UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

# THE ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2015

## CENTRAL GOVERNMENT

THE UNITED REPUBLIC OF
TANZANIA
NATIONAL AUDIT OFFICE

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Ref. No.**FA.27/249/01/2014/15** Date: 28th March,2016

Your, Excellency Dr. John Pombe Magufuli,
The President of the United Republic of Tanzania,
State House,
P.O. Box 9120,
1 Barack Obama Road,
**11400 DAR ES SALAAM.**

**RE: Submission of the annual General Report of the Controller and Auditor General on the financial statements of the Central Government for the financial year ended 30th June, 2015**

Pursuant to Article 143(4) of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), and Section 34 (1) (c) of the Public Audit Act No. 11 of 2008 gives the Controller and Auditor General the mandate to audit all the public accounts of the United Republic of Tanzania.

I have the honour and respect to submit to you the General Audit Report on the Ministries, Departments and Agencies of Central Government for the financial year ended 30th June, 2015 for your information and necessary action.

I have provided constructive recommendations which if implemented can mitigate the incidence of irregularities and substantially improve financial accountability in the Government.

I submit.

Prof. Mussa Juma Assad
**CONTROLLER AND AUDITOR GENERAL**

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## List of Abbreviations and Acronyms

| | |
|---|---|
| AAG | Assistant Auditor General |
| ACGEN | Accountant General |
| ADEM | Agency for Development of Education Management |
| AFRM | African Peer Review Mechanism |
| AGITF | Agriculture Input Trust Fund |
| AO | Accounting Officer |
| APP | Annual Procurement Plan |
| ASA | Agriculture Seeds Agency |
| BOQ | Bill of Quantities |
| BoT | Bank of Tanzania |
| CAG | Controller and Auditor General |
| CDF | Chief Defence Force |
| CG | Central Government |
| CTA | Carry on Temporary Assignment |
| DART | Dar es Salaam Rapid Transit Agency |
| DDCA | Drilling and Dam Construction Agency |
| EFD | Electronic Fiscal Device |
| ETD | Emergency Travelling Documents |
| FETA | Fisheries Education and Training Agency |
| FRF | Fire Rescue Force |
| GCLA | Government Chemistry Laboratory Agency |
| GN | Government Notice |
| GBEs | Government Business Entities |
| GoT | Government of Tanzania |
| GPSA | Government Procurement Service Agency |
| GST | Geological Survey of Tanzania |
| HESLB | Higher Education Students Loans' Board |
| HQ | Head Quarter |
| IFMS | Integrated Financial Management System |
| IJA | Institute of Judicial Administration |
| IPSAS | International Public Sector Accounting System |
| ISA | International Standards of Auditing |

| | |
|---|---|
| KPU | Kijichi Printing Unit |
| LAPF | Local Government Pension Fund |
| LGLB | Local Government Loans Board |
| LITA | Livestock Institute Training Agency |
| LPO | Local Purchase Order |
| MCRF | Maji Central Revolving Fund |
| MDAs | Ministries, Departments and Agencies |
| MFAIC | Ministry of Foreign Affairs and International Cooperation |
| MIS | Management Information System |
| MOU | Memorandum of Understanding |
| NAOT | National Audit Office of Tanzania |
| NCT | National College of Tourism |
| NEC | National Electoral Commission |
| NFFA | National Fund for Antiquities |
| NFRA | National Food Reserve Agency |
| NHBRA | National Housing and Building Research Agency |
| NHIF | National Health Insurance Fund |
| NORINCO | North Industries Corporation |
| NRF | National Relief Fund |
| NSCD | National Service Construction Department |
| NSSF | National Social Security Fund |
| OPRAS | Open Performance Appraisal Review |
| OSHA | Occupational Safety and Health Agency |
| PAA | Public Audit Act No. 11 of 2008 |
| PAYE | Pay As You Earn |
| PE | Procuring Entities |
| PFA | Public Finance Act, 2001 (Revised 2004) |
| PFR | Public Finance Regulations, 2001 |
| PMG | Paymaster General |
| PMIS | Procurement Management Information System |
| PMO-RALG | Prime Minister's Office – Regional Administration and Local Government |

| | |
|---|---|
| PMU | Procurement Management Unit |
| PO-PSM | President's Office -Public Service Management |
| PPA | Public Procurement Act |
| PPE | Property, Plant & Equipment |
| PPR | Public Procurement Regulation |
| PPRA | Public Procurement Regulatory Authority |
| PSPF | Public Service Pension Fund |
| REA | Rural Energy Agency |
| RITA | Registration Insolvency and Trusteeship Agency |
| RS | Regional Secretariat |
| TAESA | Tanzania Employment Service Agency |
| TAGLA | Tanzania Global Learning Agency |
| TANDREC | Tanzania Disaster Relief Committee |
| TANROADS | Tanzania National Roads Agency |
| TASUBA | Institute of Arts and Culture-Bagamoyo |
| TATC | Tanzania Automotive Technology Centre |
| TB | Tender Board |
| TBA | Tanzania Building Agency |
| TEMESA | Tanzania Electrical, Mechanical and Services Agency |
| TFSA | Tanzania Forestry Service Agency |
| TGFA | Tanzania Government Flights Agency |
| TIA | Tanzania Institute of Accountancy |
| TMA | Tanzania Meteorological Agency |
| TMAA | Tanzania Mineral Audit Agency |
| TNMC | Tanzania Nursing and Midwifery Council |
| TPDF | Tanzania Peoples' Defence Force |
| TPSC | Tanzania Public Service College |
| TRA | Tanzania Revenue Authority |
| TTSA | Tanzania Tree Seeds Agency |
| TVLA | Tanzania Veterinary Laboratory Agency |
| TZS | Tanzania Shilling |
| UD | User Department |
| WDMI | Water Development and Management Institute |
| WMA | Weights and Measures Agency |

# Preface

Pursuant to Article 143 of the Constitution of the URT of 1977 (revised 2005) together with Sect. 34 (1)& (2) of the Public Audit, 2008,

I have the honour to submit herewith my annual general report for the financial year 2014/15 which covers the audit outcomes of central government comprising of 150 MDAs, 25 Regional Secretariats (RSs) and 34 Embassies

The CAG's annual report is submitted to the Honourable President of URT in terms of Article 143(4) of the Constitution of the URT, upon receipt of such reports, the President shall direct the persons concerned to submit these reports to the Parliament before its first sitting, and preferably before the expiration of seven days from the day the sitting began.

I am pleased to report that my office (NAOT) has continued delivering audit reports to the Parliament on time as per Reg. 88 of PAR, 2009. I trust this report will provide some useful recommendations and guidance on better practices to improve public administration.

This year's annual report for financial year 2014/15 marks my second report as CAG but also the first report to be submitted to the President of United Republic of Tanzania his Excellency Dr. John P. Magufuli. I would like to take this opportunity to extend my warm congratulations to your Excellency for being elected fifth President of the URT. As you embark on your new responsibilities and challenges of your high office, I would like to wish you much success.I look forward to working with you in enabling your government to achieve its objectives and goals. I would like also to extend my sincere congratulations to all members of the Parliament who were elected during the October, 2015 general elections. Please count on my co-operation in your endeavours to serve the people.

At the national level my office has registered remarkable successes in discharging its statutory obligations. As a result, NAOT enjoys the confidence of its key stakeholders.

Internationally,my office has continued to perform in its international assignments of auditing the institutions of the United Nations for the fourth year byJune, 2016. In this context I am pleased to note that my office enjoyed the honour and privilege of leading the 69th session of the United Nations Board of Auditors (UNBoA) for two days from 22 – 23 July 2015 at the Headquarters of the United Nations in New York, United States.

So far my office has submitted to the UN Council 22 reports for the financial year ended 31st December, 2014 and 6 reports to other UN bodies. The reports were of high quality and met the internationally accepted standards.

The NAOT is recognised for the strength of its audit conclusions and recommendations, which, aim atensuring accountability and transparency in public revenues and expenditures so as to achieve social and economic development of the country.

With a view to providing appropriate training to the member of staff of my office as well as those of my auditees,NAOT is planning to construct a new training center at Gezaulole area, Kigamboni in Temeke Municipality.

I am also pleased to note that, budgetary support increment from 10.3Billion in 2005/06 to 57.4Bil in 2014/15 has enhanced the independence of my office in terms of resources suchas working tools, qualified human resource, and office buildings in about six regions out of 25.It is my hope that my office will continue receiving budget support necessary to increase efficiency of our work.

My office is committed toassisting sustainable improvement in public administration as well as providing assurance to the Parliament on financial and legal compliance despite. However, my office is facing the following challenges:

- My office is continuing to negotiate with the government improve Auditors' welfare in order to enhance their independence

- Shortage of manpower and working tools: Considering that our activities are expanding with each passing year we are facing shortage of resources that include cars, the Internet connecting its offices, cameras, tape recorders, printing equipment and other auditing tools.

- Generally, NAOT needs sustainable budgetary support if it is to maintain efficiency in its expanding audit mandates domestically and internationally. I believe that, the budget allocation in forthcoming years will be sufficient to enable me discharge my statutory obligations.

I wish to thank all NAOT staff for their professionalism, enthusiasm and flexibility during the year, and for the support given to me in the course of discharging my statutory responsibilities.

Prof. Mussa Juma Assad
**CONTROLLER AND AUDITOR GENERAL**

National Audit Office,
**Dar es Salaam,**
**March,2016**

## Acknowledgements

I would like to acknowledge the cooperation we received from the personnel and Management of the MDAs/RS/Embassies that my staff audited nationwide and internationally. I also extend my gratitude to all NAOT staff for their commitment and dedication which enabled me to meet statutory reporting deadline of submitting the report to H.E the President of URT. I am also thankful to the Executive, all persons, institutions and stakeholders who have contributed in diverse ways to the production of this report.

I would like also to thank members of the Parliamentary Oversight Committee - the Public Accounts Committee, for engaging in fruitful dialogue and for their sense of dedication to public interest. As an institution charged with providing assurance and confirming credibility in respect of how public funds have been utilized, we pay critical attention to the accountability role the Committee plays in facilitating common understanding of the Controller and Auditor-General's mandate to both internal and external stakeholders.

I would also like to acknowledge the work done by the Division of Government Assets Management under the Ministry of Finance for preparing and submitting reports on stock verification for the sampled MDAs and RSs for the financial year 2014/15 that highlighted issues which feature in this report.

I am equally indebted to all other stakeholders including the Minister for Finance, the Paymaster General, and Public Procurement Regulatory Authority under the Ministry of Finance for their cooperation and provision of vital information needed for the preparation of this report. I would also like to thank the Printer for expediting the printing of this report for its timely submission.

Furthermore, I would like to acknowledge with much appreciation the crucial role of the donor community particularly the Government of Sweden through SIDA and SNAO, the World Bank through the PFMRP Project, the African Development bank (AfDB), and GIZ, USAID, Government of China and all well-wishers who have contributed immensely towards the transformation of my office. Their contributions in developing human resources, IT systems and physical assets of our office have had tremendous impact on our success.

Last but not least, with gratitude I would like to re-iterate my acknowledgement and appreciation to the excellent job done by my members of NAOT Staff and Management as a whole as we commit ourselves to promoting accountability on the use of public resources in the country.

# Executive Summary

## i. Introduction

Major audit results on the financial statements of the Ministries, independent departments, Regional secretariats, Tanzania Embassies, Government Executive Agencies, Funds and other government institutions for the financial year ended 30th June, 2015 have been summarized in this part. It gives an overview of audit findings detailed in this report which needs the attention ofthe Government, Parliament and respective managements of Central Government entities to ensure proper utilization of taxpayers' funds.

## ii. Audit coverage

Generally there are 209 Central Government entities that required to be audited, but, 199 entities comprising of 126 MDAs, 25 Regional Secretariats, 13 funds, 24 other institutions and 9 basin water boards were audited during the year ended 30th June, 2015. Tanzania Revenue Authority (TRA) and the Consolidated Account (Government of Tanzania) were also audited and audit results are included in this report. Accordingly, separate management letters and audit reports were issued for each of the entity audited. On the other hand, reports of seventities were not considered in this report as two[1] out of these were not audited while the remaining six[2], the audit was still in progress by the time of compiling this report.

## iii. General trend of audit opinions

Out of 199 entities audited during the year, 180 (90 per cent) entities were issued with unqualified opinions compared to 166 (94 per cent) for the last reporting period, while 18 (9 per cent) entities received

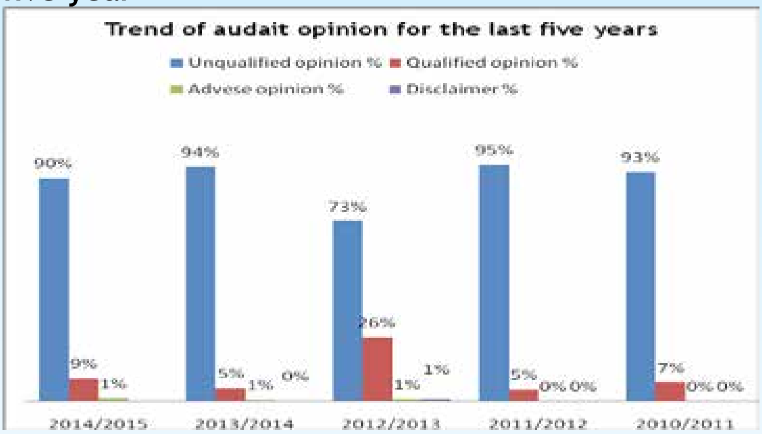
1 BRELA and Kigamboni Development Agency

2 Tanzania Airport Authorities, Road Fund Board, Commonwealth Parliamentary Association, SUMA Agro-machinery Industry, Tanzania Livestock Research Institute and National Relief Fund

qualified opinion as compared to 9 (5 per cent) for the last reporting period. Also, one entity (Mzinga Corporation) was issued with adverse as compared to one entity (Consolidated Accounts) entity for the last year reporting. The bases for arriving into the appropriate audit opinion have been described in chapter two of this report and in the separate reports issued to individual entities.

Table 1below shows the outcome of the audit opinion issued for the previous five years.

**Table 1: Trend of the audit opinions for the previous five year**




iv. **Status of previous CAG recommendations**

During the audit,follow up was made on the implementation of my previous audit recommendations on both general and individual audit reports.For individual reports, a total of 2,644 audit recommendations were issued, out of these;1028 (39 percent) were fully implemented, indicating unsatisfactory performance in implementing my recommendations, 885 (33 per cent) were under implementation,534 (20 per cent) were not implemented,126 (5 per cent) were overtaken by events while71(3 per cent) were reiterated.

Theannual general report for financial year 2013/2014 had 46 outstanding audit recommendations that needed Government intervention. Structured responses were received from PMG on 20th July, 2015 whereby 8(18 per cent)recommendations were implemented, 37(80 per cent) recommendations were under implementationwhile 1(2 per cent) was not implemented. Detailed status of implementation of the recommendations is given in chapter three of this report.

**v. Status of previous PAC directives**

In the previous report, there were 9 outstanding directives issued by PAC that needed government attention for implementation. Six recommendations were for the financial year ending 30th June, 2012 and three were for financial year ending 30th June, 2013. Out of 9 directives, 1(11 per cent) directive was implemented, 5(56per cent) are under implementation and 3(33 per cent) werenot implemented.

There were no further directives issued by PAC on the CAG reports for the financial year ending 30th June, 2014 as the National Assembly was constitutionally brought to an end by the President of the United Republic of Tanzania on 9th July, 2015. For that reason, PAC did not hold any meeting with PMG to discuss general recommendations.Should there be any PAC directives on my 2013/14 Annual General report, they will be incorporated in the next Annual General report. Details of the implementation status are given in chapter three of this report

**vi. Weaknesses in Public Finance management**

During the year under review, TZS 6,445.11 billion was allocated for development activities for Central and Local Government marking a 13.6 per cent increase compared to TZS 5,674.03 billion allocated in the financial year 2013/14. From audited financial statements of Central Government, approved estimates of TZS 4,389.02 billion and actual release of TZS 2,954.20billion was identified, recording the under release of TZS 1,434.19 billion (32.69 per cent) while TZS 38.02 billion (1.29 per cent) of the released funds were not spent.

TZS 13,408.22 billion was allocated to be spent on recurrent expenditure (an increase of 6.6per centcompared to TZS 12,574.95 billion allocated in 2013/14) From audited financial statements of Central Government, approved estimates of TZS 11,646.20 billion and actual exchequer issues releases of TZS 11,190.11 billion identified recording under release of TZS 456.08 billion (3.92 per cent ofthe approved estimates), while TZS 33.68 billion of the released funds were not spent equal to 0.3% of the released funds.

Generally out of exchequer issues released during the year, TZS 5,178.13 billion of recurrent nature and TZS 165.41 billion for development activities were released in the fourth quarter of the financial year, (April to June 2015) equivalent to 26.92% of the total Government budget. Exchequer issues amounting to TZS 134.29 billion for Ministry of Works (99.89% of which was for Road Fund) were not received by the Ministry during the year under review which affected its budget implementation.

There have been notable delays in release of funds from Treasury and from development partners for implementation of development projects. This has led to delayed implementation or non-implementation of earmarked projects. Failure of releasing funds as per approved budget especially development funds has an impact on increasing implementation cost due to interest that may accrue to unpaid certificates and has led to increase in expenditure arrears as well as having huge amounts of unspent balances at the year end. Chapter four of this report provides a detailed account.

**vii. Treasury Registrar**

During the audit for the fiscal year 2014/15, I have noted dwindling government investments in other entities and at times, government shares were, either diluted or at risk of being diluted. This was due to government's failure to inject extra funds when need for recapitalization of those companies arose, as a result government's shareholdings and voting powers in those companies were reduced, in turn, affecting the earning potentials of the government. My review observed that Government's holdings were diluted in TANICA, Tanzania Oxygen Ltd and Tanzania Development Finance Ltd. The dilution in TDFL further affected government stake in Bank ABC.

I reviewed the performance of government investments held in shares, joint ventures, associates and in subsidiaries and noted that 19 entities were persistently loss making investments which earn no return to the government. ATCL, TTCL, TAZARA, TRL, DAWASCO and Twiga Bank Corp and others belong to this category and as such they cannot survive without subsidies. Thus, lack of investment funds limit restructuring of these strategic GBEs.

Conversely, I noted the Treasury Registrar reported debts amounting to TZS 674.95 billion which were serviced through the Consolidated Funds but they overstated payables of the TR. Out of that debt includes the defaulted guarantees of about TZS 139.9 billion, PSPF TZS 473.4 Billion and other liabilities TZS 61.7 Billion which in my view are non-investment debts and have to be reported as part of the public debt stock.

viii. **Pension**

In my review of terminal benefits and remittance of statutory deductions I noted that there were delays in the remittance of pension contributions by employers Treasury inclusive. The delay period ranged from two (2) to twelve (12) months that was against the requirement of the pension laws. As a consequence, such non-remittance contributed to the delay in the Processing of Terminal Benefits of retirees and pensioners, and also cost Government a great deal of resources in terms of penalties. This year alone, the Government had to pay a total penalty amounting to TZS 52,826,519,506. In my opinion penalties imposed to the government and unnecessary hardships to retirees could have been avoided if employers remitted contributions on time.

ix. **Tanzania Revenue Authority**

During the financial year 2014/2015, the Authority collected a total of TZS.10, 744 billion against the set target of TZS.12, 078 billion reflecting an under collection of TZS.1, 334 billion equivalent to 11 per cent of total revenue targets. The total revenue collected excludes TZS 29 billion for Treasury Vouchers with respect to payment for tax exemptions and refunds thus the actual collection for the year was TZS.10, 773 billion. Over the past five years, revenue collection was below the approved target with exception of the year 2011/12 where actual collections exceeded the target by 4 percent, on average. However, the tax yield (tax to GDP ratio) recorded an upward movement indicating revenue efficiencies.

During the year under audit, I noted the following issues requiring the Government attention:

a) **Management of Tax exemptions**

The TRA Revenue Statements reported tax exemptions of TZS 1,627 billion that accounts to 2 per cent of GDP which is still high compared to the Government target of one per cent.

b) **Management of Tax objections.**

i. Long Outstanding Tax Objection Cases at various Tax Appeals Machinery of TZS 6,850 billion. Among others, this was attributed to laxity of finding timely resolution of the received cases by the registrar indicating inefficiency of the Tax revenue appeals system.

ii. Applications for tax objections amounting to TZS 580,718,607,384 were not attended and resolved by the Commissioner as at 30th June 2015.

iii. The authority failed to collect the deposit of TZS 191,935,854,277 contrary to Sect. 12(3) of the Tax Revenue Appeals Act, Cap 408 of 2000 (R.E 2006)

c) **Management of Revenue Collection**

i. Inadequate monitoring of Bonded Goods and Customs Bonded Warehouses resulting tooverstaying of goods in the Customs Bonded Warehouses with payable taxes of TZS 110,587,418,377

ii. Goods were transferred to bonded warehouses for exportation with exempted customs duties of TZS 9,151,090,597 were exported to other countries but evidence for the same was not provided once asked for during the audit.

iii. I noted 488 transactions of fuel and dry cargo with customs duties amounting to TZS 88,667,175,447 exported to Uganda, Burundi and Rwanda with no evidence in form of a register or system validation to support the exit. My further review of TANCIS noted unconfirmed exit of transit fuel with bond security tied on un-carried out cargo ofTZS 5,774,263,079.

iv. Extract of 51 entries on Asycuda++ from 8 companies noted validated bond cancellation beyond the statutory date however the respective penalties for late cancellation of TZS 1,933,580,588 were not collected. Interest of TZS 47,005,629 not collected from delay in payment of localized petroleum products in transit between two to 266 days contrary to Section 249 of the EACCMA, 2004.

v. A reconciliation of total quantity of fuel imported against total quantity cleared revealed a difference of 9,896,274 liters with payable taxes of TZS 5,774,263,079 unaccounted for.

vi. I noted assessed taxes amounting to TZS 297,296,619,239 which remained uncollected at the time of this audit in November, 2015. Further, under-assessment of taxes of TZS 43,911,472,701 arising from under-declaration of taxable income in taxpayers records filed with the Authority (Self-assessment).

**x. Public Debt**

Tanzania's total public debt as at 30th June, 2015 stood at TZS 33,539.8 billion of which domestic debt stock worth TZS 7,990.0 billion and the External debt stock valued at TZS 25,549.8 billion. This is an increase of TZS 7,052.4 billion equivalent to 27 percent compared to the debt stock of TZS 26,487.4 billion reported as at 30th June 2014. My review noted a sharp increase of debt from the position reported in 2006/7 has been attributed to the new disbursement for both concessional and non-concessional loans to finance development projects. Persistence budget deficits, refinancing of maturing obligations, and foreign exchange loss arising from a sharp depreciation of TZS were also explanatory variables for the debt's growth.

Of course, the increase of non-concessional loans and domestic debt stock makes cost of borrowing to be high. I am also of the view that the service cost in relation to the internal revenue collections of the government is high. My analysis shows that debt servicing cost a sum of TZS 4,596.8 billion this year which is equivalent to 46 percent of the government's internal revenue collections of TZS 10,062.8 billion. Such cost when combined with other first charges such as personnel emoluments leave the Government with little fiscal space to finance development projects and other social services. This opinion is also in line with a caution made by the Ministry of Finance itself in the recent Guidelines for the Preparation of Annual Plan and Budget for 2016/17 issued in January 2016.

In my view the significant resources that are directed to debt service signify the government will continue to rely on borrowings in order to fund the development projects if internal revenues are not mobilized seriously. On this basis, the increase of non- concessional and domestic debts in the public debt stock ring an urgent bell to the policy makers now.

**xi. Internal controls weaknesses**

The management of audited entities areresponsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to central government. My assessment of internal control system was focused on the effectiveness of Audit Committees, Internal Audit Functions, IT - General Controls, risk assessment process as well as fraud prevention and controls. I noted weak internal controls engenderedby underperformance of internal audit units and audit committees, ICT general controls, risk management as well as inadequate fraud prevention and detection mechanism. Detailed findings are featured in chapter six.

### xii. Inadequacies in Human resources and payroll management

As pointed out in my previous report, MDAs/RAs continued to have weaknesses in human resource and payroll management which include the following;

(a) Lack of coordinated mechanism between the MDAs/RS, HESLB and higher education loan beneficiaries who are now employees of the Government has resulted into non deduction from their salaries for repayment of the loans

(b)Salaries paid to employees who were no longer in public service has increased from TZS 141,387,963 in the financial year 2013/2014 to TZS 392,651,036 in the year under review. In addition, an amount of TZS 61,477,664 was paid as statutory deductions to various institutions (TRA, pension funds and health insurance funds) in respect of the non-existing employees.

