban Water Supply and Sanitation Authority	Unqualified	Compliant
109	Ocean Road Cancer Institute	Unqualified	Compliant
110	Open University of Tanzania	Unqualified	Compliant
111	Petroleum Upstream Regulatory Authority	Unqualified	Non-Compliant
112	PPF/DCC Investment Company Limited	Unqualified	Compliant
113	Public Procurement Appeals Authority	Unqualified	Compliant
114	Public Procurement Regulatory Authority	Unqualified	Compliant
115	Procurement and Supplies Professionals and Technicians Board	Unqualified	Compliant
116	Public Service Social Security Fund	Unqualified	Non-Compliant
117	SELF Microfinance Fund	Unqualified	Compliant
118	Shinyanga Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
119	Singida Urban Water Supply and Sanitation Authority	Unqualified	Non-Compliant
120	Small Industries Development Organization	Unqualified	Compliant
121	Sokoine University of Agriculture	Unqualified	Non-Compliant
122	Songea Urban Water Supply and Sanitation Authority	Unqualified	Compliant
123	Stamigold Company Limited	Unqualified	Non-Compliant
124	State Mining Corporation	Unqualified	Non-Compliant
125	Sugar Board of Tanzania	Unqualified	Compliant
126	Sumbawanga Urban Water Supply and Sanitation Authority	Unqualified	Compliant
127	Tabora Urban Water Supply and Sanitation Authority	Qualified	Compliant
128	Tanga Water Supply and Sanitation Authority	Unqualified	Non-Compliant
129	TANOIL Investment Limited	Unqualified	Compliant
130	Tanzania Agricultural Development Bank	Unqualified	Compliant
131	Tanzania Atomic Energy Commission	Unqualified	Compliant

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
132	Tanzania Biotech Products Limited	Unqualified	Compliant
133	Tanzania Broadcasting Corporation	Unqualified	Non-Compliant
134	Tanzania Bureau of Standards	Unqualified	Compliant
135	Tanzania Civil Aviation Authority	Unqualified	Compliant
136	Tanzania Civil Aviation Authority-Consumer Consultative Council	Unqualified	Compliant
137	Tanzania Coffee Board	Unqualified	Compliant
138	Tanzania Commission for Science and Technology	Unqualified	Compliant
139	Tanzania Commission for Universities	Unqualified	Compliant
140	Tanzania Communications Regulatory Authority	Unqualified	Compliant
141	Tanzania Concrete Poles Manufacturing Company	Unqualified	Compliant
142	Tanzania Cotton Board	Unqualified	Non-Compliant
143	Tanzania Dairy Board	Unqualified	Compliant
144	Tanzania Education Authority	Unqualified	Non-Compliant
145	Tanzania Electric Supply Company Limited	Unqualified	Non-Compliant
146	Tanzania Engineering and Manufacturing Design Organization	Unqualified	Compliant
147	Tanzania Fertilizer Regulatory Authority	Unqualified	Compliant
148	Tanzania Fisheries Research Institutes	Unqualified	Compliant
149	Tanzania Food and Nutrition Centre	Unqualified	Compliant
150	Tanzania Forestry Research Institute	Unqualified	Compliant
151	Tanzania Geothermal Development Company Limited	Unqualified	Non-Compliant
152	Tanzania Institute of Education	Unqualified	Non-Compliant
153	Tanzania Investment Centre	Unqualified	Compliant
154	Tanzania Library Services Board	Unqualified	Non-Compliant
155	Tanzania Meat Board	Unqualified	Compliant
156	Tanzania Medicines and Medical Devices Authority	Unqualified	Compliant
157	Tanzania Mercantile Exchange (TMX) PLC	Unqualified	Compliant
158	Tanzania National Business Council	Unqualified	Compliant
159	Tanzania National Parks	Unqualified	Non-Compliant
160	Tanzania Petroleum Development Corporation	Unqualified	Non-Compliant
161	Tanzania Ports Authority	Qualified	Non-Compliant
162	Tanzania Posts Corporation	Unqualified	Non-Compliant
163	Tanzania Pyrethrum Board	Unqualified	Compliant
164	Tanzania Railways Corporation	Disclaimer	Non-Compliant
165	Tanzania Shipping Agencies Corporation	Unqualified	Non-Compliant

S/N	Name of Entity	Financial Audit Opinion	Compliance Audit Conclusions
166	Tanzania Sisal Board	Unqualified	Non-Compliant
167	Tanzania Smallholders Tea Development Agency	Unqualified	Compliant
168	Tanzania Standard Newspaper	Qualified	Non-Compliant
169	Tanzania Telecommunications Corporation Limited	Qualified	Non-Compliant
170	Tanzania Tobacco Board	Unqualified	Non-Compliant
171	Tanzania Tourist Board	Unqualified	Compliant
172	Tanzania Trade Development Authority	Unqualified	Compliant
173	Tanzania Wildlife Research Institute	Unqualified	Non-Compliant
174	Tax Revenue Appeal Board	Unqualified	Compliant
175	Tax Revenue Appeals Tribunal	Unqualified	Compliant
176	TCRA Consumer Consultative Council	Unqualified	Compliant
177	Tea Board of Tanzania	Unqualified	Non-Compliant
178	TIB Development Bank Limited	Unqualified	Compliant
179	TIB Rasilimali Limited	Unqualified	Compliant
180	TPB Bank Public Limited Company	Unqualified	Compliant
181	T-Pesa Limited	Unqualified	Compliant
182	T-Pesa Trust Entity	Unqualified	Compliant
183	Tropical Pesticides Research Institute	Unqualified	Non-Compliant
184	Tukuyu Urban Water Supply and Sanitation Authority	Unqualified	Compliant
185	Ubungo Plaza Ltd	Unqualified	Compliant
186	Universal Communications Service Access Fund	Unqualified	Compliant
187	University of Dar es Salaam	Unqualified	Non-Compliant
188	University of Dar es Salaam Computing Centre	Unqualified	Compliant
189	University of Dodoma	Unqualified	Non-Compliant
190	UTT Asset Management and Investor Services Plc	Unqualified	Compliant
191	Vocational Education and Training Authority	Unqualified	Non-Compliant
192	Warehouse Receipts Regulatory Board	Unqualified	Non-Compliant
193	Watumishi Housing Company	Unqualified	Compliant
194	Watumishi Housing Company Real Estate Investment Trust	Unqualified	Compliant
195	Workers Compensation Fund	Unqualified	Compliant

Appendix II: Status of Implementation of Prior Years' Recommendations

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
1	2017/18	**Untraced Loan Beneficiaries-TZS 1.46 Trillion** I recommended that HESLB engage other institutions and any other available sources of information to identify the yet untraced beneficiaries.	A number of partnerships with strategic stakeholders are being established. Through these partnerships, MoUs have been signed to define areas of collaborations including traceability mature loans and enhancing employers' compliance. Currently two MoUs have been signed with the following; RITA, TASAF and Zanzibar higher learning loan board (ZHELB). Discussions for finalization of MoUs with NIDA, TRA, ATE, NSSF and BRELA are underway. Regarding Identifications system, clause in Loan application guidelines was issued 2021/22.	Up to the financial year ended 2020/21, untraced loan balance was TZS 249.74 billion.	Under Implementation
2	2017/18	**Non-recognition of Interest Income from Fixed Deposits at TIB Development Bank and UTT Microfinance of TZS 7.61 billion and TZS 962 million respectively.** I Recommended that TRC (before was RAHCO) make follow up to recover the amounts. I also, recommended that the Government intervene and institute necessary measures to rescue the situation as it adversely affects TRC (before was RAHCO) operations.	The Government through Treasury Registrar will make follow up on the matter to rescue the situation observed by the Auditors.	Government response is noted. No action has been taken on the implementatio n of my recommendati on	Not Implemented
3	2017/18	**Public Entities without Board of Directors (BOD) and Trustees**	The Government has made appointment to fill vacancy of board members in various	Government response is noted. However, still	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		I recommended that the appointing authorities take deliberate measures including commencing the appointment process in advance prior to expiring the tenure of the existing Boards.	PISC's and Minority Shareholding	there is existence of 38 entities without BOD in financial year 2020/21	
4	2017/18	**Absence of Adequate Mechanisms to Ensure All Imports Are Insured Locally by Insurance Companies in Tanzania** I recommended that TIRA bring on board other stakeholders such as Tanzania Revenue Authority (TRA), Tanzania Shipping Agencies Corporation (TASAC), Tanzania Ports Authority (TPA), Tanzania Bureau of Standards (TBS) and other Government Bodies which have various responsibilities on imported goods in order to have a mechanism and joint efforts to strengthen controls and ensure all imports are insured by Tanzania Insurers.	The Government has noted the auditor's recommendation, in the process of discussion with other entities on how to ensure all imported goods are insured locally.	TIRA is in process of making close follow ups with TRA, LATRA and TPA on the modality of monitoring importation of goods so as to ensure all imports are insured by Tanzania Insurers.	Under Implementation
5	2017/18	**Non-reimbursement of NICTBB's Running Cost to TTCL TZS 20.63 Billion** I recommended that TTCL make a close follow-up with the Ministry and claim the net balance of TZS 20.63 billion after netting off their outstanding balances.	I propose a net-off on the amount which is owed by TTCL and NICTBB so that to settle this outstanding balance.	On 12 Mach 2021, TTCL entered into a contract with Ministry of Communicatio n and Information Technology regarding the management of outstanding debts and terms of trading for ongoing transactions	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
				between the parties related to NICTBB. I will keep following up until further implementation	
6	2017/18	**Non-implementation of Agreed Measures on Mitigating Effects of Road Accidents** I recommended that TANAPA strengthen road accidents monitoring measures and seek for other stakeholders such as TANROAD for sharing road maintenance cost at TANAPA.	TANAPA have developed different measures in mitigating effects of road accidents	My audit and review of 2020/21 Mikumi National Park annual protection report noted for the year under review a total of 535 animals were killed along the TANZAM highway, this is an increase of 429 animals as compared to 106 animals killed in 2019/20.	Under Implementation
7	2017/18	**Continuous Loss at Air Tanzania Company Limited (ATCL)** I recommended that ATCL continue to focus on improving its profitability and liquidity by increasing revenues and maintaining costs at reasonable Level. I also recommended that the Government provide financial support to the Company to facilitate payment of previous years' obligations to relief ATCL from interest charges which accounts for significant portion of total cost.	The Government has noted the auditor's recommendations. Government to continue offering assistance to ATCL in ensuring improvement on profitability and liquidity is achieved.	During the financial year 2020/21 ATCL made operating loss of TZS 36.499 billion	Under implementation
8	2017/18	**Delays in Recovering Double Payments**	The Government has noted the Auditors recommendation and	Government response is noted.	Not implemented

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		from Pensioners TZS 218.31 Million I recommended that PSSSF seek different options to recover the remaining balance	it will thus direct PSSSF to seek better options to recover the remaining balance.	However, no evidence on implementation of my recommendation was provided.	
9	2017/18	**Long Outstanding Loan Balance TZS 47.40 billion** I recommended that Government consider the possibility of relieving DAWASA with this burden to enable it to start providing water service smoothly	The Government has noted the Auditors recommendation and it will therefore consider the possibility of relieving DAWASA with this burden to enable it continue provide water service smoothly.	Management response is noted; further review of implementation will be followed up.	Under implementation
10	2017/18	**Slow Pace of Loans Recovery by Tanzania Education Authority** I recommended that TEA enhance its loan collection method and institute more aggressive measures to speed up collection of the loaned funds.	The Government has enhanced the Authorities Loan collection strategies by forming Authorities Loans follow ups Committee, which is responsible for collections of all overdue loans. Also, the Authority have stopped giving out loans to the school and academic institutions, while still improving the recovery process.	Various follow up have been noted. Demand notices and reminder letters were verified. However, no any payment received from 7 entities out of 18 entities with more than a year overdue loan of TZS 1.6 billion	Under implementation
11	2017/18	**The Genisys Configurator Software was expected to integrate three aspects of NIC functions of Life Assurance, Non-Life Insurance and Accounts functions.** I recommended that NIC liaise with the vendor to ensure that all the pending issues as per Functional Requirement Document are resolved and that the system becomes fully	NIC has fully impaired the system.	NIC is currently using ERP system to management life and General Insurance operations thus the Genisys Configurator software is absolute	Over taken by Events