(c)Some audited entitieslacked evidence of conducting open staff performance reviews and appraisals,

(d)A total of TZS 707,169,904 statutory deductions were made from staff salaries but there wasno evidence that the deductions were remitted to the relevant authorities,

(e)Audited entities failed to deduct PAYE ona gross amount of TZS 78,187,048as acting allowances as required by Income Tax Act, 2004 (revised in 2008).

(f)Unclaimed salaries amounting to TZS 2,233,475,668 relating to suspended officers and soldiers were yet to be remitted to the Treasury.

(g)I noted a case of retired officer still working with the Embassies without valid employment contract. Apart from that home based staff in nine oversea missions have overstayed for aperiod ranging between three to five years contrary to Foreign Service Regulations.

Detailed observations are in Chapter Seven of this report.

**xiii. Government executive agencies and other institutions issues**

Chapter eight of this report presents my audit findings on Government Executive Agencies, Funds, other institutions and political parties. Salient findings are highlighted below:

(a) Audit results indicated continued non- compliance with procurement laws and regulations which resulted into poor contract management.The audit revealed that procurement procedures were not adhered to as the tenders and variations were not approved by the Tender Boards, procurement of a defective ferry boat, procurement of busses in excess for DART, delayed commencement of DART-Bus Transport Service, motor vehicles bought but not yet delivered, procurement made from un-approved suppliers and Contract without timeframe. Allthese imply inadequate controls over the administration of contracts and procurement management.

(b) According to contracts reviewed, payments were supposed to be made within 28 days after issuance of interim payment certificates. However, there were delays in payments of up to 100 days from the date of certificate for payment, whereby TANROAD alone was charged with interest on late payment of TZS 5,616,652,050. In addition, RITA has an escalating 15% loan interest of TZS 12,723,218,833 accruing from the construction of RITA building.

(c) With regard to revenue management I observed that TBA has failed to collect TZS 214,748,556 dues from sale of government houses. I also noted that, TBA and RITA reflected revenue not properly banked.

(d)I also, noted payments amounting to TZS 556,845,253.68 not supported by EFD receipts, Payments without deducting withholding tax, loss from unsold dairies and calendars; these issues have direct impact on the government revenue.

(e)Further, I noted under release of recurrent and development grants which impact on the implementation of agencies operational and strategic objectives. Dependency on government subvention is still a challenge since more than 90% of the agencies are financed by government grants.

**xiv. Audit of Political Parties**

Out of twenty two (22) political parties with permanent registration, only one political party submitted its financial statement for six months period covering January, to June, 2015, the rest twenty one (21) did not submit financial statements as per requirement of Section 14 of Political Parties Act No. 5 of 1992, Section 25 (2) of the Public Finance Act, 2001 (revised 2004) and Regulation 71 of the Public Audit Regulations, 2009.

Detailed observations are in chapter eight of this report.

**xv. Inadequacies in the procurement and contract management**

Significant procurement issues noted in this year's report include among others;

(a) Various materials worth for registration of voters in the permanent register TZS 827,046,942 were procured in excess but the same had not been used despite the lapse of intended purpose.

(b) Procurement of printing services amounting to TZS 6,000,000,000 in respect of proposed constitution books was flawed due to non-compliance with procurement laws. Apart from that 158,003 copies of proposed constitution books were yet to be issued to targeted beneficiaries for the purpose of public awareness on the referendum for the proposed constitution.

(c) Inadequate implementation of Annual Procurement Plan whereby I noted Seven(7) MDAs/RS procured goods and services worth TZS 8,462,110,917 which were not contained in the procurement plan contrary to Sec.49(2)&(3) of PPA,2011;

(d) Procurementsworth TZS 494,395,890 were not approved by Tender Board contrary to Regulation 55 of PPR, 2013;

(e) Procurements made without competitive tendering involving nine MDAs/RS amounting to TZS 27,121,224,071 contrary to Reg.163 &164 of PPR, 2013;

(f) Goods and services worth TZS 15,361,328,135 were procured by sixteen (16) MDAs/RS without inspection of the same contrary to Reg.244& 245 of PPR, 2013;

(g) Procurement of goods and services worth TZS 5,213,539,256was made by five (5) MDAs/RS without contract contrary to Reg.10 (4) of the PPR, 2013;

(h) Also, goods and services worth TZS 8,556,822,718 were procured by sixteen (16) MDAs/RS from unapproved suppliers contrary to Reg.131 (5) of PPR, 2013;

(i) In another instance, goods and works worth TZS.3,253,650,189.09 were paid for by four MDAs/RS but were not delivered.

(j) Results of my audit also indicate that some MDAs did not manage well the contracts entered between them and various contractors. This weakness had contributed to the late completion of some of the projects and sometimes substandard performance of the same. In this category, it includes delayed completion of construction works Ministry of Education and Vocational Training and rehabilitation of Chancery buildings in Tanzania Embassy, Maputo and New York.

In addition tomy audit, I have also included audit findings from PPRA and Director of Government Assets Management Division (stock verifier's report). Detailed findings are in chapter nine of this report.

**xvi. Weaknesses in expenditure management**

In this financial year, I have noted weaknesses in the following areas; payments lacking adequate supporting documents (such as missing payment vouchers, missing EFD receipts andmissing acknowledgement receipts)TZS 18.081billion.

There were also budget related issues such as payments charged to wrong expenditure codes- TZS 887.012million and expenditure made out of the approved budget of TZS 1.298 billion. Long outstanding imprests-TZS 232.695million; overpayment amounting to TZS 373.842million; nugatory expenditure amounting to TZS53.017billion; funds used for unintended activities amounting to TZS 1.788 billion;withholding tax not deducted TZS 692.539million; These weaknesses are detailed under chapter ten of this report.

**xvii. Weaknesses in Assets management**

Asset management involves the processes, systems and manpower required to manage the life cycle of all acquired assets, including acquisition, control, accountability, responsibility, maintenance, utilization and disposition. Review of the various assets across MDAs revealed a number of anomalies as summarized below:

(a)Preparation and updating of non-current asset register was not yet prepared and updated in 53 entities.

(b)Delays in identification and valuation of non-current assets as most of MDAs own assets which do not present fair value

(c)Several embassies' buildingswere in poor condition which need repair and maintenance, also four audited embassies own undeveloped land plots,

(d)Fourteenaudited entities did not account for store items worth TZS 4,380,960,319

(e)Lack of an assets policywhich adequately complies with IPSAS Accrual basis of accounting;

(f)Embassies are not using Epicor accounting package (Integrated Financial Management System),

(g)Twelve (12) entities own fixed assets which do not have title deeds,

(h)It was noted that Fire Rescue Force department has on insufficient number of fire tenders, there areonly 55 working fire tenders against the requirement of 157. Additionally, fire extinguishers installed in government buildings for a sample of MDAs/RS had not been serviced

The detailed findings are presented in chapter eleven of this report.

**xviii. Weaknesses in liabilities management**

I noted accumulation of liabilitiesin 91 entities including 52 MDAs 25 RS and 14 Embassies of TZS 1,443.859 billion which is an increase of TZS.671.351

billion (89%) compared to the balance of TZS 772.508 billionin the financial year ended30th June, 2014. I noted expenditure arrears at the end of the year were not re-budgeted in the next budget cycles of MDAs. This leads to liabilities accumulation since current budget will be used to settle unbudgeted liabilities of prior years.

Included in the liabilities is an amount of TZS 27,800,677,740 being arrears of medical bills for patients who have been treated in referral hospital in India.

Had the bills totalling TZS 1,443,859,273,539.30 been settled during the period and the expenditure charged to the accounts for 2014/2015, some MDAs would have recorded Excess Expenditure against recurrent expenditure.

I also noted 94 legal cases with a total of TZS870,866,104,235 under 11 audited entities pending decision of the court against various companies and individuals whereby some cases have been outstanding for more than 10 years and there are no court notifications on the date of hearing. Detailed observations are in Chapter Eleven of this report.

**xix. Matters arising from special audits and other issues**

A special audit was undertaken in the Ministry of Education and Vocational Training concerning verification and confirmation of funds transferred to other government institutions. It was noted that, transfer of funds amounting to TZS 476,820,735 to other government institutions under the Ministry of Education and Vocational Training wasnot be accounted for in books of accounts.

Another special audit was on the Financial Statements of the Local Government Reform Programme Phase II (Decentralization by Devolution) for the year ended 30th June, 2013. It wasnoted that some expenditure items lacked accountability, were unbudgeted, unsupported, and ineligible expenditure amounting to TZS 988,133,904. Some expenditures did not qualify or satisfy programme conditions therefore, threatened the achievement of the intended objective of the programme. Common deficiencies include, lack of accountability for advances of TZS 903,270,394;expenditure not related to the program TZS 13,040,075,irregular payment of daily allowances for workshops and training TZS 18,967,500. Payment of staff annual leave, extra duty, telecommunications and sitting allowances of TZS 31,762,360,unbudgeted and unsupported payments of TZS 21,093,575. Detailed observations are in chapter twelve of this report.

**Other issues on implementation of foreign policy and economic diplomacy**

My assessment revealed a number of challenges as highlighted below that the Government needs to address so as to achieve efficiencies and effectiveness of missions' operations as well as compliance to all legislations and directives including those of the President. One of the challenges is that the diplomaticservice still does not have adequately and appropriatelyskilled and competent personnel to execute the President's directives.They also face constraints both financial and human. Additionally, I noted lack of coordination and effective communication between relevant ministries. It has been determined however, that there is no effective coordination between the Ministry of Foreign Affairs and other Sector Ministries to ensure availability of this information and taking appropriate actions including strategizing.

## xx. General recommendations

I have the following general recommendations for the purpose of better service delivery to the public:

### (a) Previous CAG recommendations and PAC directives

The government through the PMG and Accounting officers is advised to exert more efforts in ensuring that the issued audit recommendations and PAC directives are attended accordingly.

The Paymaster General is advised to keep on instructing Accounting Officers to take necessary measures to improve internal controls which is one of the main causes that contribute to audit queriesand therefore failure to reply to some of the raised audit issues.

Accounting Officers should clearly develop documentedactionplanstoguidetheimplementation of the CAGs recommendations.

### (b) Public Finance Management

The pace of internal revenue collections is promising that loads of challenges will be tackled starting next financial year such as budget cut, releasing funds at the end of the financial year and unreached revenue estimates. As a result, operational and strategic goals of the Nation at large will be achieved; domestic borrowing will be minimized significantly as well as expenditure arrears since funds will be released as per approved budget.

By so doing, it is expected that planned activities will be implemented according to the approved timetable. In order for the Government to reduce reliance in external assistance for implementation of the national development plans, the government is encouraged to explore alternative internal sources of revenue.

**(c) Treasury Registrar**

I reiterate my recommendations that the government (a) set up the investment fund and (b) introduce retention scheme which will serve as a vehicle for soliciting investible funds (c) expedite the issuance of non-cash bonds for pension obligations and defaulted guarantees to enable these debts be recorded as part of public debt stock.

**(d) Pension**

I call on the Government to timely remit statutory contributions to Pension Funds to comply with pension laws and avoid unnecessary penalties. By so doing, it will improve liquidity of the funds, in turn, enable the pension beneficiaries to be paid on time.

**(e) Tanzania Revenue Authority**

i) The Government should re-inforce tax incentives and refund management and strengthen audit checks and control of tax exemptions and refunds to reduce fictitious input-tax claimants from the VAT network. Also, the Government should continue to review its fiscal and tax policies with a view to removing all over generous tax incentives and enhance its monitoring and inspections of the use of tax incentives;

ii) Government should declare Amnesty of Interest and Penalties on Voluntary Disclosure of tax liability and offer instalment payment of tax liabilities enabling taxpayers to clear their principal sums of all outstanding taxes in arrears;

iii) The Government should expedite the hearings of tax appeals at various stages of the Appealing machinery to enable timely collection of Government revenue;

iv) Government should strengthen tax audits, investigations and impose strict collection enforcement measures to limit propensity to avoid and evade tax, and

v) Government strengthen audit checks and control over clearance of imported and transit goods/fuels to ensure that transit goods/fuels are not illegally localized and relevant taxes upon localization are collected immediately.

**f) Public Debts**

I recommend Government (a) scale up domestic revenue mobilization efforts to create sufficient fiscal space to service debt in the absence of a refinancing strategy, and (b) adopt a prudent fiscal strategy including a cost cutting strategy, strategy of maximizing concessional loans and effective supervision mechanism over foreign exchange operations in the country.

**g) Internal Controls**

Accounting Officers are responsible for establishing internal control systems as such they are required to monitor the operations and make changes when deviations are noted. This is a continuous process focusing on strengthening internal controls in order to improve service delivery to the public.More interventions from the government are required to ensure that all MDAs have put in place effective internal control systems in order to effectively fulfil their legislative responsibilities.

**h) Human Resources and Payroll Management**

Thegovernment should strengthen the entire internal control system to ensure that, payroll database is always updated, statutory deductions are timely remitted and that all acting allowance are duly charged with PAYE. The amount paid to non-existing employees should be recovered. In addition, I advised Accounting Officers to notify the HESLB of the employment of the loan beneficiary and remit every deduction from the loan beneficiary's wages or remuneration to the Board and regularly carryout staff performance appraisals in accordance with public service regulations.

**i) Government Executive Agencies and Other Institutions**

I recommend the agencies, government institutions and funds to strictly comply with laws and regulations such as Public Finances Act and Regulations,Reg. 24 of EFD regulation of 2012,Income Tax Act 2006, Public procurement Act and its Regulations as well as contract terms and conditions.For example, on the defective ferry boat I advise the management to communicate with the supplier with a view of rectifying all snags observed by the Goods Inspection and Acceptance committee including minimum and maximum speed and finally to issue the Goods Acceptance Certificate so that the boat can be used for intended purposes.

I call upon DART management to review the contract for immediate commencement of Bus Transport Service and ensure that buses in excess are accounted for and managed for the intended purpose.

I also, recommend the agencies to be empowered so that they can fully depend on their own sources of revenues rather than government subvention in financing theiroperations.

On overdue revenue on credit sale of Government buildings, TBA is advised to takestringent legal measures against long outstanding debtors who defaulted to pay their maturing financial obligations without further delays.

TANROADs and RITA are advised to make close follow upon funds from the Ministry of Finance and ensure early completion of their respective projects.

**j) Procurement and Contract Management**

I urge the Management of the audited MDAs/ RS to ensure that they fully observe the requirements of procurement laws specifically in the area of preparation and implementation of Annual Procurement Plans (APPs), approval of procurements by Tender Boards, inspection and acceptance of goods/services made and making procurements from approved suppliers. The Accounting Officers of MDAs/RSs should ensure the PMUs and TBs are properly constituted and discharge their responsibilities as prescribed in the Public Procurement Act and its Regulations. On the aspect of delay in commencementand completion of contracts, I advise management of MDAs/RS to observe terms and conditions in the respective contracts and strictly ensuring the liquidated damages are charged in case of failure to comply with the terms and conditions of the contracts.

**k) Expenditure Management**

In absence of the records and documentation, the propriety of the expenditure incurred having inadequate supporting documents could not be ascertained and therefore these public funds may not have been utilized lawfully and in an effective manner. The Ministerial Advisory Board of respective Agencies and the Accounting Officers of all MDAs and Embassies should strengthen their internal controls to ensure that the expenditure management practices comply with public finance Act and its regulations.

**l) Assets Management**

It is my hope that the Government shall fully implement the newly introduced International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board. The government is advised to develop and implement a monitoring regime to ensure that all MDAs/RS comply with Ministry of Finance directives and IPSAS accrual road map issued on the maintenance of comprehensive asset register, to have maintenance and developing plans for its buildings and land plotsowned by Tanzania missions abroad, to issue specific directives on the disposal of all unserviceable assets, to equip Fire Rescue Force Department with reasonable number of fire tenders. MDAs/RS are advised to apply for ownership documents from appropriate authorities.

**m) Liabilities management**

Due to dramatic increase of liabilities among MDAs/RS, government is urged to re-budget all overdue payables in the budget of the coming year in order to clear them with certainty and avoid dispute with suppliers and other stakeholders.Had the bills totalling TZS1,443.859 billion been settled during the period and the expenditure charged to the accounts for 2014/2015, MDAs would have recorded excess expenditure against Recurrent and development account. This implies that budgeted funds should be released in a manner which conforms to approved estimates.

Taking into account of my prior year's recommendations, government is urged to make emphasis on each entity to have appropriate risk management strategies in place to ensure that the entity's exposure to contingent liabilities is contained and minimized.

**n) Special Audits and Other Issues**

The government is advised to ensure adequate controls on the fund transfers to institutions under the Ministry of Education and Vocational Training including acknowledgement receipt from appropriate receiving authority. Additionally, the accounting officer is urged to regularly make follow ups on transfers and reconcile the statements for final account.

I advise the implementing partners in collaboration with development partners to conduct in-depth investigations of all deficiencies noted in order to take proper legal procedures and disciplinary measures.

**o) Political Parties**

I appeal to Accounting Officers of Political Parties in collaboration with the Registrar of Political Parties to address the issue of preparation and submission of financial statements timely in conjunction with the requirement of the law.

**p) Other Issues on Implementation of Foreign Policy and Economic Diplomacy**

I recommend staff allocations in the missions to consider the needed skills and knowledge in areas of trade, investment, tourism and economic governance to ensure that staff have the capacity to deliver the needed and expected services. This can also be done through tailored trainings necessary to build their capacity. Additionally, I recommend additional personnel in areas with shortages to meet the demand by filling in the vacant posts with qualified staff in a timely manner.

Ensure that the budget funding provisions to Tanzania overseas missions are sufficient to meet their financial obligations. In addition, funds should be released timely without delays to enable the missions meet their financial obligations.

I advise the Government to have an effective coordinating function that will be fully responsible to coordinate and communicate vital information regarding Tanzania to the missions to enable them represent the country effectively.

# Chapter One

## BACKGROUND AND GENERAL INFORMATION

### 1.0 Introduction

This chapter provides general information about the audit process, statutory requirements to execute the audit and intervention between auditors and the auditees.

### 1.1 Audit Mandate of the Controller and Auditor General

By virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (amended from time to time) and Sec 5(c) of the Public Audit Act No 11 of 2008, the Controller and Auditor General is the statutory auditor of all Government revenues and expenditures, his mandate is as per the Table 2 below;

**Table 2: Mandate of the CAG**

| Criteria | Mandate |
| --- | --- |
| Article 143 (2) (C) of the Constitution of the URT, 1977 | Requires the Controller and Auditor General to audit and issue audit report at least once every year in respect of the financial statements prepared by Accounting Officers of the Government of the United Republic of Tanzania, financial statements of all Courts of the United Republic of Tanzania and financial statements prepared by the Clerk of the National Assembly. |
| Article 143 (3) of the Constitution of the URT, 1977 | The Controller and Auditor General and every employee of the Government who is authorized by him shall have the right to examine books records, statements of accounts, reports and all other documents concerning any type of account referred to in Article 143 (2). |

| | |
|---|---|
| **Sec 5(c) of Public audit act no 11 of 2008** | The Constitutional mandates of the Controller and Auditor-General shall be to-audit and report on the accounts, financial statements and financial management of -the Government of the United Republic, that is to say, Ministries, Independent Departments, Executive Agencies, Public Authorities and Other Bodies and Donor Funded Projects, the local government authorities, the Judiciary and the National Assembly. |

***Source:*** *The constitution of the URT of 1977 and the Public Audit Act of 2008*

## 1.2 Audit Objective

The main objective of conducting the audit is to enable me to express an independent audit opinion on the financial statements of Ministries, Independent Government Departments, Agencies, Regional Secretariats, Tanzania Revenue Authority, Tanzania missionsabroad, other government institutions andConsolidated Financial Statements for the year ended 30th June, 2015.

Also, to establish whether the financial statements were prepared in all material respects, in accordance with the International Public Sector Accounting Standards (IPSAS) accrual basis of accounting and whetherrelevant laws and regulations have been complied with.

## 1.3 Audit Methodologies

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives.My audit procedures can be described using the following:

- Planning the audit to identify and assess risks of material misstatements, whether due to fraud or errors, based on an understanding of the entity and its environment, including the entity's internal controls.

- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.

- Form an opinion on the financial statements based on conclusions drawn from the audit evidences obtained.

- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.

## 1.4 Audit Scope

This audit covered the evaluation on the effectiveness of financial accounting and internal control systems over various activities of the Central Government entities. The audit was conducted on a sample basis; therefore the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available for audit.

As an auditor, I am not required to specifically search for fraud and errors, therefore, my audit cannot be relied upon to disclose all such matters. However my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatements in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the respective entity.

## 1.5 Applicable Auditing Standards, Reporting Procedures, Number of Auditees and NAOT setup

This part of the report describes the applicable auditing standards used during the audit of the year

2014/15 for the Central Government entities together with the reporting procedures for the audit reports, number of auditees and NAOT setup.

### 1.5.1 Applicable Auditing Standards

National Audit Office of Tanzania is a member of the International Organization of Supreme Audit Institutions (INTOSAI), the African Organization of Supreme Audit Institutions (AFROSAI), and the African Organization of Supreme Audit Institutions - English Speaking Countries (AFROSAI-E). Knowledge and information sharing among member SAIs has enabled NAOT to have a wide area of learning and sharing experiences and expertise in public sector auditing.

This audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI), to provide reasonable assurance as to whether the financial statements are free from material misstatements.

### 1.5.2 Reporting Procedures

Various steps which involve communication with management of the audited entity have been taken before issuing this report. Therefore, it is worth pointing out that these steps are important for users of this report to know in order to have a clear understanding of its contents and general reporting procedures that are being followed. These steps are represented by figure No.1 below:

**Figure 1: Audit Procedures for the year 2014/15**


***Source***: *Individual CAG's audit reports for the year 2014/15*

### 1.5.3 Number of Auditees and NAOT's Setup Number of Auditees

During the year 2014/15, a total of 201 auditees out of 209 under Central Government were audited; these auditees can be categorized together with their equivalent percentages of their total number as per the following **Table 3** and **Figure 2**

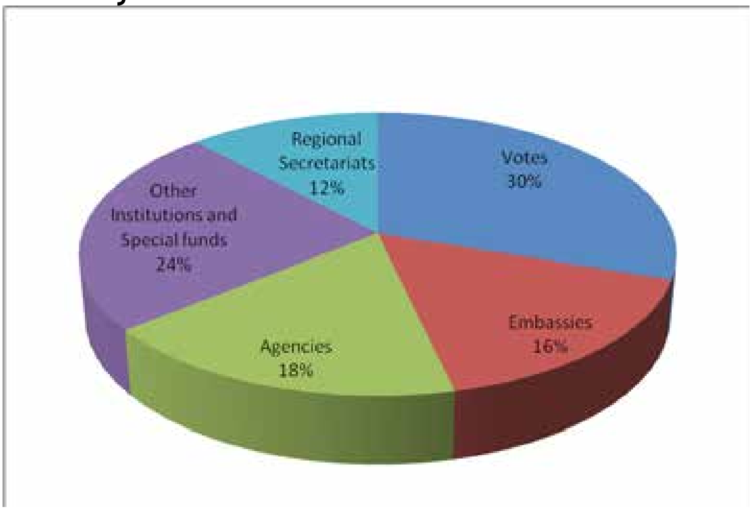
**Table 3: List of Auditees for financial year 2014/15**

| S/N | Category | No. of auditee | Percentage |
|---|---|---|---|
| 1 | Votes | 63 | 30 |
| 2 | Embassies | 34 | 16 |
| 3 | Agencies | 37 | 18 |
| 4 | Other Institutions and Special funds | 50 | 24 |
| 5 | Regional Secretariats | 25 | 12 |
| **Total** | | **209** | **100** |

***Source***: *Individual CAG's audit reports for the year 2014/15*

The above Table 3 on the composition of the total auditees for the financial year ended 2014/15 can be presented using Pie Chart Figure 2below;

**Figure 2: Composition of auditees (by category) for the year 2014/15**




Additionally, I have not concluded auditing financial statements from Government Executive Agencies and other Institutions as per
Table 4below:

**Table 4: List of ongoing and unaudited entities**

| No | Entities | Reasons |
|---|---|---|
| 1 | Business Registration and Licensing Authority (BRELA) | Its financial statements were not submitted |
| 2 | Kigamboni Development Agency (KDA) | Its financial statements were not submitted because it has not started its operations since its formation in the year 2012. |

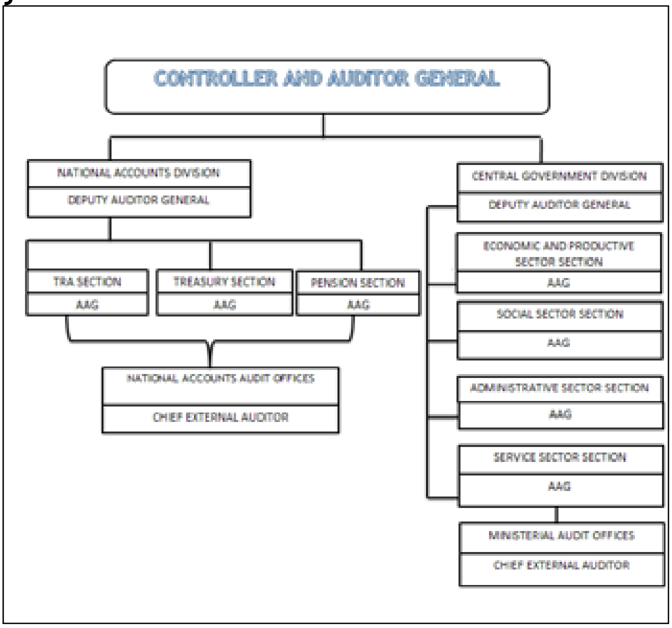
| No | Entities | Reasons |
|---|---|---|
| 3 | Common Wealth Parliamentary Association | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |
| 4 | Tanzania Airport Authority | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |
| 5 | SUMA JKT Agro Machinery | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |
| 6 | Road Fund Board | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |
| 7 | Tanzania Livestock Research Institute | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |
| 8 | National Relief Fund | Its audit is yet to be concluded. Therefore it will be incorporated in the next year audit |

### 1.5.4 NAOT's Setup

Framework of the organization structures the sharing of expertise and experiences among auditors. Audit work is done by audit teams headed by team leaders and supervised by Chief External Auditors (CEAs) who report to the Assistant Auditor Generals (AAGs).