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		functional as intended.			
12	2017/18	**UDA's Shares Sold Without Approval of the Treasury Registrar** I recommended that the returned un-allotted shares of UDA be allotted to Government so that the Government becomes the majority shareholder.		The Government did not provide response to this recommendation	Not Implemented
13	2017/18	**Insufficient Number of Rapid buses** I recommended that DART accelerate the bidding process to increase new buses to meet current needs to provide better quality services.		The Government did not provide response to this recommendation	Not Implemented
14	2017/18	**Non-fulfilment of Obligation in Implementation of KFW Project at SENAPA** I recommended that TANAPA and TRA resolve the matter to allow smooth implementation of the project		The Government did not provide response to this recommendation.	Not implemented
15	2017/18	**Outstanding Taxes and Duties not paid by Public Entities Tanzania Broadcasting Corporation (TBC) TZS 2.27 billion (excluding fines and penalties)** I recommended that public entities ensure taxes are paid in a timely manner to avoid fines and penalties.	The Government through TBC has written a letter reference no. CDA: 341/361/01 dated 27 March 2019 to TRA concerning the payment plan. Further, TBC wrote a letter with reference no 341/361/01A/82 of 26 October 2020 to the Ministry of Finance to make follow up on the previous letters.	Management response has been noted, however, I insist timely settlement of VAT Liability by the management to avoid piling up of monthly interest and penalties as per the VAT Act, 2015 and Tax Administration Act, 2014.	Under implementation
16	2017/18	**Outstanding VAT with Respect to NICTBB TZS 10.83 billion**	The Government has noted the Auditors recommendation and	Management response is noted; follow	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		I recommended that TTCL and the Ministry resolve the issue of payment of VAT in respect of NICTBB.	the issue will be implemented having mutual agreement and necessary regulations.	up will be made in the next financial year	
17	2018/19	**Tenants Without Rental Contracts** I recommend that KADCO and KMC ensure contracts are duly signed by their tenants	The management has noted the auditor's recommendation, for KMC the process of giving out contract is still on going	For KADCO, all tenants at KIA have been issued with the valid contracts. For Kariakoo Market Corporation (KMC), my review of tenants' contracts revealed that management have taken initiative on providing contracts to tenants, for the year under review, out of 638 tenants, still 303 tenants still have no contract.	Under implementation
18	2018/19	**Loss of Revenue Due to Delay in Extension of Licenses for Production Sharing Agreements (PSAs)** I thus, recommend that TPDC expedite implementation of PAC directives and follow up with responsible Minister to ensure that the licenses issue is resolved	The PSAs are currently under review at the AG's office. Licenses will be issued and/or renewed after the review process has been completed.	Government response is noted.	Under Implementation
19	2018/19	**Accounts of M&P not Adjusted According to PSA's Audit Findings USD 45 Million** I therefore, recommend that TPDC ensures that accounts of M&P are adjusted thus, correct amount	The Government has noted the auditor's recommendations, to continue following up on the reconciliation	Still in negotiation, consultation to external expert has been made. I will make follow up of implementatio	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		of profit share is shared with TPDC		n in the next financial year.	
20	2018/19	**Lack of Administrative Sanctions Against Non-Compliant Operators** I recommend that Gaming Board of Tanzania liaise with the Ministry of Finance and Planning to amend its regulations by including administrative sanctions to be imposed against noncompliant operators	The management has noted the auditor's recommendations. GBT will continue to follow up with the Ministry of Finance and Planning on the proposed amendments of the gaming legislation	Proposed amendments were not yet approved by respective Minister.	Under Implementation
21	2018/19	**National Development Corporation (NDC)** a)**Kihuhwi and Kalunga Rubber Plantation** Management at NDC I recommend that NDC ensure planned activities of planting new rubber trees and recruitment or hiring of labourers are executed in a timely manner to achieve the intended targets b) Tractor Assembly Project Ensure negotiation with Poland Government are finalized and tractors are delivered as per agreement c) **250 hectors of industrial parks have not been developed** I recommend that NDC ensures planned activities are executed on time as per the set timelines in the strategic plan d)Low Production Biolarvicides I recommend that Ministry of Health	The management has noted the auditor's recommendation. NDC still continue in the implementation of the project	**Development of 250 hectors of land** Funds for designing of Internal roads of TAMCO has been disbursed, and the consultant is finalizing his work, as well fund for construction of 630 Meters Road into Bitumen level is allocated in financial year 2021/22. **Tractor Assembly Project** The Government has taken initiative to rectify all contract issues by forming a Government Negotiation Team which will have a	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		purchase more litres of Biolarvicides from the plant to increase the plant's production e)Long-waited Government Decision on Revamping KMTC I recommend NDC ensures that issues which impede projects implementation from progressing are addressed.		responsibility of negotiation with URSUS and the Government of Poland on the way forward.	
22	2018/19	**National Housing Company (NHC)** Ensures joint ventures are properly managed and building permits are obtained before projects are initiated. Moreover, proper approvals are obtained before any change are initiated; and Negotiate with OilCom (TZ) Ltd in order to arrive at the best way in which the breach can be remedied	With respect to Oilcom, the intended remedial action as advised by the Attorney General is to negotiate with OilCom in order to arrive at the best way in which the breach of the Joint Venture Agreement can be remedied. NHC awaits the Attorney General facilitation and his heading of the proposed negotiations. With respect to Kadri Complex, NHC still awaits the Attorney General advice/opinion on this matter. Time frame is a matter to be confirmed by the Attorney General as it is not in the control of NHC. However, NHC continues to make regular follow up with the Attorney General's Chambers on this matter.	Management response is noted, further review of implementation will be followed up in the next audit	Under implementation
23	2018/19	**Tanzania Investment Centre** **a) Delays in Attending Investors by TIC** I recommend that TIC develop comprehensive SOPs that will enable the entity to corporate with other	Government has noted the auditor's recommendation	Numbers of efforts and interventions have been taken by both TIC and Ministry of lands with a view to eradicate	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		Government institutions in carrying its duties efficiently **b) Uncertainties on evaluation factors for expected investment capital** I recommend that TIC establish clear factors for evaluation of investors' financing capability as well as availability of capital required.		challenges in investment land access including; TIC Meeting with the Ministry of Lands to advocate for conduction of regular National Land Allocation Committee Meetings	
24	2018/19	**Disputes Invoices Amounting USD 42.83 million** I recommend that TANESCO conduct mutual discussion with respective creditors to resolve the existing conflicts while considering respective gas sales agreement clauses	The Government has noted auditor's recommendation. TANESCO is in the process of reviewing invoices in order to resolve the existing conflict	TANESCO has resolved the dispute with PAET on the Interest and committed to settle the disputed amount accordingly. In effort to settle the long outstanding disputed invoices Management has started paid, in April 2021 USD 4.99 million equivalent to TZS 10.8 billion were paid in order to utilize Make - Up gas.	Under implementation
25	2018/19	**Investment made by the Government Vs Shareholdings obtained** I recommend that the Government revise the signed agreements between Songas Limited against TANESCO and TPDC	Government has noted the auditor's recommendation. The Government is still under discussion	Government response has been noted, I insist the Government to revisit the terms of the agreement prior to renewal of the contract. I will make follow up on the implementatio n	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
26	2018/19	**Unconscionable Terms of the Company/Project Financing** I recommended that the Government use the Natural Resources Contracts (Review and Re-Negotiation of Unconscionable Terms) Act, 2017 to negotiate with the preference shares (later loan) shareholders to revise the interest rates charged and compensate the government for the inflated interest paid		Government did not provide response to the recommendation.	Not implemented
27	2018/19	**Existing Dilemma on the Sales of Energy and Ownership of Transferred Strategic Assets After the Completion of Songo Project** I recommended that the management of TANESCO discuss with Songas Limited to agree on the terms of power sales before activation of para 4 of the power agreement, also the Government revise all signed agreements to ensure that transferred strategic assets (land, gas wells, and turbines) are returned to the Government or Songas Limited is made a public corporation.		Government did not provide response to the recommendation.	Not implemented
28	2018/19	**Incomplete Transfers of Shareholding to NDC** I recommended that the Ministry of Minerals consider returning mining license of part of the mining site of	The Government has noted the auditor's recommendation. Ministry of Minerals is still reviewing licenses for further implementation	Management response is noted, further review will be made in the next audit	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		TANCOAL Energy Limited and enforce Tan Power Resources Limited to make payment of tax liability.			
29	2018/19	**Delay in Official Dissolving Crops Trust Funds Following Government Instructions** I recommend that the Boards in collaboration with the Ministry of Agriculture expedite the process of legal dissolution of the funds	The Government has noted the auditor's recommendation, to continue following up on the dissolving of funds	Government response has been noted. Only CIDTF Trust fund for coffee has been closed. While for Cashew nut and cotton was not yet dissolved.	Under Implementation
30	2019/20	**Non-Application of Approved Rate for Services Provided by Public Entities** I recommend that TPA ensure efficient and effective functioning of the Tariff Committee in providing oversight roles regarding tariff rates and the same approved by the Board of Directors before changes are made.	The Government has noted the auditor's recommendations. TPA has commenced reviewing its tariff in line with current business trend including the one approved by Management rather than the Tariff Committee.	The Government response has been noted awaiting implementatio n	Under implementation
31	2019/20	**Inefficient Controls and Management over Rental Incomes** I, recommend that NSI, KMC and TPA introduce agreements with its tenants, issue demand notes or control numbers on rents to be collected, standardize its rates, and strengthen controls on rental collection.	The Government has noted the auditor's recommendation. The management of the institutions will be guided to put up a mechanism of enforcing their rent policy and ensuring all the pending rental fees is collected.	The Government response is noted, follow up will be made on the management initiatives	Under Implementation
32	2019/20	**Incompleteness and Inaccuracy of Research and Consultancy Income at University of Dar es Salaam** I recommend that UDSM ensure income from research and	The Government has noted the auditor's recommendation. UDSM will improve controls on research and consultancy project record keeping.	Government Response has been noted. In the next audit I will make follow up on established controls	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		consultancy projects is appropriately reconciled among various records.			
33	2019/20	**Non-use of Government e-payment Gateway System on Collection of Income -TZS 7,230.78 million** I recommend that entities ensure all revenues are collected through GePG.	The Government has noted the auditor's recommendation. The Government continue to emphasize and enforce use of GePG on revenue collection Management acknowledges the audit recommendation and has written a letter to NMB Bank to restrict customers and Regional Managers to deposit money to those NMB accounts. This has automatically ensured all collections are deposited through GePG accounts.	The Government response has been noted. However, I noted continue non-use of GePG by some entities in the financial year 2020/21. For instance Workers Compensation Fund (WCF) and National Sugar Institute (NSI) did not collect revenue amounting to TZS 1.95 billion and 193 million respectively through GePG	Under Implementation
34	2019/20	**Debtors not Reported in Financial Statements - TZS 290 Million** I, recommend that CFR management ensure adequate controls over student fees revenue and reporting of receivables.	The Government has noted the auditor's recommendation. Centre for Foreign Relations (CFR) has improved controls over student fees recording and reporting	The Government response has been noted. In the next audit I will make follow up on student fees controls	Under implementation
35	2019/20	**Absence of Board Charter Guidelines for Public Authorities and other Bodies** I recommend that PA & oBs ensure compliance with the Treasury Registrar Circular by preparing and submitting their Board Charters for analysis and approval to align with good governance practice i.e. Deposit	All entities are currently preparing the Board Charters	The Government response has been noted. In the next audit I will make follow up to assess improvements .	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		Insurance Board, JKCI, MCB Company Limited, TCRA and NHC and PPF Investment Company Limited			
36	2019/20	**Limited Mandate of Stationed Officers at One Stop Centre** I recommend that the Government take initiatives to fast-track the process of amending the Investment Act.	The Government has noted the auditor's response TIC Management held a meeting with all Chief Executive Officers of Institutions represented in the One Stop Centre to give mandate to their staff, it was agreed that investors will be provided the requested permits/approvals/licenses within 14 days only. Likewise, the Management has proposed in the new law to have provisions that will require stationed officers to have full mandate.	The Government response has been noted waiting for implementation.	Under Implementation
37	2019/20	**Increasing Trend of Non-Performing Loans** I recommend that TIB Development Bank and TCB Bank (formerly TPB Bank) institute stringent strategies such as improvement in loans appraisal process, and regular follow up on client's projects to contain non-performing loans and reduce NPL ratio to an acceptable level of 5%.	The Government has noted the auditor's recommendation to continue following up on the increasing measure to curb the non-performing loans.	The Government response has been noted, however I noted continue increase trend of non-performing loan in 2020/21 financial year	Not Implemented
38	2019/20	**Capital Adequacy Ratios Below BoT's Minimum Requirements** I reiterate my recommendation that TIB Development Bank is recommended to review the capital	The Government has noted the auditor's recommendation. The Government is yet to fully honour its commitment of capital injection. However, the Treasury Registrar has formed a team to	The Government response has been noted, awaiting resolution of capital adequacy of TIB	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		level with a view of considering a capital injection to comply with the Capital Adequacy Regulations.	prepare proposals on innovative ways to address the challenges of inadequate capital and liquidity.	Development bank	