It has been useful to group auditees into small manageable locations named Sectors which are headed by AAGs who report to Deputy Auditors General (DAGs) who in turn report directly to the Controller and Auditor General. The Central Government Audit Annual Report comprises reports of two Divisions, the National Accounts and Central Government. The extract NAOT organogram is as shown in **Figure 3** below:

**Figure 3: Extract NAOT's Organogram for the year 2014/15**



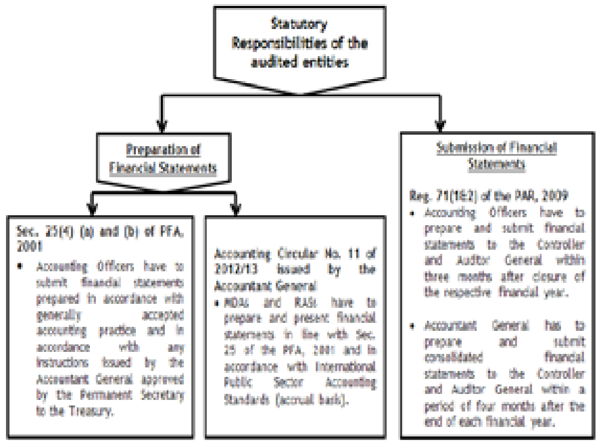

*Source: Approved NAOT's Organisation Structure*

## 1.6 Statutory Responsibilities of the Auditees

Management of MDAs' are responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Statutory responsibilities of the audited entity in the preparation and submission of financial statements can be elaborated with the aid of the following **Figure 4**

**Figure 4: Statutory Responsibilities of the Auditees**




**Source:** PFA of 2001, PAR of 2009

### 1.6.1 Financial statements

A complete set of financial statements prepared according to IPSAS - accrual basis include the following components:

i. Statement of Financial Position;

ii. Statement of Financial Performance;

iii. Statement of Changes in Net assets/Equity; Cash Flows Statement;

iv. Statement of comparison of Budget and Actual Amount

v. Notes, Comprising a Summary of Significant Accounting Policies andother Explanatory Notes.

## 1.7 Expected results from the report of the Controller and Auditor General

The following are general and relevant results/ outcome to the audited entity and all stakeholders that areexpected to be associated with my audits:

- The audit leads to Accountability
- There is enforcement of financial discipline
- The audit leads to detection and prevention of

misstatements either due to errors, fraud, waste and abuse

- The process promotes best practice
- The audit process is an aid to administration of public resource
- The audit process assists in achieving good governance and checks corrupt practices.
- Audit enhances the degree of confidence to intended users of the financial statements, and acts as an attestation of financial accountability of the government administration as a whole.

# Chapter Two

# AUDIT OPINION

## 2.0 Introduction

The main purpose of conducting the annual audit is to provide the users with an assurance on whether the financial statements were fairly presented, in all material respects, in accordance with the applicable financial reporting framework and applicable laws and regulations. The audit provides the users with the degree of assurance at which the MDAs' Financial Statements are reliable and credible, based on the audit procedures performed

## 2.1 Definition of Audit Opinion

My auditreports onthe MDAs' financial statements are expressed in terms of truthand fairness. This is generally taken to mean that financial statements are factual, free from bias and reflect the economic substance of the entities transactions.

An audit opinion expresses a view as to whether or not the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework. The opinion also states whether there is adequate disclosure of information relevant to the proper understanding of the financial statements or not.

The auditor's opinion on the financial statements:

- Enhances the credibility of the financial statements;but
- Does not guarantee the future viability of the entity; and
- Does not guarantee that, the entity is free of fraud.

## 2.2 Types of Audit Opinions

According to the International Standards of Supreme Audit Institutions (ISSAIs) the following describes types of audit opinions as per the table 5 below:

**Table 5: Types of Audit Opinions**

| Audit Opinion | Circumstance | Status for the Year 2014/15 |
|---|---|---|
| **Unqualified Opinion** *(ISSAI 1700.16)* | The financial statements are prepared, in all material respects and in accordance with the applicable financial reporting framework. | A total number of 180 equivalent to 90% of the total auditees were issued with unqualified audit opinion as per **Appendix 1.1** |
| **Qualified Opinion** *(ISSAI 1705.7)* | The financial statements prepared contain misstatements due to the disagreements with management or limitation of scope which is material but not pervasive and except for the effect of those misstatements, financial statements were prepared, in all material respects, in accordance with the applicable financial reporting framework | A total number of 18 (9 per cent) entities were issued with qualified audit opinion as per **Appendix 1.2 (a & b)** |

| Audit Opinion | Circumstance | Status for the Year 2014/15 |
|---|---|---|
| **Adverse Opinion** *(ISSAI 1705.8)* | The effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements | One entity (Mzinga Corporation) was issued with an adverse opinion. The basis are indicated in **Appendix** 1.3 |
| **Disclaimer of Opinion Paragraph** *(ISSAI 1705.9;10)* | When the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements. | No auditee received a disclaimer of opinion during the year. |

**Source:** *ISSAI &Individual CAG's audit reports for the year 2014/2015*

## 2.3 Emphasis of Matters and Other Matters Paragraph

Emphasis of matter and other matter paragraphs asdetailed inTable 6belowcan be included in the auditor's reportunder certain circumstances. Their use does not modify/qualify the auditor's opinion on the financial statements but they entail to send additional communication through audit reports when the auditor considers it necessary to draw users' attention to a matter (s)

**Table 6: Emphasis of Matters and Other Matters Paragraphs**

| Emphasis of matters paragraph | Other Matters paragraph |
|---|---|
| The paragraph is included when matters affecting the financial statements that are presented or disclosed in the financial statements and that are of critical importance to users' understanding of the financial statements. Example;<br>· Significant uncertainty, the resolution of which is dependent upon future events not under the direct control of the entity, and that may affect the financial statements;<br>· Material inconsistency in other information included in the annual report, where an amendment is necessary and the entity refuses to make the amendment; or<br>· Going concern issues | The paragraph is included when matters other than those presented or disclosed in the financial statements that, in the auditor's judgment, are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. Example;<br>· Control weaknesses; or<br>· Non-compliance with laws and regulations. |

***Source:*** *ISSAI*

Duringthe year of audit, a total number of 30 entities were issued with unqualified opinion and in addition, paragraphs of emphasis of matters and/ other matters were added as per Appendix 1.1

## 2.4 Trend of Audit Opinions for Central Government for the year 2014/15

Audit opinions issued for the year ended 2014/15 for MDAs' can be analysed using the following table 7below;

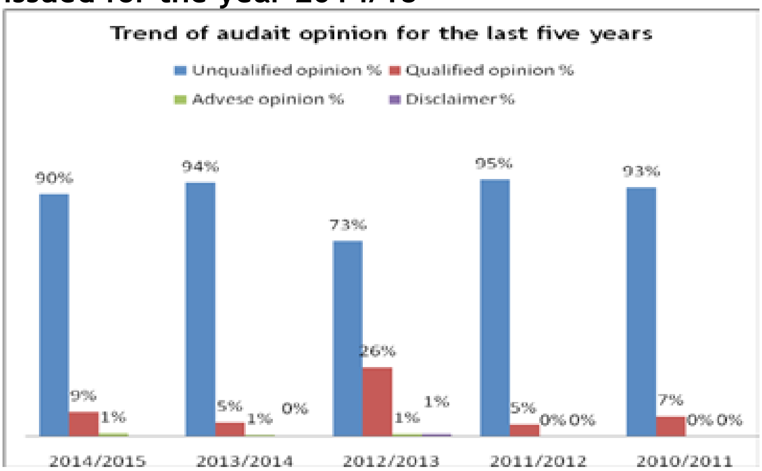
**Table 7: Analysis of Audit Opinion for Central Government for five year up to 2014/15**

| Financial Year | Audit Opinion | | | | | | | | Total No. |
|---|---|---|---|---|---|---|---|---|---|
| | Unqualified | | Qualified | | Adverse | | Disclaim | | |
| | No. | % | No. | % | No. | % | No. | % | |
| 2014/15 | 180 | 90 | 18 | 9 | 1 | 1 | 0 | 0 | 199 |
| 2013/14 | 166 | 94 | 9 | 5 | 1 | 1 | 0 | 0 | 176 |
| 2012/13 | 85 | 73 | 30 | 26 | 1 | 1 | 1 | 1 | 117 |
| 2011/12 | 103 | 95 | 5 | 5 | 0 | 0 | 0 | 0 | 108 |
| 2010/11 | 99 | 93 | 8 | 7 | 0 | 0 | 0 | 0 | 107 |

**Source:** *Individual CAG's audit reports for the year 2014/15*

The above tableon the trend of the audit opinion for five years from 2010/11 to 2014/15 for the Central Government entities' financial statements can be presented by **Figure 5**below;

**Figure 5: Chart on the analysis of audit opinions issued for the year 2014/15**




**Source:** *Individual CAG's audit reports for the year 2014/15*

Generally, from the above trend of audit opinion for a period of five years, it can be noted that, there is up and down trendsin the preparation of financial statements for the MDAs' following transition towards the implementation of IPSAS accrual basis of accounting in the preparation of financial statements, Compliance with laws and regulations, improvement in Internal controls as well as compliance with time to time CAG recommendations

## 2.5 Analysis of Audit Opinion for the past five years (2010/11 to 2014/15)

Analysis of Audit Opinion Issued for a period of five years from the financial year 2010/11 to 2014/15 for Audited entities can be analysed in the following Table 8

**Table 8: Trend of audit opinion issued for the past five years**

| | | Unqualified | | Qualified | | Adverse | | Disclaimer | | |
|---|---|---|---|---|---|---|---|---|---|---|
| MDAS' | F/Year | No. | % | No | % | No | % | No. | % | Audites |
| Votes | 2014-15 | 75 | 87 | 12 | 13 | 0 | 0 | 0 | 0 | 86 |
| | 2013-14 | 79 | 91 | 7 | 8 | 1 | 1 | 0 | 0 | 87 |
| | 2012-13 | 56 | 66 | 28 | 33 | 0 | 0 | 1 | 1 | 85 |
| | 2011-12 | 73 | 96 | 3 | 4 | 0 | 0 | 0 | 0 | 76 |
| | 2010-11 | 67 | 89 | 8 | 11 | 0 | 0 | 0 | 0 | 75 |
| Embassies | 2014-15 | 34 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 34 |
| | 2013-14 | 34 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 34 |
| | 2012-13 | 29 | 91 | 2 | 6 | l | 3 | 0 | 0 | 32 |
| | 2011-12 | 30 | 94 | 2 | 6 | 0 | 0 | 0 | 0 | 32 |
| | 2010-11 | 32 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 32 |
| Other institutions and Special | 2014-15 | 45 | 92 | 4 | 6 | 1 | 2 | 0 | 100 | 49 |
| | 2013-14 | 21 | 91 | 2 | 9 | 0 | 0 | 0 | 0 | 23 |
| | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Agencies | 2014-15 | 27 | 90 | 2 | 10 | 0 | 0 | 0 | 0 | 30 |
| | 2013-14 | 32 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 32 |
| | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Source:** *Individual CAG's audit reports for the years 2010/11 to2014/15*

# Chapter Three

## FOLLOW UP ON THE IMPLEMENTATION OF PREVIOUS YEARS' AUDIT RECOMMENDATIONS

### 3.0 Introduction

This chapter provides the implementation status of the previous years' CAG's audit recommendations on individual reports, general report and follow up on the implementation of the PAC's directives.It summarises audit recommendations along with the status of corrective actions taken by the MDAs' to implement my recommendations. It also, summarizes qualitative and quantitative issues raised in the individual audit reports which were either not implemented or partially implemented.

Some of the auditees have not made efforts to implement the CAG's recommendations. Failure to respond to the deficiencies noted may lead to the recurrence of the same anomalies in subsequent financial years. This is also a reflection of lack of seriousness and commitment on the part of the Accounting Officers.

### 3.1 Follow up on the implementation of the previous years' CAG's audit recommendation on individual audit reports

Effective follow up on audit recommendations is essential to get the full benefit of audit work. Following a review carried out on the status of implementation of previous year's audit recommendations on individual reports some MDAs' had outstanding quantitative issues as detailed in Appendix 3.1

Additionally, I made a follow up on the implementation of my recommendations on the individual audit reports issued to each of the Accounting Officers of the MDAs. A total of 2644 audit recommendations were issued to individual MDAs'.Out of 2644audit recommendations, 1028 (39%) were implemented, 885(33%) were under implementation, 534 (20%) were not implemented, 126(5%) were overtaken by events and 71(3%) were reiterated.The status of implementation of recommendations is as shown in the table 9 and Appendices 3.2 to 3.4

**Table 9: Status of implementation of CAG's audit recommendations on individual reports**

| Status | MDAs | | | | |
|---|---|---|---|---|---|
| | Votes & Embassies | Agencies | Other Institutions | Total | Percent |
| Implemented | 803 | 132 | 93 | 1028 | 39 |
| Under implementation | 666 | 162 | 57 | 885 | 33 |
| Not implemented | 444 | 62 | 28 | 534 | 20 |
| Overtaken by events | 119 | 3 | 4 | 126 | 5 |
| Reiterated | 62 | 8 | 1 | 71 | 3 |
| **Total** | **2094** | **367** | **183** | **2644** | **100** |

**Source:** *Individual CAG's management letters for the year 2014/15*

To enhance accountability and transparency in the management of public resources, I urge Accounting Officers to ensure outstanding audit recommendations are implemented timely in order to minimize recurrence.Accounting Officers are advised to prepare management action plan and responses on individual reports.

## 3.2 Follow up on the implementation of the previous years' CAG's audit recommendation on CAG's Annual General Reports

In my last year's general report I had 46 outstanding audit recommendations accumulated up to financial year ending 30th June, 2014 that needed

Government response. I received responses from PMG on 20th July, 2015 through a letter with reference no LH.276/692/01/11 in which 8(17%) issues were implemented, 37(63%) issues are under implementation and 1(2%) was not implemented. Status of implementation of the recommendations is given in Table 10 and details of the recommendations in Appendix 3.5:

**Table 10: Summary of implementation status of CAG's previous years' recommendations**

| Status | Financial year | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006/07 | 2008/09 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | Total | Percentage% |
| Implemented | - | - | - | - | 6 | 2 | 8 | 17 |
| Under implementation | 2 | 1 | 2 | 2 | 14 | 8 | 37 | 81 |
| Not implemented | - | - | - | - | 1 | - | 1 | 2 |
| Total | 2 | 1 | 2 | 2 | 21 | 18 | 46 | 100 |

**Source:** *PMG Responses and CAG General for the year 2013/2014*

From table 10above, it has been noted that the Government responses towards CAG's recommendations were not satisfactory. Objectives of issuing the recommendations was to improve Public Financial Management in MDAs, thus the Government needs to take steps to ensure that these recommendations are appropriately implemented for better performance and accountability of MDAs.

## 3.3 Follow up on the implementation of the PAC's recommendations.

I sincerely appreciate the support received from the PAC, by issuing necessary directives to the government towards the recommendations that I make in my reports which in turn makemy statutory responsibilities useful. It is very important that all matters raised by the PAC are well handled and all recommendations are properly implemented by executing actions plan. By Implementing PAC's recommendations, the Government will be in a position of maximizing its revenue collections, controlling budgets and expenditures and will bring about better accountability of public resources.

In the previous report, there were nine (9) outstanding directives issued by PAC that needed government attention for implementation. Six recommendations were for the financial year ending 30th June, 2012 and three were for financial year ending 30th June, 2013.

There were no further directives issued by PAC on the CAG reports for the financial year ending 30th June, 2014 as the National Assembly was constitutionally brought to an end by the President of the United Republic of Tanzania on 9th July, 2015. For that case PAC did not hold any meeting. Therefore PAC directives for my Annual General report for the financial year 2013/2014 will be incorporated in the next Annual General report. Details of implementation status are given under Table 11and Appendix3.6

**Table 11: Summary of implementation of PAC's previous years' directives on the CAG Annual General Reports**

| Status | 2011/12 | 2012/13 | Total | % |
|---|---|---|---|---|
| Implemented | 0 | 1 | 1 | 11 |
| Under implementation | 1 | 4 | 5 | 56 |
| Not implemented | 2 | 1 | 3 | 33 |
| **Total** | | | **9** | **100** |

**Source:** *PMG responses on the PAC directives for 2013/14*

From the Table 11,it can be concluded that there is a slow pace in and inadequate strategies to,implementing outstanding PAC directives toward the CAG annual general reports.

## Chapter Four

## PUBLIC FINANCE MANAGEMENT

### 4.0 Introduction

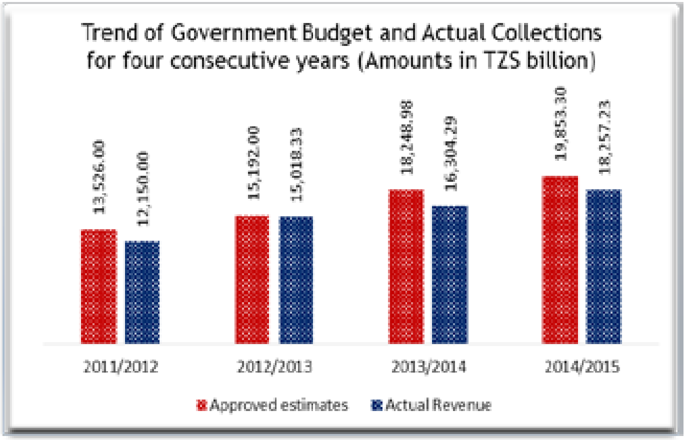
This chapter presents and demonstrates approved estimates for revenue and expenditures, release of funds against estimates, trends of the same and the following are general observations on estimates and actual.

### 4.1 Budget Overview

The Government budget approved by the Parliament is on cash basis and it covers financial year from 1st July to 30th June each year; however the Government operations are on accrual basis since the adoption of IPSAS Accrual basis of Accounting by the Central Government to be fully complied with by 2017. Sources of funds to finance Government budget has remained the same with little variations while the Government budget has been increasing yearly.

Main sources of Government finances include Tax, Non Tax, General Budget Support, Internal borrowings, External Borrowing and Assistance. The approved budget has increased from 18,248.98 billion in the year 2013/14 to TZS 19,853.3 billion in the year 2014/2015 representing an increase of approximately 8.8 per cent as seen from the histogram here below.

**Figure 6: Trend of Government budget and actual collections**

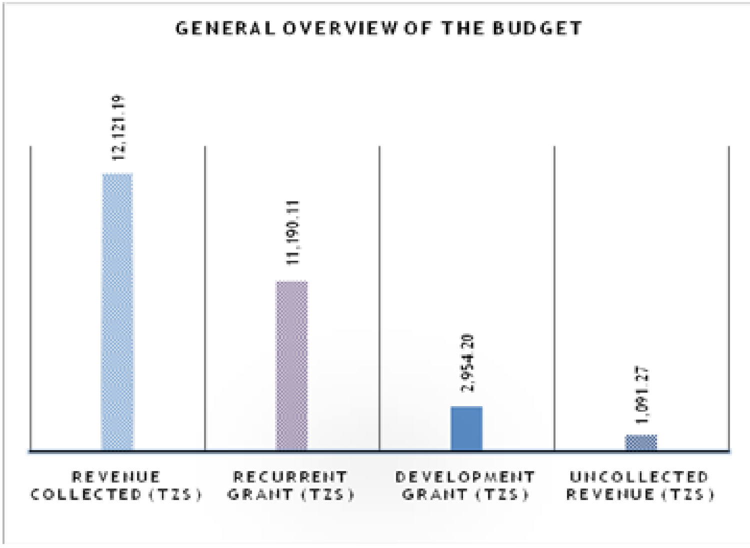



## 4.2 Overview of Revenue Collection Performance

The Government planned to collect TZS 19,853.3 billion during the financial year 2014/15, of which TZS 13,408.22 billion to be spent on recurrent expenditure (an increase of 6.6% compared to TZS 12,574.95 billion allocated in 2013/14) and TZS 6,445.11 billion on development activities. (13.6% increase compared to TZS 5,674.03 billion in 2013/14).

**Under collection of revenue TZS 1,091.27 billion**

Total actual revenue collected from identified sources amounted to TZS 19,111.68 billion indicating under collection of TZS 1,091.27 billion (5.40%) excluding revenues from Local Government Own Sources. Out of the collected amount TZS 14,144.31 billion was released to MDAs and RSs, TZS 11,190.11 billion being for recurrent vote and TZS 2,954.20 billion for development activities. The following histogram details




However out of exchequer issues released, TZS 5,178.13 billion of recurrent nature and TZS 165.41 billion for development activities were released in the fourth quarter of the financial year, (April to June 2015) equivalent to 26.92% of the total Government budget and Exchequer Issue notification amounting to TZS 134.29 billion to Ministry of Works were not received by the respective Ministry during the year under review which affected budget implementation of the Ministry.

**Revenue from tax**

In the financial year 2014/15 actual revenue collected from Tax was TZS 10,320.16 billion (88.88%) against estimated target of TZS 12,121.19 billion showing under collection of TZS 1,347.97 billion (11.12%) of the total approved estimates.

**Revenue from non-tax**

Non-tax collected during the year was TZS 616.73 billion (86%) of the estimated target of TZS 717.11 billion, showing under collection of TZS 100.38 billion equivalent to 14% of the approved estimates.

### Income from dividends and contributions

Actual income received from dividends and contributions as reported in the Treasury Registrar Office financial statements was TZS 159.87 billion (98%) against target of TZS 163.36 billion, whereas TZS 3.49 billion (2%) of the approved estimates which are used as financing income were not received.

### Internal Borrowing

Internal Borrowing which is mainly for budget and rollover financing was TZS 3,978.95 billion (134.64%) against approved estimates of TZS 2,955.20 billion showing excessive domestic borrowing of TZS 1,023.75 billion equal to 34.64% above the approved estimates. Internal borrowing has been increasing yearly and the main investors being commercial banks which in turn have micro economic impact since the lending rates offered by commercial banks tend to rise which is eventually reflected in citizens' cost of living.