39	2019/20	**Deficiency in System Configuration at TCB Bank** (formerly TPB Bank) I recommend that TPB Bank ensure that there is (a) effective management of mobile money operations and that transactions are captured promptly to reflect the correct position of electronic value balances in the system, and (b) prompt reconciliation between Mobile Network Operators (MNOs) and CBS to avoid discrepancies in Electronic Value positions in CBS.	The Government has noted the auditor's recommendations. TCB (formerly TPB Bank) Management undertake to ensure that posting of the transactions are done timely into core banking system and oversight of reconciliation has been shifted to Central reconciliations division with effect from end of February 2020.	The Government response is noted. However, I noted several differences between MNOs and Bank's position, thus weaknesses still exist in reconciliations performed. I will continue to make follow up on reconciliation progress	Under Implementation
40	2019/20	**Inadequate Liquidity for TIB Development Bank** I recommend that the TIB Development Bank enhance strategies to regularize the maturity profiles of obligations to comply with the Regulation 60 of the Banking and Financial Institutions (Development Finance) Regulations, 2011. The Bank also needs to expedite the issuance of MTN by following up with the Minister for Finance and Planning to improve the liquidity and expansion of operations in order to meet the primary core objective of the Bank	The bank has already obtained CMSA approval for the issuance of the bond. The successful issuance of the bond will address the existing funding mismatch in the bank's balance sheet and offer a space for issued long-term loans to generate sufficient liquidity for financing new projects. Currently, the bank is following up with the Ministry of Finance and Planning for endorsement before proceeding with the issuance.	The Government response noted, I will continue to make follow up on the strategy implementation.	Under Implementation
41	2019/20	**Low Recovery from Charged Off Loans by**	The Government has noted the auditor's	The Government	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		TIB Development Bank TZS 126 billion I reiterate my recommendations that TIB Development Bank enhance recovery strategies to increase recovery rate and overcome liquidity challenge.	recommendation. The bank has strategies for all charged off accounts by; a) Unlocking court cases 19 court cases for charged off customers with total exposure of TZS 80.69 billion were filed. The cases are still pending in court. a) Debt collectors / Auctioneers / Receivership As of 31 December 2020, a total 164 charged off accounts with total outstanding loan amount of TZS 176.90 billion were under auctioneer/debt collectors. There were five (5) charged off accounts worth TZS 25.49 billion under receivership.	response noted, I will continue to make follow up on recovery strategies.	
42	2019/20	**Delay in Repayment of Loan Issued to CPB by TADB - TZS 33 Billion** I, recommend that TADB bank closely liaise with the CPB on the repayment of the loan of TZS 33 billion and its accrued interest of TZS 2.06 billion. Also, I recommend CPB to include the loan in their financial statements.	The Government is holding discussion on the loan repayment and finance strategy of TADB	The Government response is noted. I will continue to make follow up on implementation	Under implementation
43	2019/20	**Low Returns on Loans Issued to Government institutions** I recommend that NHIF (a) closely monitor returns of loans issued to Government Institutions, and (b) maintain its policy of limiting any further loans to Government Institution to reduce	Government has noted the auditor's recommendations, The matter will be reviewed by Ministry of Finance and Planning	The Government response is noted. I will continue to make follow up on the matter.	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		its exposure to the required limit of 10%.			
44	2019/20	**Matured Fixed Deposits Balances with TIB not Recovered - TZS 18 billion** I, recommend that NHIF should closely monitor the matured fixed deposit balance from TIB Development bank and negotiate with the bank on other repayment arrangements such as instalment to reduce the risk of possible loss.	The Government has noted the auditor's recommendations. The Fund continued to follow up with the TIB Development Bank. The Bank has replied through letter referenced TIB/FN/222/VOL XII /97 dated 12th October, 2021 that it currently facing liquidity problems that has rendered it difficulty to honour matured obligations.	The Government response is noted. I will continue to make follow up on the matter.	Not implemented
45		**Absence of Medical Services Regulatory Authority** I recommend that NHIF should continue making follow up with the Ministry of Health to speed up establishment of Medical Service Regulatory Authority for regulating medical and health products price within the country.	The Government has noted the auditor's recommendations. To continue making a follow up to ensure the establishment of Regulatory Authority to manage medical services prices.	The Government response is noted. I will continue to make follow up on the matter.	Not Implemented
46	2019/20	**Non-Compliance with the Signed Agreement between WCF and NHIF** I recommend that NHIF make follow up with WCF to ensure that quarterly funds are submitted as agreed in the signed Contract.	The Government is finalizing integration of WCF and NHIF operational systems to allow timely data exchange and report sharing that will eventually facilitate timely vetting and retirement of WCF impress Fund.	The Government response noted. The management of both Funds are still in exercise of validating and authentication of the claims.	Under implementation
47	2019/20	**Inadequate Follow up by NSSF on Recovery of SACCOS Loans** I recommend that NSSF enhance loan appraisal process and ensure that any future loans are covered with adequate security that can recover the loan in	Government has noted the auditor's recommendation, NSSF is continuing formulating strategies in ensuring all loans are recovered.	The Government response has been noted, awaiting loan recovery	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		case of default. NSSF is also recommended to engage Government instruments to recover the outstanding loans.			
48	2019/20	**Investing in Land not Owned by NSSF** I recommend that NSSF speed up the transfer of land ownership so as to avoid any losses to the Fund in case of dispute.	Government has noted the auditor's recommendations, NSSF is still in process of ensuring ownership of the land is attained	The Government response has been noted waiting for transfer of land ownership	Under Implementation
49	2019/20	**Challenges in Merged Water Supply and Sanitation Authorities** I recommend that the Government through the Ministry of Water continue funding capital investment projects to increase access to water services and monitor handing over process to address the noted anomalies.	Government has noted the auditor's recommendations. To continue facilitate the investment in the water authorities	The Government response has been noted. Government continues to fund the water projects as required	Under Implementation
50	2019/20	**Anomalies Noted on Managing Quality Assurance and Control in Provision of Higher Learning Education** I recommend that the mentioned institutions, parent ministries, TCU and NACTE ensure quality assurance is given priority to enable it function well so as to improve and ensure quality of the academic services provided.	Government has noted the recommendation and its continuing to increase in management of quality assurance and control in provision of higher learning education	The Government response is noted. I will continue to make follow up on provision of quality assurance	Under Implementation
51	2019/20	**Significant Decline in Students' Enrolment at IAE** I recommend that (a) IAE review its programmes and come up with more innovative strategies to increase enrolment of students and	The Government has noted the auditor's recommendation, Institute of Adult Education (IAE) to continue promote the increase of student enrolment	The Government response has been noted awaiting for implementation.	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		improving learning environments, and (b) Government ensures additional funding is provided for improving the institute's key resources, infrastructures development and renovations.			
52	2019/20	**Non-Review of VETA Curricula for Long Period of Time** I recommend that VETA and Ministry of Education Science and Technology review curriculum in order to align it with the technological changes.	Government has noted the recommendation and its currently under the review of curriculum for VETA	The Government response has been noted awaiting implementation	Under Implementation
53	2019/20	**Declining Trend of Crop Production** I recommend that the Ministry of Agriculture, in collaboration with respective Crop Boards, continue to devise and implement strategies that aim at mitigating challenges faced by farmers and factories in increasing crop productivity.	The Government has noted auditor recommendations, to continue following up and offer assistance to the farmers on the crops production	The Government response is noted. I will continue to make follow up	Under Implementation
54	2019/20	**Unrecovered Funds Issued to Farmers through Credit Sales of Agricultural Inputs TZS 57.61 Billion** I recommend that the Government in collaboration with CDTF and Cotton Board of Tanzania make initiative to recover outstanding debts from farmers and ensure the same are paid to the suppliers to settle the outstanding payables. In addition, CDTF needs to strengthen recovery controls over credit sales of	The Government has noted the auditor recommendation, The matter is still being followed up	The Government response is noted. I will continue to make follow up	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		agriculture inputs to farmers during selling.			
55	2019/20	**Low Prices Paid to Sugar Cane Out growers Due to Delayed Installation of Plant Factory** I recommend that the Government expedite the installation process of the factory plants to enable commencement of Mkulazi Holding Co. Ltd operations that will provide sustainable solution to sugar cane growers	A number of measures has been adopted to resolve the cane growers' problems, including conducting a number of meetings with cane growers to educate growers on the relevance of signed agreements, commencing selling of matured cane to M/s Mtibwa Sugar Co. Ltd pursuant to the requirement of Section 7.4 of the cane supply agreement, procurement of Mbigiri factory and Ministry of Agriculture has formed a team to review operations of Magole Cooperative Joint Enterprises Ltd.	The Government response has been noted. I will continue to make follow up on resolution of out growers' challenges	Under implementation
56	2019/20	**Significant Rejections of Medical Insurance Claims TZS 3.13 Billion** I recommend that MOI, JKCI, DUCE and SUA dispensaries enhance compliance with the NHIF Standard Treatment Guideline; and negotiate with NHIF on the nature of claims rejected for review and improve the rejected insurance patient treatment claim forms.	The Government has noted the auditor recommendation. NHIF continues to inform hospitals and dispensaries on proper filling of health claims and enforce compliance with NHIF Standard Treatment Guideline	The Government response has been noted, I will continue to make follow up on compliance with NHIF standard treatment guideline	Not Implemented
57	2019/20	**Increasing Government Debt that Threatens MSD's Operations TZS 256.92 Billion** I recommend that the Government Institutions pay outstanding debts immediately so as to safeguard the operations of the	The Government has noted the auditor recommendation. The Government expressed its intention to pay the verified debt of TZS 119 billion of up to June 2018. The Government has started paying the outstanding debt where TZS 55 billion have been paid.	The Government response has been noted. I verified payment of TZS 55 billion and will make follow up on payment of the remaining balance.	Under implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		Medical Stores Department.			
58	2019/20	**Increase in Drugs Received with Shelf Life Less than 80% or Two Years** I recommend that Management of MSD enhance supervision and ensure that they comply with the requirements of the Inventory Management Guidelines so as to be provided with drugs with shelf life greater than 80% or 2 years. Also, Management of MSD needs to contact system developers to automate release of drugs for which shelf life is not accepted.	The Government has noted the auditor recommendation. The management currently is underway preparing a document which address grounds for exceptional application in receiving medicine with lower than 80% shelf life. The document is expected to be complete in September 2021.	The Government response is noted awaiting approval of the approval and usage of a document which gives exception on procurement of medicines below 80% of its shelf life	Under implementation
59	2019/20	**Unsatisfactory Trend of Expiry of Vertical Programme Medicines During the Year Beyond Tolerable Level by 3%** I recommend that MSD avoid receiving medicines with short shelf life to avoid early expiration of medical supplies. MSD also need to communicate urgently with the Ministry of Health, Community Development, Gender, the Elderly and Children for early provision of the distribution list.	The Government has noted the auditor recommendations. Management is enhancing communication with programs to get important information such as remaining stock in MSD warehouse, rate of distribution, any bottle neck in VP items supply chain.	The Government response has been noted, however I noted the expiry of Medicines during the 2020/21 audit.	Under implementation
60	2019/20	**Conservation of Tourism Sites Outweighed by Desire for Human Developments** Therefore, I recommend that Government (a) find alternative means of human development in areas bordering and/or interacting	The Government has noted the auditor recommendation Management in collaboration with MNRT is seeking approval from the Government to halt all new development projects within NCA pending finalization of	The Government response has been noted, I will make follow up on the management initiative	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		with tourism sites in order to enhance conservation programs to communities within and around tourism sites, and (b) commission a review of NCA and its multiple land use model with a view to curtail human development activities in the NCA and enhance conservation programs.	the Multiple Land Use Policy.		
61	2019/20	**Need for Collective Actions to Control Invasive Alien Species at NCA and National Parks** I recommend that the Government consider and declare the problem of invasive alien species as an issue of national concern and ensure stakeholders at all levels are taken on board to eliminate, control and prevent existence of invasive plants within NCA, National Parks and in all other areas countrywide.	The Government has reviewed NCA Alien/ Invasive Plants Management Strategy in view of increasing its effectiveness, moreover NCAA has procured invasive alien species control and eradication working tools and equipment (Tractor with mower, Vehicles and prescribed burning equipment)	The Government response has been noted, I will make follow up on the management initiatives	Under Implementation
62	2019/20	**Non-Utilization of Quality Improvement Fund - TZS 10.75 Billion** I recommend that TANESCO establish all maintenance cost incurred for improvement of the infrastructure and claim for reimbursement from Pangea Minerals Limited. They also ensure establishment of the joint bank account as required by the agreement and ensure that all the deducted funds are	TANESCO has done reconciliation on the amount to be refunded by Buzwagi. Negotiations are underway on how the fund will be paid	The management response has been noted, I will make follow up on the negotiation conclusion	Under Implementation

S/N	YEAR	Audit Recommendations	Government Response	CAG Comment	Status
		transferred to the account			
63	2019/20	**Weakness Noted in Power Supply to ZECO** I recommended that TANESCO liaise with the Government regarding the persisting challenges on managing the Power Supply Agreement with ZECO and strategies to compensate the expected revenue reduction as a result of reduction in proposed tariff for better performance of TANESCO.	Joint Management meeting between TANESCO and ZECO was held 15 November 2021, the two parties agreed on the tariff for power sale to ZECO.	The Government response has been noted, however the agreed tariffs have not been signed and not yet approved by EWURA. Thus in the next audit I will make follow up on the progress	Under Implementation

Appendix III: Public Entities with Negative Working Capital

S/N	Entity	Category	Current Assets TZS (Million)	Current Liability (TZS (Million)	Working Capital (TZS) (Million)	Liquidity Ratio
1	Musoma Urban Water Supply and Sanitation Authority	NCPSE	2,621.46	2,711.60	(90.14)	0.97
2	University of Dodoma	NCPSE	13,984.09	14,451.95	(467.86)	0.97
3	Tax Revenue Appeal Board	NCPSE	171.18	178.10	(6.92)	0.96
4	Tax Revenue Appeals Tribunal	NCPSE	260	274.22	(14.22)	0.95
5	Cotton Development Trust Fund	NCPSE	79,053.44	82,432.39	(3,378.95)	0.95
6	Tanzania Smallholders Tea Development Agency	NCPSE	463.99	484.57	(20.58)	0.94
7	Cashew nut Board of Tanzania	NCPSE	17,548.43	18,579.48	(1,031.05)	0.94
8	Export Processing Zone Authority	CPSE	6,168.22	6,568.09	(399.87)	0.94
9	Tanzania Meat Board	NCPSE	168.54	178.00	(9.46)	0.94
10	Makambako Urban Water Supply and Sanitation Authority	NCPSE	137.45	146.32	8.87	0.94
11	Tanzania Forestry Research Institute	NCPSE	538.59	578.33	(39.74)	0.93
12	Copyright Society of Tanzania	NCPSE	682.86	741.08	(58.22)	0.92
13	Tanzania Engineering and Manufacturing Design Organisation	NCPSE	1,385.51	1,549.48	(163.97)	0.89
14	Open University of Tanzania	NCPSE	3,768.25	4,484.33	(716.08)	0.84
15	Dar es salaam Water Supply and Sanitation Authority	NCPSE	156,121.40	184,979.08	(28,857.68)	0.84
16	Tanzania Broadcasting Corporation	NCPSE	14,888.31	17,837.65	(2,949.34)	0.83

S/N	Entity	Category	Current Assets TZS (Million)	Current Liability (TZS (Million)	Working Capital (TZS) (Million)	Liquidity Ratio
17	Tanzania Standard Newspapers	CPSE	19,309.58	23,930.32	(4,620.74)	0.81
18	Tanzania Industrial Research and Development Organization	NCPSE	1,795.54	2,312.55	(517.01)	0.78
19	Marine Parks and Reserves Unit	NCPSE	743.77	957.39	(213.62)	0.78
20	National Ranching Company Limited	NCPSE	7,458.70	9,991.62	(2,532.92)	0.74
21	Mwalimu Julius K.Nyerere University of Agriculture and Technology	NCSPE	450.68	607.30	(156.62)	0.74
22	National Economic Empowerment Council	NCPSE	357.2	491.39	(134.19)	0.72
23	Warehouse Receipts Regulatory Board	NCPSE	832.72	1,191.61	(358.89)	0.69
24	Institute of Accountancy Arusha	NCPSE	3,835.91	5,646.35	(1,810.44)	0.68
25	State Mining Corporation	NCPSE	37,151.00	57,175.00	(20,024.00)	0.64
26	TANESCO	CPSE	1,580,607	2,470,569.00	(889,962)	0.63
27	Tanzania Fisheries Research Institute	NCPSE	967.93	1,529.52	(561.59)	0.63
28	Tanzania Trade Development Authority	CPSE	2,713.34	4,502.09	(1,788.75)	0.60
29	Tanzania Telecommunications Corporation Limited	CPSE	136,037	274,321	(138,284)	0.50
30	Tanzania Post Corporation	CPSE	28,272.00	60,571.11	(32,299.11)	0.50
31	Shinyanga Urban Water Supply and Sanitation Authority	NCPSE	2,572.58	5,267.55	(2,694.97)	0.49
32	Tanzania Dairy Board	NCPSE	101.88	206.1	(104.22)	0.49