### External Borrowing, Assistance and General Budget Support

Actual External Borrowing, Assistance and General Budget Support received during the Financial Year 2014/15 was TZS 3,601.95 billion (84.5%) against approved estimates of TZS 4,261.60 billion which means external assistance amounting to TZS 659.65 billion (15.47%) was not received.

Government revenue collection trend for three consecutive years is as presented in the Table 12 below.

**Table 12: Trend of revenue collection for MDAs three years (amounts in TZS billion)**

| 2014/2015 | | | |
|---|---|---|---|
| **Item** | **Approved Estimates** | **Actual collection** | **Variance Over/(Unde** |
| Tax revenue | 12,121.19 | 10,773.22 | (1,347.97) |
| Non tax revenue | 701.60 | 597.70 | (103.90) |
| Finance income | 163.36 | 159.87 | (3.49) |
| Internal | 2,955.20 | 3,978.95 | 1,023.75 |
| GBS, External Borrowing and | 4,261.60 | 3,601.95 | (659.65) |
| **TOTAL** | **20,202.95** | **19,111.68** | **(1,091.27)** |
| **2013/2014** | | | |
| **Item** | **Approved Estimates TZS** | **Actual collection TZS** | **Variance Over/(Under) TZS** |
| Tax revenue | 10,412.95 | 9,289.00 | (1,123.95) |
| Non tax revenue | 639.68 | 532.24 | (107.44) |
| Finance income | 123.75 | 108.71 | (15.04) |
| Internal | 1,699.87 | 3,289.41 | 1,589.54 |
| GBS, External Borrowing and | 5,011.60 | 3,084.93 | (1,926.67) |
| **TOTAL** | **17,887.84** | **16,304.30** | **(1,583.55)** |
| **2012/2013** | | | |
| **Item** | **Approved Estimates TZS** | **Actual collection TZS** | **Variance Over/(Under) TZS** |
| Tax revenue | 8,432.29 | 8,052.29 | (380.01) |
| Non tax revenue | 644.58 | 419.56 | (225.02) |
| Finance income | 72.26 | 61.59 | (10.66) |
| Internal | 1,632.00 | 2,492.71 | 860.71 |
| GBS, External Borrowing and | 4,410.81 | 3,992.17 | (418.64) |
| **Total** | **15,191.94** | **15,018.33** | **(173.62)** |

***Sources:*** *TRA audited financial statements, individual audited financial statements of Public Debt and General Services, Ministry of finance audited financial statements of 2014/2015 and General report of 2013/14.*

From the analysis shown on the table 13 below, it is clear that,

- The trend of revenue estimates from tax in the financial year 2014/15 has increased by 14.86% and 30.43% compared to the estimates in the financial year 2013/14 and 2012/13 respectively, also there has been an increase in the actual collection of revenue by 13.78% and by 25.26% when compared with revenue collected in the financial year 2013/14 and 2012/13 respectively.

- In the financial year 2014/15 revenue estimates from Non tax increased by 11.76% and by 8.13% when compared with estimates in the financial year 2013/14 and 2012/13 respectively. Accordingly, actual revenue collections from Non tax increased by 14.66% and 29.80% when compared with actuals in the financial year 2013/14 and 2012/13 respectively.

- Finance income estimates in the financial year 2014/2015 increased by 24.25% and 55.77% when compared with approved estimates in the financial year 2013/14 and 2012/13 respectively. Actual finance income increased by 32% and 61.47% when compared with the financial year 2013/14 and 2012/13 respectively.

- Actual Internal borrowings increased by 17.33% and external borrowing and assistance increased by 14.35% in the financial year 2014/15 when compared to the financial year 2013/14.

**Comparison between estimates of revenue and expenditure**

There has been an increase in revenue and expenditure estimates yearly with slight increases in actual revenue collections. Domestic and Foreign Debts have been increasing yearly while revenues from Tax and Non tax sources have been increasing very gradually regardless of several recommendations that have been offered from time to time. The trend for three consecutive years is as summarized in the table 13 below;

## Table 13: Trend of budget analysis for three years (Amount in TZS billion)

| Item | Approved Estimates TZS | | | D | E | % of D | % of E |
|---|---|---|---|---|---|---|---|
| | 2014/2015 (A) | 2013/2014 (B) | 2012/2013 (C) | variance (A - B) | variance (A - C) | | |
| Tax revenue | 12,121.19 | 10,320.16 | 8,432.29 | 1,801.04 | 3,688.90 | 14.86 | 30.43 |
| Non tax revenue MDAs/RSs | 701.60 | 619.06 | 644.58 | 82.54 | 57.02 | 11.76 | 8.13 |
| Finance income | 163.36 | 123.75 | 72.26 | 39.61 | 91.10 | 24.25 | 55.77 |
| Internal | 2,955.20 | 2,947.82 | 1,632.00 | 7.38 | 1,323.20 | 0.25 | 44.78 |
| GBS, External Borrowing and Assistance | 4,261.60 | 3,855.20 | 4,410.81 | 406.40 | (149.21) | 9.54 | -3.50 |
| **TOTAL** | **20,202.95** | **17,865.98** | **15,191.94** | **2,336.97** | **5,011.01** | | |
| | | | | | | | |
| **Item** | **Actual collection TZS** | | | **D** | **E** | **% of D** | **% of E** |
| | 2014/2015 (A) | 2013/2014 (B) | 2012/2013 (C) | variance (A - B) | variance (A - C) | | |
| Tax revenue | 10,773.22 | 9,289.00 | 8,052.29 | 1,484.23 | 2,720.94 | 13.78 | 25.26 |
| Non tax revenue MDAs/RSs | 597.70 | 510.09 | 419.56 | 87.61 | 178.13 | 14.66 | 29.80 |
| Finance income | 159.87 | 108.71 | 61.59 | 51.15 | 98.27 | 32.00 | 61.47 |
| Internal | 3,978.95 | 3,289.41 | 2,492.71 | 689.54 | 1,486.24 | 17.33 | 37.35 |
| GBS, External Borrowing and Assistance | 3,601.95 | 3,084.93 | 3,992.17 | 517.02 | (390.23) | 14.35 | -10.83 |
| **TOTAL** | **19,111.68** | **16,282.15** | **15,018.33** | **2,829.54** | **4,093.35** | | |

**Sources:** *TRA audited financial statements, individual audited financial statements of Public Debt and General Services, Ministry of Finance audited financial statements of 2014/15 and General report of 2013/14.*

It is high time now for the Government to start constricting the loose ends while reducing the loopholes in the Tax Acts and other areas that need improvements so as to expand our domestic sources of revenues which will in turn reduce dependence on borrowing and external assistance in financing the Government budget.

### 4.2.1 Comparison between Exchequer Issues released and the Approved Budget for Supply Accounts.

Approved estimates for recurrent expenditures in the year under review for MDAs and RS was TZS 11,646.20 billion which shows an increase of TZS 1,686.38 billion (16.93%) when compared with 2013/14 budget of TZS 9,596.81 billion.

Review of MDAs and RSs financial statements noted that TZS 11,190.11 billion was released as recurrent expenditure being 96.08% of the approved estimates, thus, TZS 456.08 billion was not released equals to 3.92% of the approved estimates.

Also there is an increase in exchequer issuesreleased by TZS 1,630.56 billion (17.06%) when compared with 2013/14 exchequers issues released. Exchequer issues released for supply vote account in the financial year 2013/14 were TZS 9,559.56 billion against approved budget of TZS 9,959.81 billion.

**Table 14: Exchequer issues released against estimates for Supply vote accounts (Amounts in TZS)**

| Financial Year/Items | Approved estimates | Exchequer issues Released | Unreleased funds |
|---|---|---|---|
| 2014/15 (A) | 11,646,196,605,462 | 11,190,114,440,646 | 456,082,164,816 |
| 2013/14 (B) | 9,959,812,919,274 | 9,559,557,777,044 | 400,255,142,230 |
| 2012/13 (C) | 8,599,992,738,758 | 8,284,419,655,467 | 315,573,083,291 |
| 2011/12 (D) | 9,214,885,955,263 | 8,687,230,788,550 | 527,655,166,713 |
| Variance (A-B) | 1,686,383,686,188 | 1,630,556,663,602 | |
| Pecentage of increase/(decrease) | 16.93 | 17.06 | |

**Source:***Individual audited financial statements of MDAs and RS*.

Exchequer issues not released as well as late released exchequer issues for recurrent activities impeded the smooth operation of the Government activities. Table 14 above shows the approved estimates and actual releases. Further details of approved budget and actual releases are as shown in Appendix 4.1 for each MDA and RS.

### 4.2.2 Comparison between Actual Exchequer Issues released and the Actual Expenditure for Supply Votes

Actual recurrent expenditure for the financial year 2014/15 amounted to TZS 11,156.43 billion against exchequer issues released of TZS 11,190.11 billion resulting to unspent funds amounting to TZS 33.68 billion (0.30%) of the released funds.

There is an increase of actual expenditure by TZS 1,605.14 billion (16.81%) in the financial year 2014/15 when compared with the actual expenditure reported in the financial year 2013/2014. Table 15 shows exchequer issues released and actual expenditure. Further details of Exchequer issues released and Actual expenditure are as shown in **Appendix 4.1** for each MDA and RS.

**Table 15: Exchequer issues released and actual expenditure for supply vote (Amount in TZS)**

| Financial Year/Items | Exchequer issues Released | Actual expenditure | Unspent funds |
|---|---|---|---|
| 2014/15 (A) | 11,190,114,440,646 | 11,156,432,036,782 | 33,682,403,864 |
| 2013/14 (B) | 9,559,557,777,044 | 9,551,289,609,949 | 8,268,167,095 |
| 2012/13 (C) | 8,284,419,655,467 | 8,249,278,491,861 | 35,141,163,606 |
| 2011/12 (D) | 8,687,230,788,550 | 8,685,275,162,094 | 1,955,626,456 |
| Variance (A-B) | 1,630,556,663,602 | 1,605,142,426,833 | |
| Pecentage of increase/(decrease) | 17.06 | 16.81 | |

***Source:*** *Individual audited financial statements of MDAs and RS*

Supply vote account shows an overall increase in spending in the financial year 2014/15 compared to the financial year 2013/14. However existence of unspent funds implies that some of the planned activities were not implemented

### 4.2.3 Comparison between Actual Exchequer Issues released and the Approved Budget for Development Votes

Approved estimates for Development expenditures for MDAs' and RS in the year under review were TZS 4,389.02 billion a decrease of TZS 646.92 billion (12.85%) when compared with 2013/14 budget of TZS 5,035.94 billion.

Review of MDAs and RS financial statements noted TZS 2,954.20 billion were released as development expenditure being 67.31% of the approved estimates, thus, TZS 1,434.83 billion were not released equals to 32.69% of the approved estimates.

However, exchequer issues released decreased by TZS 192.84 billion (6.13%) when compared with financial year 2013/14. Refer to Table 16 below.Further details of approved budget and actual releases are as shown in Appendix 4.2 for each MDA and RS.

**Table 16: Exchequer issues released for Development vote (Amount in TZS)**

| Financial Year/Items | Approved estimates | Exchequer issues Released | Unreleased funds |
|---|---|---|---|
| 2014/15 (A) | 4,389,023,185,915 | 2,954,195,303,772 | 1,434,827,882,143 |
| 2013/14 (B) | 5,035,944,055,546 | 3,147,036,199,330 | 1,888,907,856,216 |
| 2012/13 (C) | 4,225,474,934,851 | 3,247,527,081,386 | 977,947,853,465 |
| 2011/12 (D) | 4,311,009,394,737 | 3,384,431,758,346 | 926,577,636,391 |
| Variance (A-B) | (646,920,869,632) | (192,840,895,558) | |
| Pecentage of increase/(decrease) | (12.85) | (6.13) | |

***Source:*** *Individual audited financial statements of MDAs and RS.*

Unreleased funds allocated to development activities have impact on those activities such as increase in the implementation cost of such activities and any interest which may accrue which in turn may lead to a huge financial burden to the Government in future.

### 4.2.3 Exchequer Issues received compared with Actual Expenditure for Development Vote Account

Actual exchequer issues released for Development Vote in the financial year 2014/15 amounted to TZS 2,954.20 billion,a decrease of 6.13% compared to 2013/14 released exchequer issues. TZS 165.41 billion was released in the fourth quarter which affected budget implementation. Actual spending was TZS 2,916.18 billion resulting into an unspent balance of TZS 38.02 billion (1.29%) of the released fund.

There was a decrease of actual spending in the financial year 2014/15 by TZS 228.90 billion (7.28%) when compared with 2013/14 spending.Table 17 below shows analysis of exchequer issues released against actual expenditure.Further details of Exchequer issues released and Actual expenditure are as shown in Appendix 4.2 for each MDA and RS.

**Table 17: Analysis of exchequer issues released and actual expenditure for development vote (Amount in TZS)**

| Financial Year/Items | Exchequer issues Released | Actual expenditure | Unspent funds |
|---|---|---|---|
| 2014/15 (A) | 2,954,195,303,772 | 2,916,177,331,940 | 38,017,971,832 |
| 2013/14 (B) | 3,147,036,199,330 | 3,145,081,736,220 | 1,954,463,110 |
| 2012/13 (C) | 3,247,527,081,386 | 3,203,098,332,184 | 44,428,749,202 |
| 2011/12 (D) | 3,384,431,758,346 | 3,376,296,146,186 | 8,135,612,160 |
| Variance (A-B) | (192,840,895,558) | (228,904,404,281) | |
| Pecentage of increase/(decrease) | (6.13) | (7.28) | |

***Source:****Individual audited financial statements of MDAs and RS.*

Generally, increase in Government revenue especially internally collected from tax and non-tax will smoothen operations of the Government and greatly reduce the dependence of the Government on external assistance and borrowing to finance its operations/budget. Strengthening and improving potential areas of economy like boarders, Harbors, TRA, Mineral, Tourism and Agricultural sectors will improve domestic generated revenues hence reducingthedependence rate as well as enhancing the living standards of the citizens. Enforcement ofcompliance with Acts, Regulations and different Circulars issued by the Government and adjusting the budget structure to affordable levels could add up towards achieving the targets set.

The Government has to prepare realistic budgets, disburse funds as approved by the parliament which will smoothen budget execution and minimize budget reallocations. Further improvements are needed in revenue forecasting both local and foreign funding including negotiating with Development Partners to make their grants on time.

### 4.2.4 Comparison of Non-Tax Revenue collections and approved budget

The approved budget for non-tax revenue for MDA, RS and Embassies for the financial year 2014/15 were TZS 701,558 million, TZS 40 million and TZS 15,510 million respectively. Actual collections were TZS 597,607 million, TZS 89 million and TZS 19,029 million for MDA, RS and Embassies respectively.

MDAs reported under collection of TZS 103,951 million (14.82%), Embassies reported over collection of TZS 3,520 million (22.69%) while Regional Secretariat reported over collection of TZS 49 million (124.68%) above the approved budget.

The approved budget for non-tax revenue for MDA, RS and Embassies for the financial year 2013/14 was TZS 639,631 million, TZS 49 millionand TZS 17,152 million respectively. Actual collections were TZS 532,221 million, TZS.14 million and TZS 21,069 million for MDA, RS and Embassies respectively.

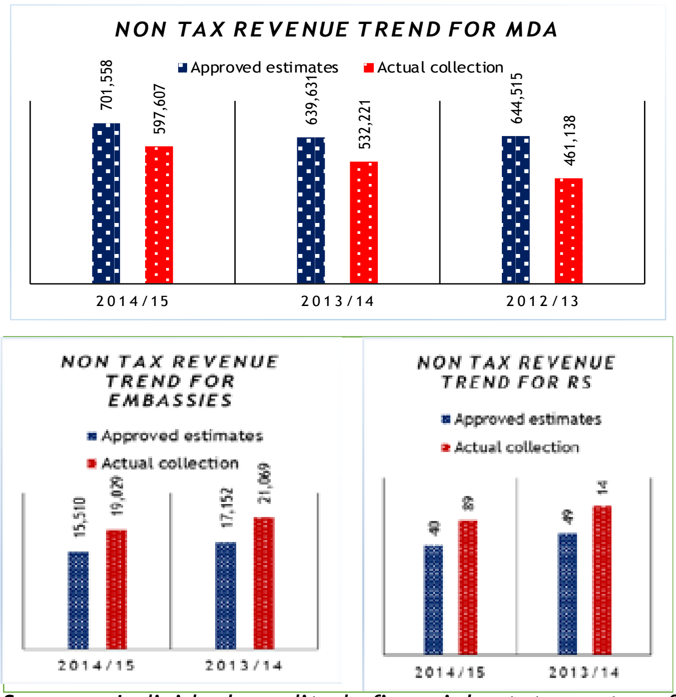
The approved budget for non-tax revenue for MDA, Embassies and RS for the financial year 2012/13 was TZS 644,515 million, TZS 15,968 million and TZS 65 million, respectively. Actual collections was TZS 461,138 billion, TZS 19,918 billion, and TZS.2.13 billion, respectively

### Table 18: Trend of non-tax revenue for three years (Amount in Million TZS)

| Financal Year | Description | Approved estimates | Actual collection | (Under)/Over collection | % of actual vs estimates | % of estimates vs uncollected |
|---|---|---|---|---|---|---|
| 2014/15 | MDA | 701,558 | 597,607 | (103,951) | 85.18 | (14.82) |
| | RS | 40 | 89 | 49 | 224.68 | 124.68 |
| | EMBASSIES | 15,510 | 19,029 | 3,520 | 122.69 | 22.69 |
| 2013/14 | MDA | 639,631 | 532,221 | (107,410) | 83.21 | (16.79) |
| | RS | 49 | 14 | (35) | 28.57 | (71.43) |
| | EMBASSIES | 17,152 | 21,069 | 3,917 | 122.84 | 22.84 |
| 2012/13 | MDA | 644,515 | 461,138 | (183,377) | 71.55 | (28.45) |
| | RS | 65 | 2,128 | 2,063 | 3,273.85 | 3,173.85 |
| | EMBASSIES | 15,968 | 19,918 | 3,950 | 124.74 | 24.74 |

Source: *Individual audited financial statements of MDAs RS and Embassies.*

### Figure 7: Non Tax Revenue Trend for MDAs, RS and Embassies (Figures are in Million TZS)




Source: *Individual audited financial statements of MDAs Embassies and RS.*

## 4.3 Issues on Retention scheme

This part of report presents issues noted under retention scheme during audit of the year 2014/15:

### Un-reimbursed TZS 21.04 billion from retention scheme

The government has an arrangement with some Ministries, Departments and Agencies to deposit revenue collected into the Consolidated Accounts and a percentage of that revenue to be reimbursed under retention scheme.

Those Ministries and departments includes; Ministry of Land, Housing and Human Settlement Development, Ministry of Natural Resources and Tourism, Ministry of Education and Vocation Training, Ministry of Energy and Minerals and Ministry of Community Development, Gender and Children, Immigration Services Department, Police Force Department and Prison Services Department.

From the revenue collected, an agreed proportion is reimbursed to the respective Ministries/Departments under the retention scheme agreement.

During the audit process it came to my attention that the amount of TZS 21.04 billion was not reimbursed to Immigration services department as per agreement on retention scheme. Some of the Ministries and Departments did not perform at their best in executing their non-tax collections as summaries in the table below.

**Table 19: Analysis of non-tax collection for Ministries and Departments under retention scheme (TZS)**

| MINISTRIES/DEPARTMENTS | Approved estimates | Actual collection | (Under)/Over collection | % of over/(under) collection |
|---|---|---|---|---|
| Education and Vocational Training | 9,502,818,100 | 7,460,697,372 | (2,042,120,728) | -21.49% |
| Lands and Human Settlement | 61,320,000,000 | 53,832,959,191 | (7,487,040,809) | -12.21% |
| Community Development, Gender & Children | - | 1,841,434,357 | 1,841,434,357 | 100.00% |
| Energy and Mineral | 269,385,983,999 | 211,255,402,708 | (58,130,581,291) | -21.58% |
| Natural Resources And Tourism | 114,656,850,557 | 75,825,462,808 | (38,831,387,749) | -33.87% |
| Home Affairs | 22,980,396,000 | 32,945,937,275 | 9,965,541,275 | 43.37% |
| Prisons (Ministry of Home Affairs) | - | 1,645,143,527 | 1,645,143,527 | 100.00% |
| Immigration Department | 95,536,675,000 | 105,501,616,430 | 9,964,941,430 | 10.43% |

Source: *Individual audited financial statements*

Except for Ministry of Community Development Gender and Children, Home Affair – Police Force, Prison and Immigration Services Department, other Ministries under retention scheme underperformed between 12.21 percent and 33.87 percent as seen from the Table19above.

Ministries and Departments under retention scheme are urged to collect Non tax revenue to meet the target set, this includes having budget for those which had zero budget and were able to collect over TZS one billion (Prison Department and Ministry of Community Development under CDTI).

## Chapter Five

## NATIONAL ACCOUNTS

### 5.0 Introduction

This chapter presents findings from the audit ofconsolidated accounts, management of Government investments and interests, Tanzania Revenue Authority, Pension and Public Debt.

### 5.1 Preparation of Consolidated Financial Statements

Following the decision to migrate to IPSAS accrual basis of accounting for the accounting period starting from 1st July, 2012, the Government is required to consolidate its financial statements and that of the controlled entities in compliance with IPSAS 6 and Section 25 of the Public Finance Act 2001.

Despite the good intention of the Government towards increasing transparency and accountability, the consolidation of financial statements for entities controlled by the Government has been faced by a number of challenges in the course of its implementation. These challenges include but not limited to:

#### 5.1.1 Consolidation of Entities with different reporting dates without making adjustments.

My review of the Consolidated Financial Statements for the United Republic of Tanzania for the year ended 30 June 2015, I noted that, the consolidated financial statements include some Government controlled entities which have reporting dates different from the reporting dates of the controlling entity contrary to paragraph 47 of the IPSAS 6 and Treasury Circular No. 12 of 2014/15 issued on 9 January 2015.

Furthermore, I noted that, no adjustments were made on the financial statements of the controlled entities to harmonize the reporting dates with those of the controlling entity. Non adjustment of the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements alsocontravenes with paragraph 48 of IPSAS 6. A summary of such entities are shown in the *Appendix 5.1.*

In my view, the Government through the Treasury Registrar has a role to ensure a close follow up of entities to be consolidated have uniform reporting dates. Thus, the burden of adjustment of reporting dates during consolidation process will be reduced and enable smooth compliance with the requirements of IPSAS 6 and reduce the complications involved in the adjustments of the effects arising from different reporting dates between the controlled and controlling entity.

### 5.1.2 Inconsistency in Preparation of Statement of Cash Flows

The Treasury circular No.11 of 2014/2015 issued by Permanent Secretary and Paymaster General addressing the presentation of the Statement of Cash Flows among other issues directed all the entities including Local Government Authorities to present their statements of cash flows using the direct method. However, my audit of the Consolidated Financial Statements I noted that the Local Authorities prepared their statements of cash flows using the indirect method contrary to Treasury Circular No. 11 of 2014/2015.

Inquiry with the Accountant General's Department revealed that, the Local Government Authorities had directives from the Ministry responsible for Local Government to use the indirect method in presenting their Statement of Cash Flows. In my opinion, this directive to LGAs from PMO-RLAG on the basis of the preparation of financial statements contravenes section 25 of the Public Finance Act 2001 (R.E. 2004) and Regulation 10 (3) &4 (a) which require and I quote 'It shall be the duty of the Accountant-General, subject to any general or specific directions issued by the Permanent Secretary, to specify for every Ministry, Division, Department, Fund, Agency or other unit required to produce accounts under Section 25 of the Act the basis of the accounting to be adopted and the classification system to be used and shall ensure that an appropriate system of account is established in each of them which is in accordance with Generally Accepted Accounting Practice, and which ensures that all monies received and paid by the Government are brought promptly and properly to account'.

I am aware of the perceived contradiction that exist between the requirement of the aforementioned section and Para 4(a) of Local Authorities Financial Memorandum (LAFM), 2009 which gives mandate to Ministry responsible for LGAs to issue directives that ensure the proper management of the finances of the local government authorities.

In my opinion, however, the requirement of LAFM, 2009 does not prevent the Accountant General in whatsoever to guide and direct the public Sector, LGAs inclusive on the basis of the accounting and the preparation of financial statements. In short, ACGEN with an assistant responsible for LGAs are technically better placed to direct on accounting matters. Thus, issuance of contradictory directives confuses accountants and makes consolidation difficult as the standard requires adjustments whenever bases of accounting differ.

I advise the Government to ensure all directives relating to the basis of accounting be issued by the

Accountant General through Permanent Secretary Treasury to avoid confusion in the preparation of accounts.

### 5.1.3 The process of consolidation of financial statements for MDAs, LGAs and GBEs not automated

During the audit of consolidated financial statements I observed manual posting of financial statements related to MDA's and LGA's in the designed template for preparation of consolidated financial statements of the government regardless of the use of EPICOR accounting system by both MDAs and LGAs.

My interview and inquiries with management also revealed that; (a) Tanzania Missions abroad, which are under Vote 34-Ministry of Foreign Affairs and International Cooperation, are not integrated in the EPICOR accounting system; (b) LGA's and MDA's EPICOR are not harmonized. Although both MDA's and LGA's use EPICOR 9.05 for accounting and budgeting purposes which could offer a suitable platform for compatibility and harmonization but the databases operate independently. This limits the Accountant General to access information directly from Local Government database and automate the preparation of Consolidated Financial Statements; and (c) some votes use independent Epicor databases due to the nature of their operations. This further limits automation of the consolidation process.

I am concerned that, high levels of manual interventions in the preparation of the Consolidated Financial Statements expose them to human errors which, in turn, lead into inaccurate financial statements. Hence, the current system further makes consolidation and adjustments process to be more time consuming.

While I acknowledge some of the challenges in the consolidation of financial statements, particularly for some GBEs which are not using Epicor system and IPSAS Accrual, but I believe that there is still room for the government automating the consolidation process for the central government, LGAs and even other public entities. A system driven consolidation to a greater extent reduce chances of human errors and will enhance easy tracking and update of adjustments to reflect the accurate and updated balances at all times.

I reiterate my recommendation that the government (a) configure Epicor system to automatically consolidate MDAs, LGAs and GBEs (b) speed up its efforts to integrate the Tanzania Embassies and High Commissions in the EPICOR accounting package so as to enhance their budgetary controls and credibility of their financial statements (c) harmonize the database of LGA's and MDA's so as to be able to automatically run their financial statements from the EPICOR system and finally develop advanced means to integrate the financial statements of government entities that are using EPICOR but their nature of operation necessitated separation of their database.

### 5.1.4 Absence of actuarial valuation for provision of Government pension TZS 597.4 billion

Paragraph 59 of IPSAS 25 states that, Accounting for Defined Benefit Plans is complex, because actuarial assumptions are required to measure the obligation and the expense, and there is a possibility of actuarial gains and losses. Also, the obligations are measured on a discounted basis, because they may be settled many years after the employees render the related service.

Review of consolidated financial statements for the period ended 30th June, 2015 noted that TZS 616.1

billion was provided by Government institutions for various activities including pension provisions for retirees, leave pay, legal cases and financial guarantees. Audit scrutiny revealed that 97 percent of the reported provision was pension funds for retirees, while the remaining balance was provided for employees leave pay, legal cases, financial guarantees and others.

A further review of the consolidated financial statements together with controlled entities (Individual financial statements) revealed that the Government operates within a defined benefit plan for provision of pension funds. I noted that the Government recognized and disclosed in the consolidated financial statement TZS. 597.4 billion as provisions for pensioners. However, no actuarial valuation has been conducted to determine the actual liabilities due to the Government as required by IPSAS 25.

I am therefore concerned that in the absence of an actuarial valuation to professionally determine the government pension obligations for its retirees, the reported figures in the consolidated financial statements may be misstated. Thus, lack of actuarial valuation also makes it difficult to determine the actuarial gains and losses that may accrue.

I therefore recommend the government to comply with IPSAS 25 for accounting for employees benefits by conducting actuarial valuation in order to determine the amount of liabilities of retirees and pensioners that is due to Government.

### 5.1.5 Biological assets not properly classified - TZS 83.993Billion

Para 39 of IPSAS 27 states that, “An entity shall provide a description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge".

Further, Para 42 states that, "In making the disclosures required by paragraph 39, an entity is also encouraged to distinguish between mature and immature biological assets, as appropriate. These distinctions provide information that may be helpful in assessing the timing of future cash flows and service potential. An entity discloses the basis for making any such distinctions".

During the year under audit, biological assets including dairy cattle, vines, bushes, fruit trees and trees in plantation forests were valued at TZS 84.0 billion. However, the reported biological assets were not categorized and disclosed into consumable and bearer biological assets as required by Para 39 of IPSAS 27. However, it was noted that, there is no guideline in place on how individual entities should account and disclose biological assets. Of course, lack of guideline raises my concerns on how to report and disclose biological assets in their respective categories the reported figure for such assets may not be fairly stated.

I therefore recommend the government to (a) report biological assets in compliance with IPSAS 27 and (b) incorporate the reporting procedures of biological assets in the accounting procedure manual to guide individual entities on how to account and disclose the biological assets.

## 5.2 Management of Government Investments and Interests

### 5.2.1 Introduction

The Treasury Registrar Office (TRO) has a duty to manage Government investments and interests in public corporations and other entities. The TRO was established by Treasury Registrar (Powers and Functions) Act Cap.370 of 2002 (R.E. 2010). The TRO is mandated to keep under permanent review the business and affairs of all persons and bodies of persons in respect of which the Treasury Registrar holds any property or any interest in them. The Treasury Registrar is therefore responsible for holding all investments comprised of the paid up capital of Government Business Entities (GBEs) as well as private investments where the Government owns shares or interests in trust for the Government of the United Republic of Tanzania.

The Government therefore mandated the office to operate independently as a Corporate Sole in July 2013 with a view of streamlining the existing functions instead of operating as a division under the Ministry of Finance. This move of strengthening the TR aimed at enhancing performance efficiency and oversight of public and statutory corporations so that the State Owned Enterprises (SOEs) mobilize more resources, spend wisely and become more accountable than it was before.

My review of how the office discharges its mandate in particular management of the government's investments noted several challenges as highlighted below;

### 5.2.2 InadequateManagement of Government Investments and other Interests

During the audit for the fiscal year 2013/14, I noted dwindling government investments in other entities and at times, government shares were, either diluted or at risk of being diluted. This was due to government's failure to inject extra funds when need for recapitalization of those companies arose as substantiated by the following cases:

a) My review of holdings of the Government in private companies noted that government shares held in some companies were diluted because the government through TR could not inject additional capital to buy right issues and new shares when called for. As a result, government's shareholdings and voting powers in those companies were diluted which, in turn, reduce the earning potentials of the government in terms of dividends. Such cases of dilution were observed in TANICA, Tanzania Oxygen Ltd and Tanzania Development Finance Ltd during this year. It was further learned that dilution of government shares in TDFL indirectly reduced her stake in the Bank ABC whose investment was made through Tanzania Development Finance Ltd. Table 20shows the extent of dilution of government shares in those companies and respective additional capital that the government failed to inject.

**Table 20: List of Companies with Government's shares diluted**

| S/N | Company | Previous value of Shares "in mln" | Previous No.of Shares in mln | % of Ownership | Current value of Shares "in mln" | Current No.of Shares in mln. | Ownership | Loss after Dilution of Shares "in mln" | Capital required "in mln" |
|---|---|---|---|---|---|---|---|---|---|
| 1 | TANICA | 188.72 | 1,4 | 10% | 145 | 1.4 | 8% | 43.97 | Information not Availed |
| 2 | Tanzania Oxygen L | 526.68 | 3.6 | 9% | 357 | 3.6 | 6% | 169.71 | 428 |
| 3 | Bank ABC via TDFL | 1,060.26 | 0.13 | 6% | - | 0.13 | 3% | - | 2,700 |
| | TOTAL | 1,775.66 | 3.73 | | 502.00 | 5.13 | | 213.68 | 3,128.00 |

**Source:** *CAG's Audited Financial Reports, 2014/15*

b) In the course of the Audit, I reviewed the performance of government investments held in shares, joint ventures, associates and in subsidiaries and noted that 19 entitieswere loss making investments which earn no return to the government. The persistent losses and deficits of such entities wipe out the equity of the

Chapter Five

government in those investments. As such most of these GBEs like ATCL, TTCL, TAZARA, TRL, DAWASCO and Twiga Bank Corp face an acute shortage of capital which makesthem unable to survive without subsidies. Although the causes for their current state may be debatable but their strategic calls to the country is indisputable a factor which attracts for government financial intervention. Appendix 5.2 shows the list of loss making investments.

c) Generally, lack of a standby investment fund affects the Government investments and the Office of Treasury Registrar (TRO) itself. With this trend, strategic shareholders in other similar companies would be tempted to take advantage of the Government's budgetary constraints and opt for recapitalization when they see the government is under critical budgetary limitations so that they dilute the government ownership in their companies. I am therefore, of the opinion that the absences of investment funds limit restructuring of strategic GBEs and leads to likely share dilutions in companies where government has interest.

### 5.2.3 Inadequate involvement of the Treasury Registrar in the Annual General Meetings

In light of the investment management role of TRO, I assessed the financial muscles of Treasury Registrar Office and noted that the TRO highly depends on the government subventions which are always meagre to manage the vast government investment portfolios under its custody which are worth TZS. 22,678.16 Billion as of 30 June 2015. Of course, TRO also collects the dividends, miscellaneous receipts and contributions from corporations under its control. During the year under review a total of TZS.161.14 billion (2014: 108.71 Billion) was collected as compared to estimates of TZS 142.39 Billion, an increment by 18 percent. However, all receipts from the corporations were surrendered to the government because TR has no retention scheme for the moment. Consequently, the ability of TRO in discharging its mandate is limited.

Lack of government investment funds on top of the aforementioned limitations, makes the TRO to be helpless when companies in which government has interests need to recapitalize. Such financial limitations subject all government interests and investments in those companies to a very high risk of being lost or diluted and eventually loss of strategic interests of the government and the country at large. In my opinion for the government to be able to get rid of the noted challenges in the management of its investment in shares and other interests the following measures have to be taken:

**I reiterate my earlier recommendations**

a) Government set up a standby investment fund from revenue received from dividends and miscellaneous revenues in order to build up investible fund for equity investments whenever companies in which government has stake need to recapitalise or participate in other investment avenues that the Government may wish to invest. This can entail government to allow TRO retain all collections for a specified period (say four to five years) and thereby sustain through my recommendation below.
b) The government through Ministry of Finance introduce the retention scheme for the TRO in order to set up the proposed investment fund. The scheme will also serve as performance measurement tool for the Treasury Registrar which will enable the Government to assess the ability of the Registrar in mobilizing revenue from its investments.
c) Management of TRO institute a system that will ensure the Government is properly represented and participating in the decision making of

companies in which the Government has shares for the benefit of the public. This will help to ensure the Government participates adequately in the Annual General Meetings and other decision making meetings.

**5.2.4 Management of Debts and Payables under TRO**

I have reviewed the financial obligations of the Treasury Registrar's office for the period that ended on 30th June 2015. I also assessed how well the office manages loans and guarantees issued by the Government to Parastatals and corporate bodies, loan registers and data bank on investments in Government Institutions and ability to service debts under its portfolio.

It was also revealed that the defaulted guarantees and many of debts originated from compensations, pensions and court rulings on claims not related to investments were transferred to TRO from Ministry of Finance. Non-investment debts contracted by the Government and the expired guarantees in the TRO's records in substance are public debts. However, they lacked a backup of relevant instruments (Bonds) for them to be transferred to appropriate Department responsible for accounting the public debts.

Conversely, I noted that all of non-investment debts which create financial pressure to the TRO, are serviced through the Consolidated Funds. The total payables of this nature amounted to TZS 674.95 billion which includes the defaulted guarantees of about TZS 139.9 billion, PSPF TZS 473.4 Billion and other liabilities TZS61.7 Billion. I am therefore concerned with these liabilities which neither related to core functions of Treasury Registrar nor match with available budget to settle them. In my view the nature of these obligations warrants to be placed under Public Debt and General Services for ease of accounting and management (Debt Management

Division). On this basis, I recommend the following actions to be taken:

I therefore reiterate my earlier recommendations;

a) The Government restructure and reclassify non-investment debts and expired guarantees to Public Debt and General Services to enable the Government have structured management and repayment. This can be done by the Government issuing bond that will serve as instrument for recoding and servicing such debts under the appropriate vote.

b) Management of TRO update records of its liabilities and prepare adequate budget annually to settle the remaining obligations that relate to its investment functions as and when they fall due. This will avoid further accumulation of debts.

## 5.3 Tanzania Revenue Authority

### 5.3.1 Introduction

The Tanzania Revenue Authority (TRA) was established by Act of Parliament No. 11 of 1995, and started its operations on 1st July 1996. In carrying out its statutory functions, TRA is regulated by law, and is responsible for administering impartially various taxes of the Central Government. The functions of TRA are detailed under Section 5 of the TRA Act, Cap 399.

TRA prepares two sets of financial statements; the Revenue Statement prepared under the International Public Sector Accounting Standards (IPSAS) - Cash basis of accounting and the financial statements prepared under International Public Sector Accounting Standards (IPSAS) – Accrual basis of accounting with respect to funds received from the Government and other sources to finance its operations.

### 5.3.2 Implementation Status of the prior year's audit recommendations

In the CAG's previous Management Letters, thirty five (35) recommendations were issued for the financial year ended 30th June, 2014 and seventy nine (79) recommendations were outstanding for the financial years from 2001/2002 to 2012/2013. We reviewed the progress made in implementing such previous years' recommendations totallingto one hundred fourteen (114) available for implementation; 59 (52%) relate to Customs and Excise Department, 26 (23%) relate to Large Taxpayers Department and 29 (25%) to Domestic Revenue Department as shown in the table below;

| S/N | Year | Customs and Excise Department | Large Taxpayers Department | Domestic Revenue Department | Total |
|---|---|---|---|---|---|
| 1 | 2001/2002 | 1 | 0 | 0 | 1 |
| 2 | 2002/2003 | 0 | 0 | 0 | 0 |
| 3 | 2003/2004 | 0 | 0 | 1 | 1 |
| 4 | 2004/2005 | 2 | 0 | 0 | 2 |
| 5 | 2005/2006 | 4 | 0 | 0 | 4 |
| 6 | 2006/2007 | 3 | 0 | 0 | 3 |
| 7 | 2007/2008 | 5 | 1 | 1 | 7 |
| 8 | 2008/2009 | 2 | 2 | 2 | 6 |
| 9 | 2009/2010 | 4 | 2 | 2 | 8 |
| 10 | 2010/2011 | 3 | 4 | 3 | 10 |
| 11 | 2011/2012 | 5 | 5 | 0 | 10 |
| 12 | 2012/2013 | 13 | 6 | 8 | 27 |
| | **Sub Total** | **42** | **20** | **17** | **79** |
| 13 | 2013/2014 | 17 | 6 | 12 | 35 |
| | **Total** | **59** | **26** | **29** | **114** |

Out of 114 recommendations, forty three (38%) were implemented, forty three (38%) were under implementation and twenty eight (24%) were not implemented. The table 21 below summarizes the implementation status of the audit recommendations in the three departments.

**Table 21: Summary on implementation of previous year's recommendations**

| Status | Customs and Excise | Large Taxpayers | Domestic Revenue | % |
|---|---|---|---|---|
| Implemented | 28 | 1 | 14 | 38 |
| Under Implementation | 11 | 20 | 12 | 38 |
| Not implemented | 20 | 5 | 3 | 24 |
| **Total** | **59** | **26** | **29** | **100** |

*Source: Management Letter, 2014/15*

In addition, the recommendations which are under implementation and those not implemented aggregate to outstanding recommendations totalling to seventy one (71). Further review revealed that out of the total outstanding recommendations, twenty nine (29) cases (41%) require decision of authorities outside TRA such as Judiciary for court cases and Parliament for cases where abandonment approval had been sought by TRA through the Treasury. Rulings of such court cases and write off approvals have been awaited since the year 2001/2002. The balance of forty two (42) cases or 59% are being pursued by the management of TRA.

Given the nature of issues, the implementation status is satisfactory but I still urge management of TRA to speed up implementation of the recommendations in order to unlock the tied up revenue in the pending matters and enhance its revenue collection potentials.

### 5.3.3 Revenue out-turn in Tanzania

During the financial year 2014/2015, the Authority collected a total of TZS.10, 744 billion against the set target of TZS.12, 078 billion reflecting an under collection of TZS.1, 334 billion equivalent to 11 per cent of total revenue targets. The total revenue collected excludes TZS 29 billion for Treasury

Vouchers with respect to payment for tax emptions and refunds thus the actual collection for the year was TZS.10, 773 billion. Table 22 below indicates total Revenue collection from both Tanzania Mainland and Zanzibar.

**Table 22: Revenue Collection Departmental-wise (TZS Million)**

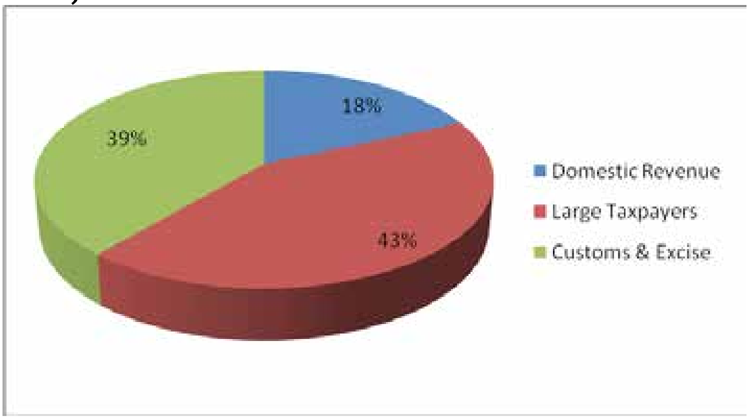
| Department | Targets - Mainland & Zanzibar | Collection for Mainland & Zanzibar | Under collection | Under Collection in percentage | % Revenue Collection- Dept. wise |
|---|---|---|---|---|---|
| Domestic Revenue | 2,120,063 | 1,974,958 | 145,106 | 7 | 18 |
| Large Taxpayers | 5,489,128 | 4,611,058 | 878,071 | 16 | 43 |
| Customs & Excise | 4,468,823 | 4,157,749 | 311,073 | 7 | 39 |
| **Total collections** | **12,078,015** | **10,743,765** | **1,334,250** | **11** | **NA** |
| Treasury Vouchers | 43,179 | 29,459 | 13,719 | 32 | 0.27 |
| **Grand total** | **12,121,193** | **10,773,224** | **1,347,969** | **11** | **100** |

*Source: Audited Revenue Statements 2014/15*

Generally, collections from the three departments missed the targets for the year under review. However, Large Taxpayers Department (LTD) recorded the largest under collection of 16 percent (Excluding treasury vouchers) as compared to Domestic Revenue Department (DRD) and Customs and Excise Department (CED) with under collection of 6.84% and 6.96% respectively.

Figure below shows that LTD accounts for 43% share of actual collection which has the largest share, followed by CED with 39% share and DRD with 18% ranked the last for this year, of course, Treasury Vouchers exclusive.

**Figure 8: Actual Revenue Collection Departmental wise, 2014/15**




### 5.3.4 Revenue Collection Trend

The trend of revenue collections over the past five years, in average, was below the approved estimates with exception of the year 2011/12 where actual collections exceeded the target by 4 per cent. However, the Authority continued to record an upward movement in terms of the tax yield (tax to GDP ratio) to 2013/14 before a sharp decline to 13 percent this year. It is worth-noting such a decline in the tax yield from 17 per cent recorded in 2013/14 was mainly attributed to economic rebasing which increased GDP for 2014/15.

Generally, the tax yield still falls short of the strategic target yield of 19.9 per cent which TRA aspires to achieve by 2018. Table 23shows the revenue collection and tax yield for five years of Tanzania and other East African countries.

**Table 23: Overall revenue collection performance for Tanzania (Millions TZS)**

| Details | Financial Years | | | | |
|---|---|---|---|---|---|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Targets | 5,721,831 | 6,329,413 | 7,978,158 | 10,957,001 | 12,078,015 |
| Actual | 5,443,592 | 6,586,585 | 7,912,304 | 10,026,659 | 10,743,765 |
| (under)/over collection | -278,239 | 257,172 | -65,854 | -930,342 | -1,334,250 |
| (under)/over collection (%) | -5 | 4 | -1 | -8 | -11 |
| **Tax-Yield (Tax/GDP)** | | | | | |
| **Tanzania** | 15.54% | 15.80% | 16.00% | 16.90% | 12.78% |
| **Uganda** | | | | 13.30% | 12.77% |
| **Kenya** | | | | 22.10% | 16.34% |
| **Rwanda** | | | | 14.90% | 14.20% |

**Source:** *TRA Statistics, 2014/15*

From the budgetary analysis, the actual collection as percentage of estimates was 96%, in average, over the past five years with exception of 2011/12. However, this year's collection of 11 percent was the least in the row.

On the other hand, a comparative analysis of tax efficiency for all East African States shows that Tanzania ranks third behind Kenya and Rwandabut she is better off than that of Uganda. A casual comparison of the trend in Kenya and Rwanda, I am of the view that the Tanzanian tax efficiency, both actual and target yields leave room for improvement through increased efforts in the revenue mobilization.

### 5.3.5 Key Factors attributing to non-achievement of the set targets

The revenue collection trend has indicated a declining rate for the period of five years with exception of 2011/12. The main drives that have contributed to that effect include:

a) Administration of the exemptions and tax refunds has not been seriously monitored. This provides loopholes for unscrupulous people to abuse them and cause losses of the Government revenue.

b) Tax exemptions and incentives are not well targeted and there are some exemptions that target individuals/groups rather than economic activities as it should be. This defeats the rationale of exemptions and creates a discriminatory tax system.

c) Tax audits and investigations were not effectively conducted and in some instances when they were done, the enforcement of established tax was not given the attention it deserved.It has come to my attention that the Authority failed to collect interests and penalties on late payments of taxes resulting from tax audits and investigations. Such weaknessescoupled with ineffective an inefficient tax appealing systempromote non-compliance and tax evasion which contribute to under-collection of tax revenue.

d) Furthermore, there was inadequate monitoring mechanism over non-filers of tax returns and enforcement on the use of Electronic Fiscal Devices by qualified taxpayers, transfer pricing arrangements, presence of informal businesses and untapped income sources.

e) Inadequate control and monitoring mechanisms over clearance of imported and transit goods, inspection mechanisms over bonded goods and customs bonded warehouses, postal parcels, Export Processing Zones Authority (EPZA) and Inland Container Depots (ICDs).

f) It was clear that inadequate checks and control mechanism (audits) over importation of petroleum products and transit fuelas well as lack of oil flow meters and government reserve tanks at the ports of entry have also been avenues for the loss of government revenue from petroleum industry.

g) Taxpayers do not have a culture to file tax returns; multinational companies shift their profits through overpricing of invoices, transfer pricing and well-structured international transactions, informality of businesses and untapped revenue sources.

I recommend the Government to ensure tax enforcement measures are given high priority and widen the tax base to improve the revenue collections, specifically:

**5.3.6.1 Administration of Tax Incentives and Refunds**

The Government should continue to review its fiscal and tax policies with a view to removing all over generous tax incentives. This can be done through enhanced audit checks and control of tax incentives, enhancing monitoring and inspections of the use of tax incentives.

Government continue to enhance transparency of the tax exemptions through publication of exemptions and independent annual audit of tax exemptions by CAG.

Government reinforce tax refund management and receipting system through the use of EFDs and strengthen audit checks and control of tax refunds to reduce fictitious input-tax claimants from the VAT network.

**5.3.6.2 Tax Audits and Investigation**

a) Government should strengthen tax audits, investigations and enforcement measures to limit propensity avoiding and evading tax.

b) Government declare Amnesty of Interest and Penalties on Voluntary Disclosure of tax liability and instalment payment of tax liabilities to give opportunity to Taxpayers who decide to repent and start a fresh pageby enabling taxpayers to clear their principal sums of all outstanding taxes in arrears.

#### 5.3.6.3 Control over imported goods and fuel

a) Government strengthen audit checks and control over clearance ofimported and transit goods to ensure that transit goods are not localised and the relevant taxes upon localisation are collected immediately.

b) Government continue installingand using off-bond metersand acquire/builda National Reserve Tank (RT) at each port of entry so that the volumes of petroleum imported into the country are properly recorded and their release adequately controlled. The use of flow meters and RT will enable authorities to have accurate records of the off loaded and distributed petroleum products. Hence, optimize revenue from the petroleum industry.