S/N	Entity	Category	Current Assets TZS (Million)	Current Liability (TZS (Million)	Working Capital (TZS) (Million)	Liquid ity Ratio
33	Tanzania Tobacco Board	NCPSE	287.8	606.81	(319.01)	0.47
34	Tanzania Library Service Board	NCPSE	792.91	1,865.80	(1,072.89)	0.42
35	National Development Corporation	CPSE	32,112.33	93,333.82	(61,221.49)	0.34
36	National Arts Council	NCPSE	116.18	350.83	(234.65)	0.33
37	Air Tanzania Company Limited	CPSE	82,547.17	391,154.80	(308,607.63)	0.20
38	Tanzania Pyrethrum Board	NCPSE	20.42	1,924.25	(1,903.83)	0.01

Source: *Auditor's Analysis of financial statements of 2019/20 & 2020/21*

Appendix IV: Public Entities with Significant Amount of Trade Receivables

S/N	Public Entities	TZS (Million)
1	Tanzania Petroleum Development Corporation	648,571
2	National Social Security Fund (NSSF)	551,625
3	Tanzania Electric Supply Company Limited	479,444
4	Public Service Social Security Fund (PSSSF)	307,711
5	Medical Stores Department	303,861
6	Tanzania Ports Authority (TPA)	293,737
7	Tanzania Telecommunications Corporation Limited	172,342
8	Workers Compensation Fund	132,293
9	Dar es Salaam Water Supply Authority	74,176
10	National Insurance Corporation	67,836
11	Cotton Development Trust Fund (CDTF))	67,669
12	Tanzania Communication Regulatory Authority	65,068
13	Muhimbili National Hospital	42,163
14	National Housing Corporation	41,567
15	National Health Insurance Funds	34,995
16	Tanzania Medicines and Medical Devices Authority (TMDA)	33,403
17	Tanzania Posts Cooperation	26,459
18	Tanzania Civil Aviation Authority	24,617
19	University of Dodoma (UDOM)	20,555
20	Tanzania Standard Newspaper	17,727
21	University of Dar es Salaam (UDSM)	16,704
22	National Environment Management Council (NEMC)	15,075
23	National Ranching Company (NARCO)	14,793
24	Energy and Water Utilities Regulatory Authority (EWURA)	14,668
25	Muhimbili Orthopaedic Institute (MOI)	13,588
26	Cashewnut Industry Development Trust Fund (CIDTF)	12,044
27	Air Tanzania Company Limited	10,440
28	Tanzania Bureau of Standards (TBS)	9,937
29	Contractors Registration Board	9,777
30	Sokoine University of Agriculture (SUA)	8,500
31	Universal Communications Service Access Fund	8,278
32	Tanzania Broadcasting Corporation	8,107
33	Tanzania National Parks (TANAPA)	7,805
34	Arusha International Conference Centre (AICC)	7,221
35	Mwanza Urban Water Supply and Sanitation Authority	7,039
36	Dodoma Urban Water Supply and Sanitation Authority	6,757
37	National Development Corporation (NDC)	6,282
38	Mbeya Urban Water Supply and Sanitation Authority	6,263
39	Tanga Water Supply and Sanitation Authority	6,160
40	Export Processing Zones Authority	6,005
41	Institute of Rural Development Planning (IRDP)	5,480
42	Kilimanjaro Airports Development Company (**KADCO**)	5,400
43	Kahama Shinyanga Water Supply and Sewerage Authority (KASHWASA)	5,340
44	Moshi Urban Water Supply and Sanitation Authority	5,004
45	Moshi Co-Operative University (MoCU)	4,956
46	Tanzania Coffee Board	4,504
47	Small Industries Development Organisation (SIDO)	4,165
48	Arusha Urban Water Supply and Sanitation Authority	4,040
49	Mbeya University of Science And Technology (MUST)	3,518
50	National Institute of Transport (NIT)	3,500
51	College Of Business Education (CBE)	3,436
52	Tanzania Commission for Science and Technology (COSTECH)	3,435

S/N	Public Entities	TZS (Million)
53	Co-Operative Audit and Supervision Corporation (COASCO)	3,242
54	Institute of Finance Management (IFM)	2,983
55	Tanzania Cotton Board	2,839
56	Cashewnut Board of Tanzania	2,529
57	Ardhi University (ARU)	2,476
58	Kariakoo Market Corporation	2,452
59	Dar es Salaam Institute of Technology (DIT)	2,385
60	Musoma Urban Water Supply and Sanitation Authority	2,354
61	Cashewnut Board of Tanzania (CBT)	2,128
62	National Examinations Council of Tanzania	2,007
63	Iringa Urban Water Supply and Sewerage Authority	1,816
64	Mtwara Urban Water Supply and Sanitation Authority	1,784
65	Ngorongoro Conservation Area Authority	1,743
66	Engineers Registration Board	1,728
67	Quantity Surveyors Registration Board	1,728
68	Mwalimu Nyerere Memorial Academy	1,642
69	Kahama Water Supply And Sanitation Authority	1,590
70	Mzumbe University (MU)	1,509
71	Vocational Education Training Authority	1,505
72	Dar Es Salaam Maritime Institute (DMI)	1,495
73	Tabora Water Supply and Sanitation Authority	1,472
74	Housing and Pensions Company Ltd	1,470
75	Songea Urban Water Supply and Sanitation Authority	1,413
76	Kibaha Education Centre	1,338
77	Copyright Society of Tanzania (COSOTA)	1,242
78	College of African Wildlife Management (CAWM)	1,216
79	Sugar Board of Tanzania (SBT)	1,090
80	Arusha Technical College	1,066
81	Institute of Social Work	960
82	Bukoba Urban Water Supply and Sanitation Authority	834
83	Lindi Urban Water Supply and Sanitation Authority	776
84	Marine Parks and Reserve Unit (MPRU)	653
85	Masasi Nachingwea Water Supply and Sanitation Authority	588
86	Tanzania Library Services Board	547
87	Tanzania Trade Development Authority	531
88	Sumbawanga Urban Water Supply and Sanitation Authority	529
89	Babati Urban Water Supply and Sanitation Authority	522
90	Gaming Board of Tanzania (GBT)	473
91	Centre for Agricultural Mechanization and Rural Technology	235
92	Tanzania Tobacco Board (TTB)	142
93	Tropical Pesticides Research Institute (TPRI)	115
	Total	**3,713,187**