#### 5.3.6.4 Specific issues raised during the current year audit

This section covers threekey issues requiring close management attention to enhance revenue collection. These include; Management of Tax objections, management of tax exemptions and tax revenue collection in Tanzania.

#### 5.3.6.5 Management of Tax ObjectionsLong Outstanding Tax Objection Cases at the Tax Appeals Machinery - TZS 6,850 billion

My audit this year noted that TRA had long outstanding cases at various tax appeals machinery amounting to TZS 6,850 billion of which TZS.187 billion are stuck at the Court of Appeals of Tanzania, TZS 2,780 billion at the Tax Revenue Appeals Board and the remaining balance of TZS 3,883 billion awaiting ruling at the Tax Revenue Appeals Tribunal. This situation was contributed to ineffective and inefficient tax appeals machinery, and partly lack of funds for the tax appealsbodies. Table 24summarizes outstanding cases at various Tax Appealsmachinery.

**Table 24: Outstanding cases at Tax Appeals Machinery**

| S/N | Year | Cases at the Tax Appeals Board | | Cases at the Tax Appeals Tribunal | | Cases at the Court of Appeals | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | USD (“000”) | TZS (“000’000”) | USD (“000”) | TZS (“000’000”) | USD (“000”) | TZS (“000’000”) | USD (“000”) | TZS (“000’000”) |
| 1 | 2001 | - | 65 | - | - | - | - | - | 65 |
| 2 | 2002 | - | 26,863 | | 85,071 | - | - | - | 111,934 |
| 3 | 2003 | - | 10,178 | - | 22,444 | - | - | - | 32,622 |
| 4 | 2004 | 15,009 | 165,069 | - | 472 | | - | 15,009 | 165,541 |
| 5 | 2005 | 11,763 | 8,863 | 20,595 | 1,420 | | 21,357 | 32,358 | 31,640 |
| 6 | 2006 | 6 | 18,531 | 53,980 | 6,244 | | 234 | 53,986 | 25,009 |
| 7 | 2007 | 60 | 55,270 | 9,669 | 25,945 | - | 2,880 | 9,729 | 84,095 |
| 8 | 2008 | 40 | 54,775 | - | 2,389 | 3,198 | 22,609 | 3,238 | 79,773 |
| 9 | 2009 | - | 106,491 | - | 14,393 | - | - | - | 120,884 |
| 10 | 2010 | 4,037 | 267,553 | - | 2,462,166 | - | - | 4,037 | 2,729,719 |
| 11 | 2011 | 215,211 | 49,333 | 107,888 | 6,877 | - | 35,363 | 323,099 | 91,573 |
| 12 | 2012 | 15,931 | 128,429 | 35,740 | 30,977 | - | 30,821 | 51,671 | 190,227 |
| 13 | 2013 | 112,998 | 179,459 | 220,919 | 85,424 | | 50,114 | 333,917 | 314,997 |
| 14 | 2014 | 4,899 | 390,993 | - | 16,407 | | 9,384 | 4,899 | 416,784 |
| 15 | 2015 | 63,291 | 355,824 | 45,956 | 48,866 | | 7,672 | 109,247 | 412,362 |
| | Total | 443,245 | 1,817,696 | 494,747 | 2,809,095 | 3,198 | 180,434 | 941,190 | 4,807,225 |
| | Exchange rate applied for cases in USD terms: TZS 2170/USD | | | | | | | | |
| Total in TZS | | 2,779,537,650,000 | | 3,882,695,990,000 | | 187,373,660,000 | | 6,849,607,300,000 | |
| A | Total of revenue tied up on outstanding appeals (Millions TZS) | | | | | | | 6,849,607 | |
| B | Government Budget for the year 2014/15 (TZS millions ) | | | | | | | 22,769,100 | |
| C | Tax revenue tied up as % of total government budget (A/B*100) | | | | | | | 30% | |
| D | Nominal GDP for 2014/15 (TZS millions ) | | | | | | | 84,279,922 | |
| E | Tax revenue tied up as % of GDP (A/D*100) | | | | | | | 8% | |

***Source: TRA submissions and Revenue Reports, 2014/15.***

In comparison to what I reported last year, tax revenue tied up on appeals cases has increased from TZS 1,716billion to TZS 6,850 billion in 2014/15, an increment of TZS 5,133,607 million equivalent to 299 percent. My analysis indicates potential revenues tied up on appeals which accountfor 30 per cent of the total Government budget estimates and 8 per cent of the nominal GDP for the year 2014/15 which is high. This shows how the inefficiency of the appeal system costs the country in terms of resources that the Government incurs to run cases for such a long time and loss of revenue when appellants become bankrupt before their appeals are resolved.

I reiterate my recommendation on the Central Government Audit report of 2013/14 that (a) hearings of tax appeals should be expedited by the Board, Tribunal and Court of Appeal; (b) for a long lasting solution, I propose the Government set up an Independent Complaints Commission to expedite the handling of appeals; and (c) the Management of TRA strengthen and improve the audit and investigation process in order to reduce tax disputes between the Revenue authority and the Taxpayers.



### 5.3.6.6 Inefficient Tax Objection and Enforcement Mechanism

My review of objections and enforcement system noted the following anomalies;

**Long outstanding tax objections - TZS 580,718,607,384**

During the year 2014/15, 211 applications for tax objections amounting to TZS 782,457,354,243 were filed by the taxpayers to disputethe assessments raised by the Commissioner. Out of the total applications, 55 (26 per cent)amounting to TZS 201,738,746,859were attended and resolved by the Commissioner leaving 156 applications (76 per cent) worth TZS 580,718,607,384 unresolved as at 30th June 2015. The high rate of unresolved applications was attributed to inadequate capacity of staff in relation to applications for tax objections filed by taxpayers.

**Failure to Collect Deposits on Tax Objection Applications- TZS 191,935,854,277**

Further review of the applications for tax objections applications admitted by the Commissioner during the period under review, the Authority failed to collect the deposits of TZS 191,935,854,277 being one third of the tax assessed or amount of tax not in dispute whichever is greater contrary to Sect. 12(3) of the Tax Revenue Appeals Act, Cap 408 of 2000 (Revised Edition 2006).

This practice attracts objections from taxpayers and encourages acts of non-compliance to other tax laws. This coupled with inefficient objection system (i.e. a slow pace of resolving objections) clearly tied up significant amount of government revenue in tax objections countrywide. As a consequence, the revenue targets are not attained and hence the implementation of Government plans is negatively affected.

I recommend the Government;

a) Expedite handling of tax objection applications in order to resolve the overdue unresolved tax objections. This can be done by increasing the number of competent and experienced personnel and enhancing technical capacity of the personnel in the Technical Services Unit and strengthen its tax assessment process in order to reduce the number of objection cases arising from the same and,

b) observe the law requirement of collecting the higher of one third of the tax assessed or the amount not in dispute prior to admission of tax objection and recover deposits from the tax assessed in objections

#### 5.3.6.7 Management of tax exemptions

The Government of Tanzania through TRA granted tax exemptions to specified activities on supplies and imports such as purchase/importation of capital goods for a certain period to attract Foreign Direct Investment (FDI) and/or promote specific economic policies such as promoting investment in certain sectors, improve relationship with other nations through exemptions to diplomatic missions and humanitarian grounds.

TRA Revenue Statements for the year 2014/15 reported tax exemptions of TZS 1,627 billion a decrease of TZS 207 billion (11 per cent) from the tax exemptions granted during the year 2013/14 of TZS1,834 billion(**Appendix 5.3**). Although, the amount of tax exemption has declined in this financial year, the level is still high as it accounts for 2 per cent of the GDP for the year 2014/15 compared to the Government target of reducing the tax exemption below one (1) per cent of the GDP. Efforts to decrease the tax exemptions will enable TRA to increase overall revenue collection and achieve the set targets. The trend of tax exemptions over the past five years is shown in the table 25 below.

**Table 25: Trend of Tax Exemptions to GDP Ratio, 2010-2015 (Million TZS)**

| Year/ | Nominal GDP | Total Tax Exemptions | Exemptions to GDP in % |
|---|---|---|---|
| **2010/11** | 35,026,679 | 1,016,320 | 2.90 |
| **2011/12** | 41,125,313 | 1,806,204 | 4.39 |
| **2012/13** | 48,385,100 | 1,515,607 | 3.13 |
| **2013/14** | 55,619,077 | 1,834,097 | 3.30 |
| **2014/15** | 84,279,922 | 1,627,012 | 1.93 |

***Source:*** *TRA Financial Statements and statistics and CAG's own Calculations, 2010-2015.*

From the above analysis, the level of tax exemptions as percentage of GDP over the past five years was 3% of GDP, in average, which is still higher than the target of 1% of the GDP or 5% of the total collected revenues (See Government Budget Speech 2013/14). Such exemptions in the past five years reached the lowest of 1.93% of the GDP of the year under review but economic rebasing in 2014/15 mainly explains such a decline.

It was noted that, ineffective monitoring of tax exemptions and refunds provide loopholes for abusing the incentives resulting to loss of Government revenue. For instance; the exemptions were targeted to individuals/groups instead of economic activities which defeat the rationale for such exemptions and creates a discriminatory tax system. Thus, stringent controls are needed to curb loopholes in the existing laws, collusive and abusive practices as well as inadequate oversight and monitoring mechanisms to prevent loss of Government revenue but the recent efforts taken by the Government including enactment of the new VAT Act 2014 and Tax Administration Act 2014 show the avenues for revenue loss are beginning to be tightened.

I recommend the Government;

a) Continue reforming the incentive regime with a view to reducing the level of tax exemptions to one percent (1%) or below of the GDP and boost the level of revenue collection.

b) Continue to review its fiscal and tax policies with a view to removing all over generous tax incentives. This can be done through enhanced audit checks and control of tax incentives, enhancing monitoring and inspections on the use of tax incentives.

#### 5.3.6.8 Management of Revenue collection Inadequate monitoring of Bonded Goods and Customs Bonded Warehouses

Audit of the bonded goods and customs bonded warehouses noted the following weaknesses;

**Overstaying of goods in the Customs Bonded Warehouses - TZS.110, 587,418,377**

A review of Customs System (TANCIS)information and relevant supporting documents noted outstanding goods with payable taxes of TZS. 110,587,418,377 held as stock balance in 137 Customs Bonded Warehouses for more than six months without being re-warehoused or transferred to the Commissioner for deposit in the Customs Bonded Warehouse (Government Warehouse). This practice contradicts Section 57 (1) of EAC Customs Management Act, 2004 which requires warehoused goods to be removed within six months from the date of warehousing unless a written permission to re-warehouse for another three months has been granted by the Commissioner for Customs. In my view the existence of overstayed goodsis an indication that the monitoring and supervision mechanism of warehoused goods, transit goods and customs bonded warehouses was not as effective and adequate as it should be.

Further, a physical verification of the Regional Customs offices and border stations noted 237 items (Table 4) remained un-cleared for more than 7 years pending customs clearance procedures beyond the statutory period prescribed under section 42(1) of the EAC Customs Management Act, 2004 which requires all goods remained in the customs warehouse for more than 60 days to be sold by public auction or in such manner as the Commissioner may deem fit. Table 26shows the list of overstayed items by region and border station.

**Table 26: Overstayed items in the customs warehouses**

| S/N | Location | Number of goods in the Warehouse |
|---|---|---|
| 1 | Moshi service center | 16 |
| 2 | KIA airport | 34 |
| 3 | Arusha customs service center | 17 |
| 4 | Namanga | 05 |
| 5 | Tarakea | 22 |
| 6 | Tanga | 11 |
| 7 | Horohoro | 01 |
| 8 | Bagamoyo | 131 |
| **Total** | | **237** |

*Source: Physical verification and CAG individual reports, 2014/15*

**Doubtful exit of exported goods - TZS 9,151,090,597**

My audit further, noted goods transferred to bonded warehouses for exportationduring the year 2014/15 with exempted customs duties of TZS 9,151,090,597. These goods were exported to other countries through various boarder stations,however, the evidence to supportexportation of those goods were missing when asked for audit. I could therefore not establish whether these goods were exported or were localized thereby contravening section 115 (a) & (b) of EAC Customs Management Act, 2004.

a) Government take prompt action to auction all overstayed goods in the Customs Bonded Warehouses to avoid further deterioration and damage of overstayed goods and loss of government revenue,

b) Government enhance monitoring and inspection mechanisms over the bonded goods and Customs Bonded Warehouses in order to comply with the requirements of Section 42 (1) the EACCMA, 2004

c) Government provide evidence of the exported goods with exempted customs duties of TZS 9,151,090,597, otherwise, provide recovery evidence of the saidamount of customs duties. Also, enhance control mechanism of all goods in transit and re-exportation of goods to avoid illegal localization and loss of government revenue.

**Inadequate control mechanisms over transit fuel and dry cargo**

During the audit for the year 2014/15, I noted 488 transactions with customs duties amounting to TZS 42,734,929,515 for the period of January to December, 2014 in respect of fuel exported to Uganda, Burundi and Rwanda through Rusumo, Kabanga and Mutukula border stations respectively; and 177 transactions with bond value (Customs duties) of TZS 45,932,245,932.47 for the period of July, 2013 to May, 2015 in respect of transit dry cargo exported through Kasumulu and Tunduma border stations which lacked evidence in the form of a register or system validation to support that the cargo exited the border. The total value for un-validated transit fuel and dry cargo amounts to TZS 88,667,175,447. This portrays non-compliance with customs controls which might offer opportunity for transit cargo/fuel to be diverted into local markets without paying the required taxes and hence loss of government revenue.

My further review of data from Customs System (TANCIS) noted unconfirmed exit of transit fuel of TZS 5,259,606,714. The Customs System (TANCIS) allows Customs Officer at the exit station mark and confirm the exit of fuel in the system. My review of transit fuel data extracted from TANCIS at Tunduma for three selected oil marketing companies for the months of November, December 2014 and January 2015 noted 263 trucks that had not been confirmed to exit the country. See the table 27below:

**Table 27: Un-confirmed exit of transit fuel (November 2014 - January 2015)**

| Oil companies | Total number of T1 entries | Total number of un-carried out T1 | Bond security tied on un-carried out T1 (TZS) |
|---|---|---|---|
| Dalbit petroleum | 825 | 244 | 4,857,251,251 |
| Olympic | 114 | 10 | 232,060,639 |
| Lake Oil | 150 | 9 | 170,294,824 |
| **Total** | **1089** | **263** | **5,259,606,714** |

*Source: CAG individual report of 2014/15*

a) Government enhance compliance with all exit procedures and controls for transit of fuel and dry cargo in order to ensure collection of customs duties, and

b) Government investigate all unconfirmed fuel and recover taxes for localised fuel.

**Uncollected penalties on late payment of cancelled bonds and late payment of localized fuel**

Regulation 104 (17) of the EAC Customs Management Regulation, 2010 requires that, whenever evidence of exportation is furnished after the expiry of 30 days from the date of exportation, the owner of the goods should pay a penalty to the bond at a rate of 3 per cent per month or at the equivalent rate where the period is less than a month.

Further, Section 249 of the EACCMA, 2004 states that, 'where an amount of duty or other sum of money which is due under this Act remains unpaid after the date upon which it is payable, an interest of 2 per cent per month or part of the month, of the unpaid amount shall be charged'.

My review of data extracted from Asycuda++ noted that 51 entries from 8 companies which were validated (bonds cancelled) beyond the statutory date but TRA did not charge any penalty for late cancellation of the bond. As a result, Government revenue from penalties amounting to TZS 1,886,574,959.39 could not be collected. Table 28 below shows the uncollected penalties on late bond cancellations and companies involved.

**Table 28: Penalties for late bond cancellations - list of companies**

| S/N | Agent name | Penalty amount (TZS) |
|---|---|---|
| 1 | Camel Oil (T) LTD | 151,497,254.70 |
| 2 | Engen Petroleum Tanzania Limited | 29,314,812.38 |
| 3 | Hass Petroleum (T) Limited | 102,612,235.81 |
| 4 | Lake Oil Limited | 203,389,711.98 |
| 5 | Mogas Tanzania Limited | 134,652,340.90 |
| 6 | Oil com(T) LTD | 261,089,111.71 |
| 7 | OLYMPIC ENERGY (T) LIMITED | 60,298,312.61 |
| 8 | ORYX OIL COMPANY LTD | 114,985,997.48 |
| 9 | PUMA ENERGY TANZANIA LIMITED | 712,781,316.18 |
| 10 | SHIRE PETROLEUM (T) LTD | 8,205,676.51 |
| 11 | TOTAL TANZANIA LIMITED | 107,748,189.12 |
| | **Total** | **1,886,574,959.39** |

*Source: CAG individual report 2014/15*

My further review of assessment and collection of revenue localized transit petroleum products noted a delay of two to 266 days from the date the demand note was served to the time of paying the

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duties by the oil marketing companies. However, no evidence was provided to substantiate collection of interest amounting to TZS 47,005,629 from localized transit fuel which was lately paid contrary to the requirement of Section 249 of the EACCMA, 2004. Table 29 below shows the summary of uncollected interests and companies involved.

**Table 29: Summary of the uncollected Interest - TZS 47,005,629**

| S/N | Company | Penalty due (TZS) |
|---|---|---|
| 1 | HASS PETROLEUM (T) LTD | 22,913,608.66 |
| 2 | HASHI ENERGY (T) LTD | 1,385,920.97 |
| 3 | GAPCO (T) LTD | 12,367,471.55 |
| 4 | TOTAL TANZANIA LIMITED | 1,346,976.70 |
| 5 | OLYMPIC ENERGY (T) LTD | 2,933,614.20 |
| 6 | UNITED GROUP LTD | 1,759,246.57 |
| 7 | SOCIETE PETROLIERE TANZANIA | 3,118,475.63 |
| 8 | AUGUSTA ENERGY | 1,180,314.74 |
| | ***Total*** | ***47,005,629.02*** |

*Source: CAG individual report 2014/15*

Failure to enforce interests on late payments of localised as well as penalties denies the Government an opportunity to collect more revenue to finance its budget. Also, failure to institute punishment for non-compliance of the laws denies the Government revenue from taxes and fosters non-compliance with the law.

I recommend the Government to;

a) ensure interest and penalties are charged for all late payments of transit fuel when they are localised and recover the uncollected amount of TZS 47,005,629 in accordance with Section 249 of the EACCMA, 2004 and.

b) Collect all penalties on late bond cancellations of TZS 1,886,574,959.39 as required by Regulation 104 (17) of the EAC Customs Management Regulation, 2010.

**Uncollected customs duties and levies on imported fuel - TZS 5,774,263,079**

Audit review of reconciliation on total quantity of fuel imported for the year 2014/15 of 4,150,317,080 against actual quantity cleared for local consumption, exempted, transited and localized transit of 4,026,889,488 revealed a difference of 123,427,591 litres of fuel with due taxes amounting to TZS 9,463,254,713.80. As at the time of preparing this report an amount of TZS 3,688,991,635 relating to 113,531,317 litres were recovered leaving a quantity of 9,896,274 litres with payable taxes of TZS 5,774,263,079 uncleared. The differences which were not accounted for were noted from AGO, Mogas/PMS, IK/JET A1 and HFO products.

I recommend the Government;

a) investigate the fuel difference with a view to establishing whether the fuel was illegally consumed locally and ensure that the assessed customs duties plus penalty and interest thereon are collected

b) Ensure controls over imported fuel are strengthened with the aim to deter such practice to occur in future.

**Assessed taxes not collected amounting to TZS 297,296,619,239**

Review of tax investigation register, tax arrears register, and other supporting documents noted assessed taxes amounting to TZS. 297,296,619,239 but the said amount remained uncollected up to the time of this audit in November, 2015. Audit revealed that, existence of long outstanding taxes in arrears was attributed to inadequate recovery and enforcement mechanisms especially in TRA Regional Offices.

**Table 30: Assessed taxes not collected - TZS 297,296,619,239**

| S/N | Description | Amount (Million TZS) |
|---|---|---|
| 1. | Taxes payable in instalments but outstanding beyond the agreed due dates | 15,823.64 |
| 2. | Accrued Interest not collected as at 30th September, 2015 | 10,542.83 |
| 3. | Corporate tax not collected from suppliers of VAT relieved goods | 26,057.12 |
| 4. | VAT due for collection from doubtful Non-Filers | 504.11 |
| 5. | Tax arrears as at 30th June 2015 from various tax regions | 216,825.43 |
| 6. | Tax arrears claimed to be collected but not verified | 858.83 |
| 7. | Outstanding taxes as per ITAX System from M/S Kaskazi Catering Services Ltd | 714.16 |
| 8. | Outstanding Tax Demand Notices | 882.51 |
| 9. | Outstanding fine due from defaulters | 182.29 |
| 10. | Taxes established by Investigation Department but not collected | 22,349.20 |

| S/N | Description | Amount (Million TZS) |
|---|---|---|
| 11. | Assessed tax revenue from beneficiaries of IPTL Escrow Account not collected | 2,556.49 |
| **Total** | | **297,296.61** |

*Source: CAG individual report 2014/15*

I recommend the Government to institute strict enforcement measures to collect all outstanding taxes arising from assessment by the Tax Investigation Department, Examination Unit and Tax Audit Unit.

**Under assessment of taxes by TZS 43,911,472,701**

My review of the sample of taxpayers' files and other relevant documents such as taxpayers' returns of income, VAT special relief beneficiary records, VAT returns, and other documents as per TRA records noted that there was under assessment of taxes payable by TZS 43,911,472,701. Underassessment was a result of over or under declaration of taxable income in the returns of income and VAT returns filed by taxpayers through self-assessment as well as inadequate reviews, analysis and correlations of taxpayers' self-assessment and TRA records relevant for tax assessment.

In my view, laxity in the review mechanisms may offer opportunity for collusive practices and abuse of self-assessment system by unscrupulous persons hence, denying the Government of its rightful revenue. Table 31 shows summary of under assessed taxes that were noted during my audit:

**Table 31: Summary of under-assessed taxes**

| S/N | Description | Amount (TZS) |
|---|---|---|
| 1. | From various tax regions | 17,224,348,334 |
| 2. | Corporate tax from M/S WU ZHO Investment Ltd | 279,500,230 |
| 3. | Corporate tax from suppliers of VAT relieved goods | 26,057,123,910 |
| 4. | Corporate tax from M/S CMC Automobile Ltd | 350,500,227 |
| **Total** | | **43,911,472,701** |

*Source: CAG individual report 2014/15*

I recommend the Government should;

a) Strengthen audit checks and investigations to reduce fictitious input-tax claimants from the VAT network and curb under-declarations in the income tax returns.

b) Investigate on all identified under-assessment and recover all payable taxes together with interest and penalty thereof as required by the tax laws.

**VAT Returns not filed by 51,792 taxpayers**

Sect. 26 of the VAT Act, 1997 (revised 2006) requires every taxable person to lodge with the Commissioner a return of Value Added Tax monthly based on goods and services supplied in the cause of business and; Sect. 27 and Sect. 45 impose punitive measures to the defaulters. However, my examination of a sample of tax returns filed during the year 2014/2015 at various tax regions found that 51,792 VAT registered traders did not file their VAT returns during the year under review. A total of 2,549 VAT returns were not filed by VAT registered persons as required by VAT Act, 1997.

Furthermore, my test check of Z-reports for five (5) sampled taxpayers in the EFD Management System, in

Iringa tax region, noted that those businesses were operational and VAT amounting to TZS. 504,108,317 was due for collection during the year. Table 32 shows unfiled returns and respective number of non-filers by region.

**Table 32: VAT Returns not filed by 51,792 taxpayers**

| S/N | Tax Region | Registered Traders | No. of unfiled Returns |
|---|---|---|---|
| 1. | Arusha | 31 | 92 |
| 2. | Kilimanjaro | 20 | 176 |
| 3. | Manyara | 77 | 0 |
| 4. | Temeke | 153 | 927 |
| 5. | Kinondoni | 50,164 | 0 |
| 6. | Shinyanga | | 1,043 |
| 7. | Ruvuma | | 286 |
| 8. | Tanga | 254 | 0 |
| 9. | Dodoma | 50 | 25 |
| 10. | Mwanza | 1043 | 0 |
| 11. | Iringa | | 969 |
| | **Total** | **51,792** | **2,549** |

*Source: CAG individual report 2014/15*

I recommend the TRA management to establish a mechanism of follow up to the VAT returns non filling taxpayers to ensure proper accounting and timely remittance of VAT revenue collections.

## 5.4 Public Debt and Public Debt Management

### 5.4.1 Introduction

Public Debt refers to the current outstanding obligations for which the Central Government and its branches are responsible. Public Debt is governed by the Government Loans, Guarantees and Grants Act No. 30 of 1974 (R.E 2004) whereby Sect. 3 and 6 of the Act give authority to the Ministry of Finance to borrow and issue guarantees on behalf of the Government.

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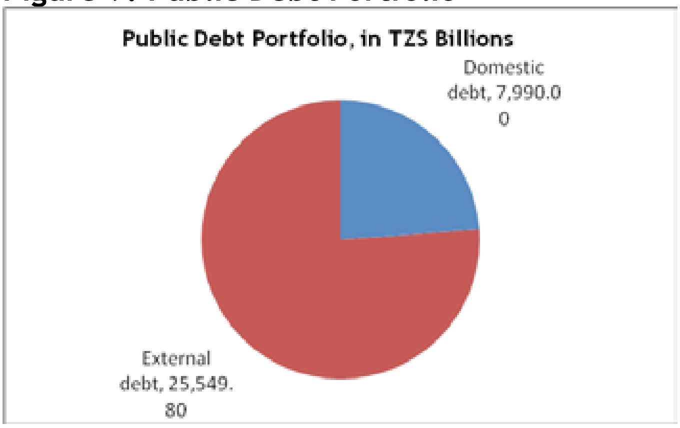
### 5.4.2 Public Debt Portfolio Analysis

Tanzania's total public debt as at 30th June, 2015 stood at TZS 33,539.8 billion of which domestic debt stock worth TZS 7,990.0 billion and the External debt stock valued at TZS 25,549.8 billion. This is an increase of TZS 7,052.4 billion equivalent to 27 percent compared to the debt stock of TZS 26,487.4 billion reported as at 30th June 2014. Figure 9 shows the composition of the public debt stock as at 30 June 2015.

**Figure 9: Public Debt Portfolio**




During the year, total disbursements from financiers were TZS 7,884.8 billion compared to disbursements of TZS 6,374.3 during 2013/214. This is an increment of TZS 1,510.5 billion equivalent to 24 percent.

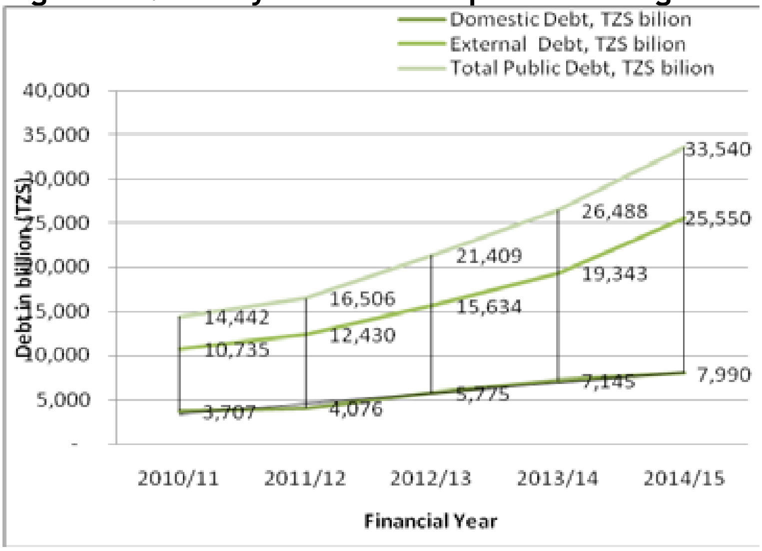
Public debt is continuously on the rise, a fact that is attributed to persistence budget deficits (mismatch on government revenue and expenditure), rollover of liquidity papers, new borrowings for various development projects and foreign exchange loss associated with a sharp depreciation of Tanzanian Shilling against strong currencies. Table 33and Figure 10illustrate the trend of public debt stock by type over the past five years.

**Table 33: Five year trend of public debt growth**

| Year (figures in TZS Billion) | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|---|---|
| Domestic Debt | 3,707 | 4,076 | 5,775 | 7,145 | 7,990 |
| External Debt | 10,735 | 12,430 | 15,634 | 19,343 | 25,550 |
| **Total Public Debt** | **14,442** | **16,506** | **21,409** | **26,488** | **33,540** |

***Source:*** *Audited Financial Statements of Vote 22-Public Debt and General Services*

**Figure 10: Five year trend of public debt growth**




### 5.4.3 Domestic Public Debt Portfolio

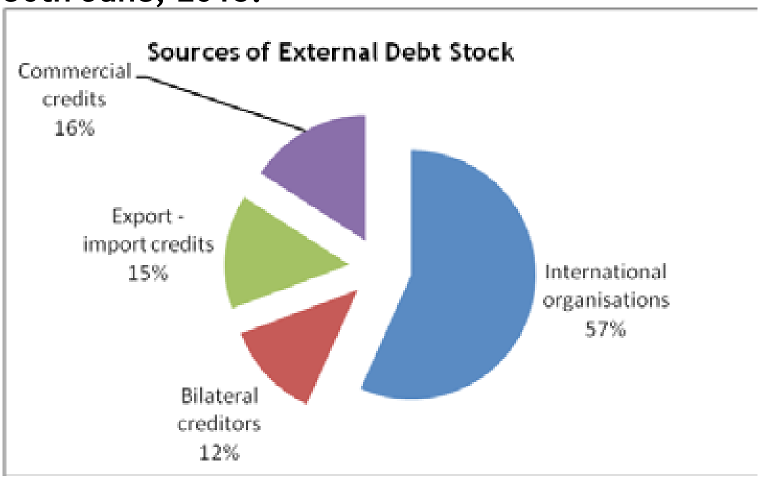
The country's domestic debt stock, which is mainly on treasury bonds and Stock, treasury bills, and un-securitized debt, reached as of 30th June 2015 TZS7,990.0billion, compared to TZS 7,144.5 billion reported at 30th June 2014. This is an increase of TZS845.4 billion equivalent to 12 percent of the domestic debt registered in the previous year. Domestic Disbursements/borrowings during the year amounted to TZS 4,282.8 billion of which TZS 744.8 billion was for development budget support and TZS 3,538.0 billion was for rollover.

In principle, the linearity of the domestic stock is attributed to the tendency of rolling over the maturing domestic obligations annually without a repayment budget to be set out of the Government's internal revenue. In my opinion all domestic rollovers account for budget financing which enable the government to settle the maturing obligations.

### 5.4.4 External Public Debt Stock

The External Public Debt Portfolio includes loans from Multilateral and Bilateral Institutions and Development partners. As at 30th June, 2015 the External Public Debt stock was TZS 25,549.8billion equivalent to 73.1 percent of the total public debt. Such debt stock increased by TZS 6,206.9 billion, equivalent to 32 percent of the external debt of TZS 19,342.9 billion reported in 2013/14. The composition of External debt stock by source is shown in the Figure No. 11 below;

**Figure 11: Sources of External Debt Stock as at 30th June, 2015.**




My review noted that the rise of external debt was mainly attributed to borrowings from Multilateral sources such as IDA amounting TZS 1,164.9billion to support various development and social projects including Productive Social Safety Net Project (TZS 201.4 billion), Open Government and Public

Financial Management (TZS 201.0 billion), Transport Sector Support Project (TZS 82.1 billion), and Urban Local Government Strengthening Program (TZS 76.8 billion).

In addition, the government received funds from bilateral sources (France, UAE and Japan) worth TZS 108.1 billion and External Non Concessional Borrowings (ENCB) in the form of Export Credit Arrangement amounting to TZS 897.2 billion. Loan proceeds from ENCB mainly provided by Export – Import Banks of Korea, China and India were directed to key projects such as Natural Gas Processing Plant and Pipeline project (TZS 444.3 billion), Tanzania Energy Saving and Eco Housing Project (TZS 144.5 billion), Dar es Salaam and Chalinze Water Supply Scheme (TZS 54.6 billion), and Construction of Data Centre for National ID System (24.0 billion).

Further, the government received funds from Commercial banks amounting TZS 1,004.1 billion including TZS 512.1 billion and TZS 414.4 billion from China Development Bank for Term Loan Facility Agreement and Infrastructure Project respectively. Credit Suisse AG provided a Term Facility Agreement (TZS 17.4 billion), and Hong Kong Shanghai Bank – HSBC TZS 60.2 billion for Construction of Passenger Terminal III at Julius Nyerere International Airport.

### 5.4.5 Debt Service and Debt Sustainability Analysis

The trend of the Public Debt service has been increasing for both external and domestic debt after a sharp decline in 2007/8 when the country enjoyed debt reliefs from bilateral and multilateral creditors. My review noted the sharp increase has been attributed to the new disbursement for concessional and non-concessional loans to finance development projects. Of course, the foreign exchange losses (2014/15 alone: TZS 2,943 Billion) arising from deterioration of Tanzanian Shilling against strong currencies become a key explanatory factor for external debt growth when reported in TZS equivalent. Anyhow, the increase of non-concessional loans and domestic debt stock makes cost of borrowing to be high a fact that calls for attention of the policy makers.

However, my audit of the debt noted that the Ministry of Finance did not conduct Debt Sustainability Analysis (DSA) for 2014 as required by the Government Loans, Guarantees and Grants Act, 1974 (R.E. 2004) but the International Monetary Fund performed such analysis and issued its report on 19 June, 2015. My review of such DSA results noted that public debt remained favourable with a low risk of debt distress as such all external debt ratios have remained below the relevant thresholds. I believe the DSA results would remain the same even if the unrecorded debts (payables) of TZS 811.29 billion were included.

As such the unrecorded debts comprises of TZS 348.5 Billion payments in process under Central Payment Office, TZS 0.34 billion unrecorded liabilities for GEPF, TZS 64.153Billionunderstatement of net position with BOT, and expired guarantees of 398.3 billion under the Treasury Registrar. This is also an indication that the management of the public debt in Tanzania is fragmented as there are many institutions that manage the debt for now, a fact that calls for the public debt management to be unified.

As far as debt service cost is concerned, I am of the view that the service cost in relation to the internal revenue collections of the government is high. My review of debt servicing cost which includes principal repayments, Interest and Other payments noted that a sum of TZS 4,596.8 billion was paid during this year. This is equivalent to 46 percent of the government's internal revenue collections of TZS 10,062.8 billion.

The debt service when combined with other first charges such as personnel emoluments leave the Government with little fiscal space to finance development projects and other social services. My observation is also in line with a caution made by the Ministry of Finance itself in the recent Guidelines for the Preparation of Annual Plan and Budget for 2016/17 issued in January 2016. Thus, with such significant resources being directed to debt service it signifies the government will continue to rely on borrowings in order to fund the national budget and development projects if internal revenues are not mobilized seriously.

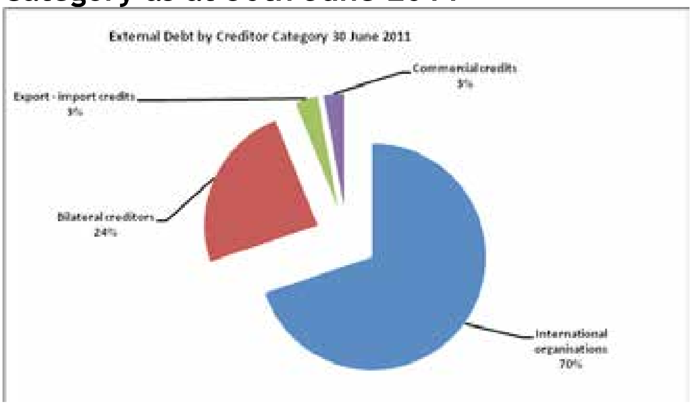
On the other hand, the rise of external non concessional borrowings (ENCB) and commercial credits in the public debt portfolio is expected to escalate debt service burden still further. This is due to the shorter grace periods, mostly three years; higher interest rates (Six Month USD LIBOR+5.55 percent); and shorter maturities mostly ten years at the maximum which characterize such type of facilities. Table 34 and Figure 12 show the comparison of the external debt composition between 2010/11 and 2014/15.

**Table 34: External Debt by Creditor Category as at 30th June, 2011 and 30th June 2015**

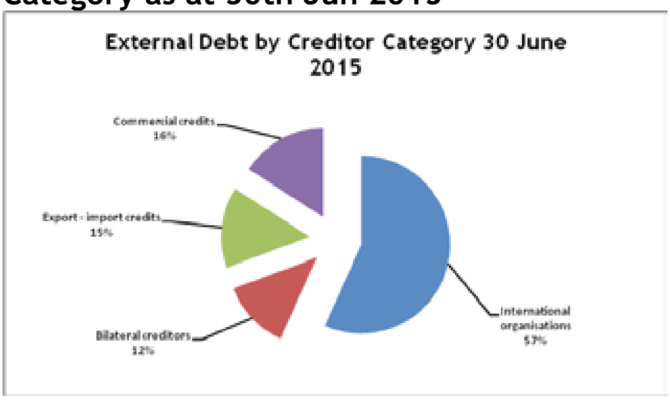
| Details | 2010/2011 | | 2014/2015 | |
|---|---|---|---|---|
| | Amount (TZS billion) | % | Amount (TZS billion) | % |
| International Organizations | 7,494.56 | 70 | 4,485.44 | 57 |
| Bilateral creditors | 2,585.33 | 24 | 3,229.47 | 12 |

| Details | 2010/2011 | | 2014/2015 | |
|---|---|---|---|---|
| | Amount (TZS billion) | % | Amount (TZS billion) | % |
| Export - import credits | 346.67 | 3 | 3,767.39 | 15 |
| Commercial credits | 307.75 | 3 | 4,067.52 | 16 |
| **Total** | **10,734.31** | **100** | **25,549.82** | **100** |

## Figure 12: Comparison of External Debt by Creditor Category as at 30th June 2011




## Figure 13: Comparison of External Debt by Creditor Category as at 30th Jun 2015



My analysis from the table and figures above shows that the proportion of Commercial Credits and Export - Import Credits has moved from three percent each to 16 percent and 15 percent, respectively, in 2014/15 from the figures reported in 2010/11. Such an increase is explained by the contraction of the proportion of concessional loans from Multilateral/ International organizations and Bilateral Creditors.

It is clear that international organizations claimed 70 percent of External Debt Stock as at 30th June, 2011 compared to 57 percent at the end of the financial year 2014/15. The proportion of Bilateral Credits as well has declined from 24 percent to 12 percent over the same period. Thus, the government is forced to go for the available alternative non concessional sources of funding to finance the National Development Budget.

a) Government scale up domestic revenue mobilization efforts to create sufficient fiscal space to service debt in the absence of a refinancing strategy. Restraining from a refinancing strategy will enable the domestic debt to be serviced out of internal revenues rather than rollovers as it is now.

b) Government adopt a prudent fiscal policystrategy including a cost cutting strategy, strategy of maximizing concessional loans and effective supervision mechanism over foreign operations in the country. The later when combined with export mobilization efforts will strengthen the Tanzanian Shilling against strong currencies. Hence, reduce foreign exchange loss which accounts for a sharp increase of the Debt.

c) Government review the National Debt Strategy and also ensure the National Debt Management Policy comes into force

Chapter Five

d) Government to expedite amendments of Guarantees, Loans and Grants Act, 1974 (R.E. 2004) in order to address challenges of public debt and public debt management

e) Government ensure that Annual Debt Strategy or Medium Term Debt Strategy is prepared and Debt Sustainability Analysis is performed as required by the Government Loans, Guarantees and Grants Act 1974 (R.E. 2004).

### 5.4.6 Non-Inclusion of Government Guarantees in the Public Debt Stock

I have observed government guarantees issued to service delivery institutions and defaulted guarantees of the corporations such as National Identification Authority (NIDA), ATCL, Bunge, TTCL, Loans Board, just to mention a few, which amounted TZS 398.3 billion were not included in the reported public debt stock as at 30 June 2015.

In addition, there were TZS 348.5 Billion payments in process under Central Payment Office and other outstanding pension liabilities which were under confirmation by Government. My inquiries with the Treasury informed me that the Government is in the process of issuing non cash bond for outstanding pension obligations but pension obligations together with the expired guarantees and payables under CPO were not included in the public debt stock as of 30$^{th}$ June 2015.

In my view, such guarantees and liabilities in economic reality qualify to be actual liabilities to the Government and accounted for as public debt. Hence, the reported public debt stock was understated.

I therefore recommend that the Government expedite the issuance of non-cash bond for the Pension Funds' obligations and expired guarantees in order to enable them to be recognized and recorded as public debt under Vote 22- Public Debt and General Services.

### 5.4.7 Unreconciled debt balances of the Government and Bank of Tanzania

A review of payments made to Bank of Tanzania (BOT) by the Government in respect of liquidity management costs and interests on net deficit position during the financial year 2014/15 revealed the existence of unreconciled difference of TZS 56.1Billion which was reported as arrears in the BoT's financial statements.

I further noted that BoT's statement of financial position as at 30th June 2015 disclosed TZS 409.0038Billion as net government deficit position while the net position of TZS401.67Billion was reported as per Public Debt and General Services (Vote 22) financial statements at the same date. Hence, the figure reported by the creditors, BoT, was higher by TZS 7.333Billion.

In my view the amount reported as outstanding liabilities in relation to the net position, management costs and interest on net government position was understated by a total of TZS 64.153Billion.

I therefore recommend that government should ensure regular reconciliations and confirmations of the net position with BoT are performed to avoid such differences in future.

### 5.4.8 Outdated National Debt Strategy and the Government Loans, Grants and Guarantees Act

Public Debt activities need to be clearly defined by laws, norms and regulations, which have to be in constant evaluation in order to be updated in accordance with the current conditions. The National Debt Strategy (NDS) of 2002 and stated objectives there in were geared at attaining the long term debt sustainability after completion of Highly Indebted Poor Country (HIPC) programme which was concluded in November 2001 and signing of Paris Club VII agreement in January 2002.

The NDS of 2002 was prepared within the context of the government Loans Grants and Guarantees Act of 1974. The economic circumstances during the inception of the law and time when the NDS come into force have changed considerably given the economic transformations that have transpired in Tanzania and globally as a whole.

I am aware that the NDS has not been revised and the major amendment of the law was made in November 2004. I am therefore concerned that with the expanded Public Debt Portfolio in terms of debt components and the enormous borrowing that has happened over the years, the governing law and guidelines are not at par with such development.

I am also aware that the Government started to prepare Medium Term Debt Strategy (MTDS) in collaboration with IMF and World Bank. The Government issued the first MTDS in June 2011. My discussion with Treasury revealed that the MTDS is prepared in place of the National Debt Strategy but the Government is considering having a National Debt Management Policy with the MTDS issued annually in support of the policy. While appreciating these efforts, the MTDS and the Public Debt Policy are not addressed in the current Government Loans, Grants and Guarantees Act of 1974 (R.E. 2004).

I therefore call on the Government to review the National Debt Strategy and also to ensure the National Debt Management Policy comes into force and also to expedite amendments of Guarantees, Loans and Grants Act, 1974 (R.E. 2004) in order to address challenges of public debt and public debt management

### 5.4.9 Dormant debts -TZS 2,090 billion

Review of the outstanding debt portfolio as of 30th June, 2015 noted seven (7) dormant debts from six different bilateral creditors with debt stock of TZS 2,090.0 billion comprising of outstanding disbursed debt TZS 721.5 billion or 35 percent and interest arrears TZS 1,368.5 or 65 percent. The debts had no movement for as much as 23 years and others had never been serviced since they were advanced. Management provided explanation that payment of such loans ceased pending negotiation for debt restructuring or cancelation with respective countries. I am concerned that presence of such dormant accounts which continue to accrue interest unrealistically increases the public debt stock.

I recommend that Government expedite the negotiations with lender countries with a view to determine the debt position and start servicing these debts.

### 5.4.10 Delayed Remittance of Statutory Contributions attracting penalty to the Tune of TZS52.8Billion

My review of compliance with remittance of statutory deductions revealed that Treasury was delaying remittance of contributions to the pension funds for period ranging from two (2) to twelve (12) months after of month end. This practice attracted a total penalty amounting to TZS 52,826,519,506 as stipulated inthe pension laws.

I therefore call for the Government to timely remit statutory contribution to Pension Funds to avoid unnecessary penalties and comply with the requirement of the laws. I also recommend that all outstanding statutory deductions be paid immediately to improve liquidity of the funds and avoid inconvenience to the pension beneficiaries.

## 5.5 Pre e-audit of terminal benefit payments

### 5.5.1 Introduction

Pre-audit of terminal benefit payments is carried out by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania (URT) 1977 (Revised 2005) and Sections 29 and 5 (a) of Public Audit Act No.11 of 2008 requires the Controller and Auditor General to authorize the use of money paid out of the Consolidated Fund upon being satisfied that Article 136 of the Constitution has been or shall be complied with.

It is thus vital to pre-audit all individual payments of the Government which cannot easily be forecasted and appropriated with funds such as terminal benefit payments.

### 5.5.2 Purpose of the Pre-Audit

The purpose of this audit is to get assurance and accuracy of terminal benefit payments by enabling early detection of errors with the intention of ensuring that the retirees are being paid what they deserve,taking into account that, any wrongly paid amount may not be easily recovered from retirees.

On the other hand, the pre audit of pension payments seek to ensure that the applicable pension laws, regulations, working policies in relation to public service correspondences, schemes of service and salary structures are complied with.

### 5.5.3 Pre-Audit Coverage

The pre audit of terminal benefits cover the public servants whose terminal benefits are paid out of consolidated fund and do not cover those whose terminal benefit payments are processed by the

Public Service Pension Fund (PSPF),Parastatals Pension fund(PPF) and other contributory schemes of services. The pre-audit was done on terminal benefit payments by involving:-

- Public servants, with mixed service, Military officers and other ranks, teachers and Intelligence officers.

- Contract payments for Political leaders, Non-citizens, re-appointed retired officers and citizens first appointed beyond 45 years of age.

- Compassionate gratuity for non-pensionable Public Servants, and

- Gratuity for Rank and file Police Soldiers.

### 5.5.4 Detailed Findings and Recommendations

This part of the report presents major issues observed from pre-audit of Terminal Benefit payments for the financial year 2014/2015 as follows;

#### 5.5.4.1 Performance Out-turn

During the year under audit, the office conducted pre audit exercise with 44 files on hand brought forward from the previous year 2013/2014.

For the year under review, a total of 4,777 retirees' files were submitted for examination out of which 4,683 files were examined and approved by the Controller and Auditor General,138 files were returned to the respective Accounting Officers requiring amendments and were still under examination as at 30th June, 2015 as summarized on the table below:-

Table 35: Files of retirees processed, 2014/15

| Details | Files |
|---|---|
| Balance as on 1st July,2014 | 44 |
| Received during the year | 4,777 |
| Available for audit | 4,821 |
| **Examined** | **4,683** |
| **Balance on 30th June,2015** | **138** |

#### 5.5.4.2 Inaccurate Calculations of Terminal Benefits

My review of pension paper files for the year under review noted that terminal benefit payments of some pension papers files which were submitted for pre-audit were wrongly computed.

Out of 4,683pension files which were examined for the year under audit 268 files were noted with overstatement of TZS1,053,777,358.07 while 200 files were understated by a total amount of TZS385,304,481.69. My review noted inadequate review of the pension papers, lack of competence and sufficient experience of preparers on pension matters, non-compliance with pension laws, and inadequate documentation of personal files contribute to such misstatements. Tables 36 and 37 below show a number of files with respective misstatements.

**Table 36: Overstatement of Terminal Benefits**

| S/N | Subject | Number of cases | Amount (TZS) |
|---|---|---|---|
| 1 | Period overstated | 126 | 607,234,896.01 |
| 2 | Overstated Salary | 70 | 335,472,992.32 |
| 3 | Wrong calculations | 11 | 36,174,009.05 |
| 4 | Understated Gratuity | 61 | 74,895,460.69 |
| **Total amount** | | **268** | **1,053,777,358.07** |

*Sources: Pension/gratuity paper*

**Table 37: Understatement of Terminal Benefits**

| S/N | Subject | Number of cases | Amount(TZS) |
|---|---|---|---|
| 1 | Period understated | 97 | 207,193,954.57 |
| 2 | Understated Salary | 60 | 121,704,508.58 |
| 3 | Wrong calculations | 9 | 1,938,822 |
| 4 | Overstated Pension | 34 | 54,467,196.54 |
| **Total Amounts** | | **200** | **385,304,481.69** |

*Sources: Pension/gratuity papers, 2014/15*

From the above analysis, Government would have incurred a total loss of TZS **1**,053,777,358.07 arising from overstatement whereas pensioners would have suffered a total underpayment of TZS 385,304,481.69. Misstatements of benefits wouldend up with a net loss, in aggregate, of TZS 668,472,876.38 to the Government.