Appendix V: Government's Budget Releases Versus Approved Budget

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Released TZS (Million)	Unreleased Amount TZS (Million)	Budget Deficit (%)
1	Tanzania Telecommunications Corporation Limited	30,000	-	30,000	100%
2	Singida Urban Water Supply and Sanitation Authority	1,000	57	943	94%
3	Ocean Road Cancer Institute	24,434	2,810	21,624	88%
4	Kilimanjaro Airport Development Company Limited	29,712	4,745	24,967	84%
5	Export Processing Zones Authority	11,254	2,199	9,055	80%
6	Tanzania Tourist Board	10,173	2,314	7,859	77%
7	Moshi Urban Water Supply and Sanitation Authority	3,469	848	2,621	76%
8	Lindi Urban Water Supply and Sanitation Authority	3,074	944	2,130	69%
9	Bukoba Urban Water Supply and Sanitation Authority	4,254	1,348	2,906	68%
10	Tanzania Pyrethrum Board	726	258	468	64%
11	Bariadi Urban Water Supply and Sanitation Authority	1,457	553	904	62%
12	Muhimbili University of Health and Allied Sciences	107,460	44,974	62,486	58%
13	Masasi Nachingwea Water Supply and Sanitation Authority	1,309	564	745	57%
14	Tanzania Engineering and Manufacturing Design Organisation	4,978	2,118	2,860	57%
15	Engineers Registration Board	3,205	1,589	1,616	50%
16	Geita Urban Water and Sanitation Authority	1,346	677	669	50%
17	Tropical Pesticides Research Institute	5,834	3,035	2,799	48%
18	Tanzania Civil Aviation Authority-Consumer Consultative Council	907	496	411	45%
19	Tanzania Smallholders Tea Development Agency	849	466	383	45%
20	Tea Board of Tanzania	1,179	645	534	45%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Released TZS (Million)	Unreleased Amount TZS (Million)	Budget Deficit (%)
21	Latra Consumer Consultative Council	726	408	318	44%
22	Institute of Accountancy Arusha	13,226	7,599	5,627	43%
23	Shinyanga Urban Water Supply and Sanitation Authority	4,368	2,520	1,848	42%
24	Tanzania Tobacco Board	1,826	1,051	775	42%
25	National Sports Council	1,174	705	469	40%
26	Architects and Quantity Surveyors Registration Board	1,473	905	568	39%
27	Marine Park and Reserve Unit	1,907	1,160	747	39%
28	Public Procurement Regulatory Authority	14,115	8,580	5,535	39%
29	Tanzania Meat Board	1,487	928	559	38%
30	Procurement and Supplies Professionals and Technicians Board	1,854	1,165	689	37%
31	Centre for Foreign Relations	5,851	3,779	2,072	35%
32	Musoma Urban Water Supply and Sanitation Authority	2,482	1,624	858	35%
33	Open University of Tanzania	33,873	21,935	11,938	35%
34	Tabora Water Supply and Sanitation Authority	1,938	1,264	674	35%
35	Jakaya Kikwete Cardiac Institute	14,109	9,339	4,770	34%
36	Tanzania Industrial Research and Development Organization	4,139	2,717	1,422	34%
37	Tanzania Investment Centre	2,636	1,790	846	32%
38	Tanzania Cotton Board	1,529	1,062	467	31%
39	Tanzania Fertilizer Regulatory Authority	970	669	301	31%
40	Vocational Education and Training Authority	48,939	33,679	15,260	31%
41	Mzumbe University	20,040	14,112	5,928	30%
42	Tanzania Coffee Board	1,609	1,139	470	29%
43	National Arts Council	1,105	794	311	28%
44	Tanzania Fisheries Research Institute	6,163	4,439	1,724	28%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Released TZS (Million)	Unreleased Amount TZS (Million)	Budget Deficit (%)
45	Tanzania Commission for Universities	2,401	1,757	644	27%
46	Tanzania Education Authority	30,311	22,048	8,263	27%
47	Tanzania National Parks	273,641	205,028	68,613	25%
48	Sokoine University of Agriculture	59,715	45,646	14,069	24%
49	Tanzania Trade Development Authority	4,776	3,640	1,136	24%
50	Tanzania Commission for Science and Technology	6,352	4,885	1,467	23%
51	Institute of Rural Development Planning	12,769	9,913	2,856	22%
52	Mtwara Urban Water Supply and Sanitation Authority	3,358	2,612	746	22%
53	University of Dodoma	61,395	47,744	13,651	22%
54	Dar Es Salaam University College of Education	23,358	18,448	4,910	21%
55	Moshi Co-operative University	14,187	11,217	2,970	21%
56	Baraka la Kiswahili Tanzania	1,004	797	207	21%
57	Dar es Salaam Maritime Institute	2,392	1,923	469	20%
58	Ngorongoro Conservation Area Authority	117,252	97,517	19,735	20%
59	College of Business Education	13,610	10,997	2,613	19%
60	Petroleum Upstream Regulatory Authority	3,253	2,638	615	19%
61	Institute of Adult Education	7,173	5,853	1,320	18%
62	Kibaha Education Centre	17,005	13,990	3,015	18%
63	Tanzania Electric Supply Company Limited	1,765,284	1,451,266	314,018	18%
64	Tanzania Bureau of Standards	16,190	13,357	2,833	17%
65	Dar es salaam Water Supply and Sanitation Authority	105,900	89,384	16,516	16%
66	National Council for Technical Education	8,287	6,988	1,299	16%
67	Tanzania Wildlife Research Institute	6,905	5,824	1,081	16%
68	Mwalimu Nyerere Memorial Academy	11,217	9,514	1,703	15%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Released TZS (Million)	Unreleased Amount TZS (Million)	Budget Deficit (%)
69	Tax Revenue Appeals Board	2,157	1,839	318	15%
70	Tanzania Railways Corporation	2,417,602	2,070,656	346,946	14%
71	National Economic Empowerment Council	2,175	1,892	283	13%
72	Tanzania Insurance Regulatory Authority	15,444	13,455	1,989	13%
73	National Institute for Medical Research	11,350	9,993	1,357	12%
74	Higher Education Students' Loans Board	469,513	419,871	49,642	11%
75	Public Procurement Appeals Authority	1,294	1,147	147	11%
76	Tanzania Forestry Research Institute	3,394	3,045	349	10%
77	Tanzania Medicines and Medical Devices Authority	4,403	3,973	430	10%
78	Tanzania Petroleum Development Corporation	21,437	19,346	2,091	10%
	Total	**5,950,663**	**4,822,206**	**1,128,457**	**19%**

Source: *Individual Audit report of 2020/21*

Appendix VI: Under Collection of Own Source Revenue

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Collected TZS (Million)	Uncollected Amount TZS (Million)	Budget Deficit (%)
1	Tanzania Fisheries Research Institute	298	0	298	100%
2	Tanzania Smallholders Tea Development Agency	450	41	409	91%
3	National Museum of Tanzania	3,155	333	2,822	89%
4	Cereals and Other Produce Board of Tanzania	133,993	15,818	118,175	88%
5	Cotton Development Trust Fund	103,924	16,400	87,524	84%
6	Tanzania Engineering and Manufacturing Design Organisation	1,636	317	1,319	81%
7	Centre for Agricultural Mechanization and Rural Technology	1,238	352	886	72%
8	Marine Park and Reserve Unit	2,922	834	2,088	71%
9	Procurement and Supplies Professionals and Technicians Board	3,712	1,157	2,555	69%
10	Tanzania Standard Newspaper Limited	22,685	7,354	15,331	68%
11	Tanzania Investment Centre	12,779	4,179	8,600	67%
12	Tanzania Biotech Products Limited	4,278	1,456	2,822	66%
13	Lindi Urban Water Supply and Sanitation Authority	2,238	784	1,454	65%
14	National Arts Council	1,359	484	875	64%
15	National Economic Empowerment Council	2,255	826	1,429	63%
16	National Construction Council	2,475	945	1,530	62%
17	Tanzania Railways Corporation	125,422	48,551	76,871	61%
18	Watumishi Housing Company Real Estate Investment Trust	7,997	3,824	4,173	52%
19	Kilimanjaro Airport Development Company Limited	4,892	2,621	2,271	46%
20	Tanzania Meat Board	1,156	669	487	42%
21	Copyright Society of Tanzania	403	238	165	41%
22	Fair Competition Commission	10,189	6,019	4,170	41%
23	MCB Company Limited	5,369	3,241	2,128	40%
24	STAMIGOLD Company Limited	80,552	49,627	30,925	38%
25	National Development Corporation	15,843	9,767	6,076	38%
26	Tea Board of Tanzania	265	163	102	38%
27	Export Processing Zones Authority	2,619	1,635	984	38%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Collected TZS (Million)	Uncollected Amount TZS (Million)	Budget Deficit (%)
28	Tanzania Cotton Board	4,204	2,660	1,544	37%
29	Tanzania Atomic Energy Commission	14,100	9,055	5,045	36%
30	Fair Competition Tribunal	14	9	5	35%
31	Tanzania Petroleum Development Corporation	860,820	562,510	298,310	35%
32	Tanzania Trade Development Authority	5,567	3,689	1,878	34%
33	Bariadi Urban Water Supply and Sanitation Authority	304	208	96	32%
34	Mtwara Urban Water Supply and Sanitation Authority	5,253	3,601	1,652	31%
35	Tanzania Commission for Science and Technology	1,431	982	449	31%
36	Co-operative Audit and Supervision Corporation	2,500	1,723	777	31%
37	Air Tanzania Company Limited	254,644	177,933	76,711	30%
38	Dodoma Urban Water Supply and Sanitation Authority	27,348	19,114	8,234	30%
39	Ngorongoro Conservation Area Authority	2,769	1,942	827	30%
40	Vocational Education and Training Authority	23,004	16,155	6,849	30%
41	Ubungo Plaza Limited	4,185	2,942	1,243	30%
42	Warehouse Receipts Regulatory Board	857	609	248	29%
43	Arusha International Conference Centre	15,957	11,348	4,609	29%
44	Shinyanga Urban Water Supply and Sanitation Authority	9,441	6,723	2,718	29%
45	Kahama Shinyanga Urban Water Supply and Sanitation Authority	15,211	10,844	4,367	29%
46	University of Dodoma	56,728	41,845	14,883	26%
47	Geita Urban Water and Sanitation Authority	2,557	1,889	668	26%
48	Kibaha Education Centre	4,606	3,431	1,175	26%
49	Engineers Registration Board	6,284	4,697	1,587	25%
50	National Insurance Corporation	157,083	117,477	39,606	25%
51	Tanzania Dairy Board	1,028	773	255	25%
52	Mbeya University of Science and Technology	17,637	13,341	4,296	24%
53	National Housing Corporation	190,994	144,976	46,018	24%
54	Tanzania Wildlife Research Institute	1,440	1,095	345	24%
55	Tanzania Institute of Education	10,907	8,307	2,600	24%
56	Ardhi University	10,455	7,978	2,477	24%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Collected TZS (Million)	Uncollected Amount TZS (Million)	Budget Deficit (%)
57	Bukoba Urban Water Supply and Sanitation Authority	3,919	3,001	918	23%
58	Public Procurement Appeals Authority	15	12	3	23%
59	Tanzania Ports Authority	1,164	895	269	23%
60	Tanzania Tobacco Board	1,089	844	245	23%
61	Open University of Tanzania	14,199	11,337	2,862	20%
62	Sugar Board of Tanzania	6,686	5,359	1,327	20%
63	Tanzania Bureau of Standards	62,815	50,520	12,295	20%
64	Dar es Salaam Maritime Institute	5,481	4,427	1,054	19%
65	College of Business Education	19,791	15,988	3,803	19%
66	Contractors Registration Board	14,339	11,624	2,715	19%
67	Tabora Water Supply and Sanitation Authority	7,021	5,722	1,299	18%
68	Jakaya Kikwete Cardiac Institute	27,623	22,602	5,021	18%
69	Singida Urban Water Supply and Sanitation Authority	4,158	3,431	727	17%
70	Tanzania Coffee Board	5,837	4,874	963	16%
71	Sokoine University of Agriculture	31,499	26,564	4,935	16%
72	Capital Markets and Securities Authority	4,103	3,463	640	16%
73	Cashewnut Board of Tanzania	4,253	3,599	654	15%
74	Sumbawanga Urban Water Supply and Sanitation Authority	2,121	1,797	324	15%
75	Housing and Pensions Company Limited	1,200	1,025	175	15%
76	National Council for Technical Education	8,510	7,291	1,219	14%
77	National Bureau of Statistics	568	492	76	13%
78	Tanzania Fertilizer Regulatory Authority	5,341	4,695	646	12%
79	Babati Urban Water Supply and Sanitation Authority	3,617	3,201	416	11%
80	Institute of Rural Development Planning	19,443	17,214	2,229	11%
81	Small Industries Development Organisation	8,597	7,622	975	11%
82	Tanzania Agricultural Development Bank	33,800	30,000	3,800	11%
83	Kariakoo Market Corporation	4,013	3,568	445	11%
84	Masasi Nachingwea Water Supply and Sanitation Authority	3,719	3,330	389	10%
85	T-Pesa Limited	1,452	1,309	143	10%

S/n	Name of Entity	Approved Budgeted TZS (Million)	Actual Collected TZS (Million)	Uncollected Amount TZS (Million)	Budget Deficit (%)
86	Songea Urban Water Supply and Sanitation Authority	3,829	3,461	368	10%
	Total	2,571,634	1,614,758	956,876	**37%**

Source: Entity audit report of 2020/21

Appendix VII: Outstanding Payables TZS 7.91 Trillion

S/N	Name of Entity	2019/20 Amount TZS (Million)	2020/21 Amount TZS (Million)
1	Tanzania Electric Supply Company Limited	2,884,501.00	3,250,556.00
2	Tanzania Ports Authority	562,898.22	929,454.65
3	Public Service Social Security Fund	692,745.80	898,500.34
4	Medical Stores Department	382,033.91	542,603.36
5	Air Tanzania Corporation Limited	306,731.05	391,154.80
6	National Insurance Corporation	278,193.36	274,943.40
7	Tanzania Telecommunications Corporation Limited	345,986.00	274,319.00
8	National Social Security Fund	239,588.24	256,433.84
9	National Housing Corporation	279,800.41	247,197.47
10	National Health Insurance Fund	177,451.56	207,494.40
11	Cotton Development Trust Fund (CDTF)	57,680.09	82,432.39
12	Muhimbili National Hospital	54,021.78	60,996.13
13	Tanzania Biotech Products Ltd	48,323.93	60,408.11
14	Deposit Insurance Board	37,684.65	39,275.95
15	University of Dar Es Salaam	41,476.45	39,143.42
16	National Development Corporation (NDC)	33,708.35	36,343.02
17	Muhimbili Orthopaedic Institute (MOI)	32,179.41	31,367.63
18	Tanzania Standard Newspaper	21,432.44	23,930.32
19	Tanzania National Parks	34,379.44	18,666.96
20	Cashewnut Board of Tanzania (CBT)	23,836.71	18,579.48
21	Tanzania Communication Regulatory Authority	17,208.10	17,283.95
22	Muhimbili University of Health And Allied Science (MUHAS)	14,798.02	15,827.51
23	University of Dodoma	22,164.09	14,451.95
24	Mbeya University of Science And Technology	15,699.35	13,309.33
25	National Bureau of Statistics	8,292.98	12,282.68
26	Ardhi University	8,511.30	11,623.59
27	Tanzania Broadcasting Corporation	8,265.70	9,897.75
28	Tanzania Shipping Agencies Corporation	5,152.70	9,626.94
29	Tanzania Investment Bank Development	9,654.00	9,222.00
30	Mwanza Urban Water Supply and Sanitation Authority	8,500.04	8,719.96
31	Ngorongoro Conservation Area Authority	15,095.71	7,623.70
32	Mzumbe University	7,907.36	7,022.72
33	Tanzania Railways Corporation	4,786.00	6,859.00
34	Institute of Accountancy Arusha	2,564.95	5,646.35
35	Tanzania Cotton Board	3,671.97	5,542.65
36	Vocational Education and Training Authority	6,635.08	5,332.85
37	Jakaya Kikwete Cardiac Institute	1,468.67	4,540.65

S/N	Name of Entity	2019/20 Amount TZS (Million)	2020/21 Amount TZS (Million)
38	Tanzania Investment Bank Rasilimali	1,285.71	4,517.36
39	Tanzania Trade Development Authority (TANTRADE)	3,993.35	4,502.09
40	Tanga Urban Water Supply and Sanitation Authority	3,974.85	3,888.90
41	Institute Of Finance Management	3,552.86	3,289.37
42	Dar Es Salaam Institute of Technology	6,097.73	2,889.27
43	Watumishi Housing Company Real Estate Investment Trust	2,534.93	2,860.04
44	Self-Microfinance	4,124.26	2,788.29
45	Kibaha Education Centre	2,527.84	2,557.52
46	National Board of Accountancy and Auditors	23,341.90	2,494.07
47	Tanzania Pyrethrum Board (TPB)	1,560.77	1,924.25
48	National Environment Management Council	1,360.37	1,895.98
49	Tanzania Library Service Board	1,344.09	1,746.33
50	Songea Urban Water Supply and Sanitation Authority	2,383.23	1,707.51
51	Energy And Water Utilities Regulatory Authority	2,553.60	1,596.73
52	Tanzania Fisheries Research Institutes	1,436.88	1,529.52
53	Higher Education Student Loans Boards	68,487.21	1,413.84
54	Tanzania Medicines And Medical Devices Authority	2,685.00	1,371.50
55	Lindi Urban Water Supply and Sanitation Authority	760.48	1,340.77
56	Centre for Foreign Relations	1,424.88	1,256.73
57	Collage of Business Education	1,532.60	1,238.23
58	Kilimanjaro Airport Development Company	1,407.15	1,204.71
59	Institute of Social Work	1,256.88	1,116.43
60	Sumbawanga Urban Water Supply and Sanitation Authority	1,090.44	1,092.13
61	Architects And Quantity Surveyors Registration Board	637.45	1,053.99
62	Tanzania National Business Council	1,085.59	1,037.11
63	Marine Parks and Reserves Unit	799.58	957.39
64	Babati Urban Water Supply and Sanitation Authority	1,116.16	956.17
65	Centre for Agricultural Mechanization and Rural Technology	844.55	921.52
66	Dar Es Salaam University College of Education	1,078.50	844.13
67	Tanzania Institute of Education	2,550.25	803.80
68	National Council for Technical Education	1,479.01	801.45
69	Tanzania Petroleum Development Corporation	955.02	694.08

S/N	Name of Entity	2019/20 Amount TZS (Million)	2020/21 Amount TZS (Million)
70	Tanzania Forestry Research Institute	664.65	578.33
71	Bukoba Urban Water Supply and Sanitation Authority	648.34	424.37
	Total	6,847,604.93	7,907,908.16

Source: Public Entity Audit Report 2020/21