Such saving was a value addition of pre audit exercise that my office conductsfor pensions and other terminal benefits that are payable directly from the Consolidated Funds. It further shows the extent to which lapses of internal controls and the weaknesses on the part of the Accounting officers could cost both the Government and Pensioners if pre-audit were not conducted.

### 5.5.6 Unnecessary Delays in Processing Terminal Benefits

In the conduct of pre audit of Terminal Benefits, I observed non remittance of pension contributions by employer to PSPF in respect of certain retirees in some of the service period. This also applied to other pension funds. As a consequence, such non-remittance contributed to the delay in theProcessing of Terminal Benefits to the public servants in the country and cost a great deal of resources to the Government in terms of penalties.In my opinion penalties imposed to the government and unnecessary hardships to retirees could have been avoided if employers remitted contributions on time.Table 38 below shows statutory deductions amounting to TZS 213,609,402,639 which were not timely remitted to the social security schemes for the sampled period of Month of May, June and August 2015.

**Table 38: Unremitted pension contributions by the Treasury**

| Fund | 15-May | 15-Jun | 15-Aug | Total |
|---|---|---|---|---|
| PSPF | 35,888,648,135 | 36,279,839,100 | 41,762,030,310 | **113,930,517,545** |
| LAPF | 11,916,307,581 | 12,324,061,781 | 14,340,946,885 | 38,581,316,247 |
| PPF | 3,241,676,495 | 3,255,560,980 | 3,512,617,120 | 10,009,854,595 |
| GEPF | 1,957,961,870 | 2,432,555,584 | 2,908,843,903 | 7,299,361,356 |
| NSSF | 1,740,826,979 | 1,754,920,186 | 1,946,246,277 | 5,441,993,442 |
| NHIF | 12,086,618,883 | 12,191,273,148 | 14,068,467,423 | 38346359453 |
| Total | **66,832,039,942** | **68,238,210,779** | **78,539,151,918** | **213,609,402,639** |

Apart from the delays in the remittance of contributions, audit also noted that some employers submit pension papers which were not adequately supported to back up payment computations. In such situations, my office had to ask employers to re-submit the missing documents and, at times, result into back and forth process. Hence, delay in payments of pensions to beneficiaries.

I recommend Pension files to be well prepared before submission to my office for pre audit in order to obtain accurate work and eligible information to ensure the integrity of benefit payments and to prevent employees from being subject to high or low terminal benefits based on incorrect information. It is important that employers understand the importance of submitting the pension files which are complete, timely, with accurate information which will ensure proper payment of terminal benefits.

I reiterate my recommendations to the Government that;

- Government should ensure timely remittance ofstatutory pension contributions to Social Security Schemes in order to avoid delays in processing pensions together with penalties.

- Accounting Officers ensure processors of pension adhere to pension computation formulas and laws. They should also ensure the submission of the pension files which are complete, timely and accurate information to avoid delays in the payment of terminal benefits.

- Government provide frequent training to the pension processors in order to enhance their understanding of the pension laws and other matters.

## Chapter Six

## INTERNAL CONTROL SYSTEM

### 6.0. Introduction

The Internal Control System consists of all procedures adopted by the management of the government entities to support an orderly and efficient conduct of their business and service delivery. These include, adherence to laws, Regulations and policies, safeguarding of assets, prevention and detection of fraud and errors, accuracy and completeness of accounting records, as well as timely preparation of reliable financial information.

A key responsibility of Accounting Officers and other authorities is to implement and maintain effective and efficient systems of internal control. During planning and conducting of the audits, relevant internal controls for the preparation and fair presentation of the financial statements were considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls. As only relevant controls were considered to identify material deficiencies, there can be no assurance that all such deficiencies have been identified.

Specific considerations were put on the; performance of Audit Committees, performance of the Internal Audit Functions, IT - General Controls, risk assessment processes as well as fraud prevention and controls. The following control weaknesses were identified;

### 6.1. Assessment of MDAs' Internal Audit functions

According to Regulation 28 (1) of the Public Finance Regulations, 2001, every Accounting Officer is required to establish an effective Internal Audit Service Unit to provide assurance on the adequacy and effectiveness of the entity's internal controls.

However, the assessment of the MDAs' internal audit functions, revealed that, the overall situation improved by 24% as compared to last year whereby 10 MDAs have strengthened performance on their internal audit functions as shown in figure 14 below. Specific deficiencies have been summarised in table 39 below;

**Table 39: Deficiencies on internal audit functions**

| Internal Control Assessed | Deficiency noted |
|---|---|
| *Internal Audit Units in place* | As required by the cited Regulation, most MDAs' have established Internal Audit Unit, while some of them did not establish it. |
| *Internal Audit Units' compliance with Laws andRegulations, plan and other directives* | · Some Internal Audits Units did not finalize all planed audits due to shortage of funds and staff (staffing requirements not adequately considered),<br>· There were inadequate follow-ups of internal audit recommendations issued to management for implementations,<br>· Some units used unapproved Internal Audit Charter<br>· Somedid not have working tools such as motor vehicles,<br>· Some internal audit strategic audit plans were not reviewed by the Audit Committee. |

*Source: Individual audit reports for 2014/2015*

Details of the MDAs with deficiencies in internal audit function are shown in Appendix 6.1, while figure

14 indicates the distribution of MDAs with these deficiencies

**Figure 14: Distribution of MDAs with deficiencies in internal audit functions**

| Entities | 2014/15 | 2013/14 | Improvement/ (Regression) | % Improvement / (Regression) |
|---|---|---|---|---|
| Votes | 22 | 27 | 5 | 19 |
| Agencies | 6 | 6 | 0 | 0 |
| Other Institutions | 3 | 3 | 0 | 0 |
| Embassies | 1 | 6 | 5 | 83 |
| **Total** | **32** | **42** | **10** | **24** |

Source: Individual audit reports for 2014/2015

The absence of effective internal audit functions increases the risk of undetected frauds and non-compliances with rules, regulations, directives and policies.

The Accounting Officers should ensure that adequately resourced and functioning Internal Audit Units are in place; and that it fulfils its mandated responsibilities which include identification of internal control deficiencies and recommends corrective action effectively.

### 6.2. Assessment of Audit Committees

Regulation 30 of the Public Finance Regulation, 2001 (PFR) requires each MDA to have an Audit Committee. Its membership and functions have been provided in Regulations 31 and 32 of the PFR respectively. Its responsibilities include but are not limited to; conducting quarterly meetings, approval of internal annual and strategic audit plans of the Ministry, Agency or Department; review all internal and external audit reports, providing advice to the Accounting Officer on action to be taken on matters of concern raised in a report of the internal auditor or in the CAG's report and preparing annual reports on its functions

As compared to the last year reports, there has been general improvement of 28% where by 12 MDAs have increased compliance in the area of formulation of Audit Committees and adherence to the Laws and Regulations. Specific deficiencies are as summarized in table 40 below;

**Table 40 : Weaknesses in performance of Audit Committee**

| Internal Control Assessed | Deficiency noted |
|---|---|
| *Audit Committee's compliance with laws, Regulations, plan and other directives* | · Some of the Audit Committees did not conduct quarterly statutory meetings,<br>· Some of the Audit Committees did not discuss the internal audit reports as required,<br>· Some did not prepare their annual audit reports,<br>· Some of the Audit Committees did not adequately review the design and implementation of internal control procedures in their entity related to assets management, expenditures and revenues management and procurement management,<br>· Some Audit Committee did not invite the CAG to attend quarterly committee meetings contrary to Sec 32(3) of PFR of 2001<br>· Some did not review the financial statements for the year ended 30th June 2015,<br>· Some Audit Committee members did not receive adequate trainings for effective performance of their duties |

Details of the entities with these deficiencies are shown in Appendix 6.1 while figure 15 indicates *the* distributionof MDAs with these deficiencies

**Figure 15: Distribution of MDAs with deficiencies audit committee**

| Entities | 2014/15 | 2013/14 | Improvement / (Regression) | % Improvement / (Regression) |
|---|---|---|---|---|
| Votes | 21 | 30 | 9 | 30 |
| Agencies | 5 | 9 | 4 | 44 |
| Other Institutions | 5 | 2 | (3) | (150) |
| Embassies | 0 | 2 | 2 | 100 |
| Total | 31 | 43 | 12 | 28 |

The Accounting Officers should ensure that the Audit Committees fulfil their mandated responsibilities as outlined in the PFR in order to promote accountability and service delivery by providing oversight of the effectiveness of the systems of internal control, accounting systems and compliance with Laws and Regulations

## 6.3. Anomalies on Risk Management Processes

I also reviewed the MDAs' risk management process with the aim of assessing their preparedness to unexpected events which if happen will affect the sustainability of public service delivery. This includes assessing whether the MDAs have identified risks inherited in their operations and whether appropriate risk responses have been designed and implemented.

From the assessment, I noted an overall improvement of 65% as compared to the previous reporting period where by 20 MDAs have strengthened risk management processes.During the audit, it was further noted that, some MDAs have not invested on this area as the following deficiencies were noted;

- Some MDAs did not have approved risk management policy as shown
- Some did not maintain risk register as indicated in the table
- Some have developed risk management policy and risk register but did not update them to taking into account emerging issues

Details of the entities with deficiencies are shown in Appendix 6.1while figure 16 indicates the distribution of MDAs with these deficiencies

**Figure 16: Anomalies on Risk Management Processes**

| Entities | 2014/15 | 2013/14 | Improvement / (Regression) | % Improvement / (Regression) |
|---|---|---|---|---|
| Votes | 9 | 22 | 13 | 59 |
| Agencies | 1 | 6 | 5 | 83 |
| Other Institutions | 1 | 2 | 1 | 50 |
| Embassies | 0 | 1 | 1 | 100 |
| **Total** | **11** | **31** | **20** | **65** |

In order to ensure quality services to the public with minimal intervention of unexpected events, Accounting Officers are advised to strengthen risk management processes by ensuring that, documented risk management procedures for identifying and responding to danger of not meeting the intended pre-determined objectives are in place.

## 6.4. Review of general ICT environments

As part of the audit, the assessment was also made on general IT environment to establish whether the MDAs have put in place relevant IT controls to ensure confidentiality, integrity and availability of accounting and other information. The audit results indicated that, there is an overall deterioration of 26% as compared to the last year'saudit report as indicated in figure 17 below. The following deficiencies were identified;

**Table 41: Deficiency noted in general ICT environments**

| Aspect assessed | Deficiencies noted |
|---|---|
| IT Policies and procedures | • Some MDAs had weak security controls over the data or information transferred through the network to the centralized servers as this information and data can easily be interrupted,<br>• Sometimes, the MDAs experience network problems which slow down generation of various financial reports from Epicor system. |
| Roles and responsibilities | • Some of the MDAs did not establish ICT steering committees |
| IT HR Management | • There was no rotational policy, staff job description and segregation of duties insome of the IT departments, |
| IT Security | • Some MDAs did not develop and implement disaster recovery plans to ensure business continuity<br>• Some MDAs did not design adequate physical access control,<br>• In some MDAs, backups were not stored in a secured offsite storage facility |

| Aspect assessed | Deficiencies noted |
|---|---|
| System applications | • EPICOR system is not fully integrated as it lacks some important modules such as debtors, creditors, PPE, etc. Under this situation, information is entered manually in preparation and generation of financial information.<br>• Underutilization of EPICOR<br>• Embassies/Missions are not linked with Epicor system |

*Source: Individual audit reports for 2014/2015*

Details of the entities with deficiencies are shown in Appendix6.1,while figure 17 indicates the distribution of MDAs with these deficiencies

**Figure 17: Distribution of MDAs with deficiencies in general ICT environments**

| Entities | 2014/15 | 2013/14 | Improvement / (Regression) | % Improvement / (Regression) |
|---|---|---|---|---|
| Votes | 30 | 31 | 1 | 3 |
| Agencies | 10 | 8 | (2) | (25) |
| Other Institutions | 6 | 1 | (5) | (500) |
| Embassies | 12 | 6 | (6) | (100) |
| **Total** | **58** | **46** | (12) | (26) |

As most of the government operations are being computerized to match with the changing world of technology, the government should consider the following in order to ensure confidentiality, integrity and availability of Information;

- To define and customise ICT framework that will enable the alignment of ICT strategic decisions, investments and plans to ensure that IT controls are governed appropriately;

- The framework should prioritize the formulation of an ICT Steering Committee, ICT Strategic plan and ICT organization structure that will enable the achievement of the institutional goalsand plans.

## 6.5. Assessment of fraud detection and prevention

As part of the audit, the assessment was done to ascertain controls in place in the MDAs in order to ensure that elements of fraud are identified and prevented from happening and not specifically searching for fraud. Generally, fraud is an intentional act by either members of the management, those charged with governance, employees or third parties which involve the use of deception to obtain unjust or illegal advantage. Within the government fraud can be either on fraudulent financial reporting or misappropriation of assets including cash embezzlement.

The primary responsibility for detection, prevention of fraud and other irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the auditees.

From this assessment, we noted a deteriorating situation whereby 2 additional votes have relaxed on the area of fraud assessment as compared to the last year. Specifically, the following were noted;

- Absence of management fraud policy which defines fraud red flags.
- Regular Risk assessment not conducted;
- No written evidence identifying specific controls which management considers appropriate to mitigate the risk of errors resulting from fraud;
- No management assessment on the efficiency of internal control system is in place; and
- Non awareness of fraud due to lack of any risk assessment conducted.

| Entities | 2014/15 | 2013/14 | Improvement / (Regression) | % Improvement/ (Regression) |
|---|---|---|---|---|
| Votes | 9 | 7 | (2) | (29) |
| **Total** | **9** | **7** | **(2)** | **(29)** |

I therefore advise the MDAs' to institute a mechanism of detecting and preventing fraudulent malpractices by setting a benchmark of fraud red flags which will in turn assist the respective MDAs' in alleviating and mitigating instances of frauds.

Overall, the audit assessment on MDAs' internal control system shows general improvement by 17% as compared to the last reporting period as shown in figure 18 below.

**Figure 18: Overall assessment of the MDAs system of internal controls**

| | 2014/15 | 2013/14 | Improvement/ (Regression) | % Improvement/ (Regression) |
|---|---|---|---|---|
| Performance of Internal Audit | 32 | 42 | 10 | 24 |
| Performance of Audit Committee | 31 | 43 | 12 | 28 |
| Assessment of ICT | 58 | 46 | (12) | (26) |
| Risk Assessment | 11 | 31 | 20 | 65 |
| Fraud Assessment | 9 | 7 | (2) | (29) |
| **Total** | **141** | **169** | **28** | 17 |

**Source:** *Individual CAG's audit reports for the year 2014/15*

While some MDAs have recorded improvements especially in the area of establishment and compliance with Laws andRegulations related to internal audit functions, Audit Committee and risk assessments, they have also regressed in the area of creating efficient and effective ICT environments to ensure confidentiality and integrity of their operations. Despite the improvement identified, more interventions from the government are required to ensure that all MDAs have put in place effective internal control systems in order for effective fulfilment of their legislative responsibilities.

# Chapter Seven

## HUMAN RESOURCES AND PAYROLL MANAGEMENT

### 7.0 Introduction

This chapter of the general report contains key audit findings from the audits conducted on the Human Resource and Payroll Management to the Central Government entities for the 2014/2015. Key audit findings from the audit of Human Resource and Payroll Management are as follows:

### 7.1 Key issues noted from the audit human resources and payroll management

#### 7.1.1 Non - compliance with the Higher Education Students Loans' Board (HESLB) Act of 2004 in respect of Loan repayments

During audit, I noted cases of non-compliance with students' loans requirements across Ministries, Departments and Agencies including Sect. 20 (1) (a) - (c) and 20(2) of the HESLB Act No. 9 of 2004.

My inspection and interview with the Accounting Officers revealed that HESLB lacked communication with loan beneficiaries after completion of their studies.

Accounting Officers (employers) of most MDAs neither conduct regular inspections nor provide adequate guidance on employees over loan repayment once remitted. In this year, I reviewed four (4) MDAs and two (2) RSs as shown in table42and the following anomalies were noted:

**Table 42: Irregularities noted in the Higher Education Students Loans Recovery**

| Vote | Entity | Observation |
|---|---|---|
| 46 | Ministry of Education and Vocational Training | On 14th December, 2001 the Ministry of Education and Vocational Training issued a Circular No. AB. 71/348/01/8 to all higher learning institutions which required them to indicate the type of sponsorship on the student's transcripts aftergraduating to enable their employers identify easily those employees who are beneficiaries of the Higher Education Students' Loans Board. Most of the Institutions failed to implement the directive issued by the Ministry. |
| 72 | Dodoma Regional Secretariat | The Secretariat has not been communicating with HESLB on the new employees recruited by the Secretariat, so as to enable the Board to trace the employees from its data base. During the year under audit, the Secretariat recruited 78 new employees, however, no evidence that there wasany arrangement which was made with the new employees to ensure whoever benefited fromthe Board's loans services is repaying the loans by monthly installment deductions to the Board. |
| 89 | Rukwa Regional Secretariat | Three employees of the Secretariat benefited from HESLB during their higher learning education. However, the Secretariat did not remit their loans repayment installments to the Board totaling TZS 72,060,407.36 which include principal loans amounting to TZS 65,509,461.24 and penalty of TZS 6,550,946.12. |

| Vote | Entity | Observation |
|---|---|---|
| 43 | Ministry of Agriculture, Food Security and Cooperatives | Six employees of the Ministry of Agriculture, Food Security and Cooperatives failed to pay back the loan to the HESLB. By the time they wererequested to do so, they had already takenother loans from other financial institutions. |
| 16 | Attorney General's Chamber | Attorney General's Chambers wrote two letters with reference No. AB.67/456/01/50 dated 16/07/2015 to debtors collecting agent M/S Foster Auctioneers and General Traders and another with reference No. AB.112/352/01/08 dated 07/03/2012 was sent to HESLB requesting the Board to confirm student loan status so as to arrange monthly deductions from their salaries. However,by the time of audit November, 2015 no responses were received from HESLB to confirm students loan status. |
| **31** | Vice President's Office | Contrary to provisions of the HESLB Act No. 9 of 2004, Vice President's Office employed 25 staff from July, 2007 to August, 2015. However, management did not notify the Higher Education Students' Loans Board (HESLB) in respect of that recruitment in order to identify loan beneficiaries. |

*Source: Individual Management letter for the year ended 30th June 2015*

I advised Accounting Officers (employers) to notify the HESLB of the employment of the loan beneficiaries and pay every deduction from the loan beneficiary's wages or remuneration to the Board within fifteen days after the end of each month. In addition, loan beneficiary's (employees) to arrange with the employer for monthly deductions from his/her salary and ensure payment of such monthly deductions by the employer are remitted to the Board.

### 7.1.2 Salaries paid to employees who were no longer in Public Service TZS392,651,036

During the year under review TZS392,651,036was paid as salaries to absconded, deceased, retired and dismissed employees as shown in Table 43 This is a reflection of non-compliance with requirements of Reg. 112 of Public Finance Regulation, 2001 (Revised 2004) which requires periodic checks to be undertaken by Human Resource Officers to delete the employees who were no longer in service. Payment to employees who are no longer in service leads to loss of public money whichcalls for managements' interventions to addressthe situation.

**Table 43: Salaries paid to employees who were no longer in Public Service**

| Vote | Entity | Net Salary paid (TZS) |
|---|---|---|
| 77 | MaraRegionalSecretariat | 8,054,080 |
| 70 | Arusha Regional Secretariat | 16,507,788 |
| 72 | Dodoma Regional Secretariat | 2,302,660 |
| 47 | Simiyu Regional Secretariat | 878,825 |
| 86 | Tanga Regional Secretariat | 10,762,700 |
| 81 | Mwanza Regional Secretariat | 5,941,708 |
| 89 | Rukwa Regional Secretariat | 6,841,700 |
| 82 | Ruvuma Regional Secretariat | 5,236,033 |
| 85 | Tabora Regional Secretariat | 27,084,000 |
| 46 | Ministry of Education and Vocational Training | 76,782,367 |

| Vote | Entity | Net Salary paid (TZS) |
|---|---|---|
| 51 | Ministry of Home Affairs | 2,360,000 |
| 53 | Ministry of Community Development, Gender and Children | 21,881,000 |
| 43 | Ministry of Agriculture, Food Security and Cooperatives | 32,294,689 |
| 28 | Police Force Department | 158,855,537 |
| 79 | Morogoro Regional Secretariat | 16,181,046 |
| 83 | Shinyanga Regional Secretariat | 686,903 |
| **Total** | | **392,651,036** |

***Source:****respective Management letters for the year ended 30th June 2015*

This is an increase of nine (9) entities from seven (7) entities reported in my last year report to sixteen (16) entities. This is a systematic problem across the government.

Further, it was noted that Rukwa Regional Secretariat has one employee with Check No. 9790184 who was not at work for more than two years from 20th July, 2013 without any proper action being taken to terminate his employment contract. On the other hand, the Secretariat continued to pay his salaries through his bank Account.

I advised Accounting Officers to ensure that the amounts paid are refunded by the respective officers to the Ministry of Finance. In addition, I advised the Accounting Officers to strengthen controls by updating personnel records through LAWSON system and data cleaning to be a continuous activity to all MDAs/RSs.

Chapter Seven

In addition, I advised the Accounting Officers to timely remove from the payroll all resigned employees to avoid financial loss to the Government and recover the funds wrongly paid to the resigned employees.

**7.1.3Statutory deductions made to non-existing employees TZS 61,477,664**

**7.1.4 During the audit of this year, five (5) RSs were noted to have deducted TZS 61,477,664**

For retired, deceased and absconded employees at source and remitted to various institutions like Pension Funds, Financial Institutions, National Health Insurance Fund and Tanzania Revenue Authority. The net salaries of the noted people were either returned to the Treasury as unclaimed salaries or paid to non-existing employees. Such practice leads to fictitious payments. Table 44 shows the list of entities paid deductions in favour of non-existing employees;

**Table 44: Deductions paid in respect of non-existing employees**

| Vote | Entity | Deduction paid (TZS) |
|---|---|---|
| 77 | MaraRegionalSecretariat | 3,998,040 |
| 70 | Arusha Regional Secretariat | 7,819,412 |
| 89 | RukwaRegional Secretariat | 23,383,196 |
| 82 | Ruvuma Regional Secretariat | 2,379,967 |
| 85 | Tabora Regional Secretariat | 23,897,049 |
| **Total** | | **61,477,664** |

***Source:*** *respective Management Letters for the year ended 30th June 2015*

I advise the concerned Accounting Officers to make sure that the recovery of deductions paid to the Financial Institutions and Pension Funds are made. In future effective controls should be instituted by the Government to prevent the weakness noted, which are likely to increase Government payroll spending unnecessarily.

### 7.1.5 Inadequate number of Staff

My review of staffing structures for a selected sample of 40 government entities revealed that 16,643 posts in the approved structures were not filled as shown in the **Appendix 7.1.**Staffing shortages have adverse effects on expected service delivery of the Government entities.

Further, I noted that President's Delivery Bureau (Vote 6) has a shortage of eighteen (18) staff, Tanzania High Commission in Kampala (Sub vote 2012) six (6) staff, Tanzania Embassy in The Hague (Sub Vote 2033) three (3) and Tanzania Embassy in Cairo (Sub Vote 2003) two (2) staff.

The same anomaly was also in my last year report. The issue is widespread and rampat in the Government. Purposeful efforts should be enforced to improve manning levels.

I advised the Accounting Officers in collaboration with the President's Office Public Service Management (PO-PSM) to have all staffing positions filled or review the existing manpower lever in line with actual requirements.

### 7.1.6 Employees not confirmed after Probation Period

Order number D.40 (1) of Public Service Standing Order2009 states that where by any person who is first appointed to an office in the public service inpensionable terms, he/she serves a probationary period of twelve Months.

Order number D.45 (1) of Public Service Standing Order 2009 states that a Public servant shall be eligible to be confirmed in hisoffice at the end of probation period subject to satisfactory performance and conduct.

Contrary to the foregoing requirements of the Standing Orders, review of the payroll data Government master payrolls in respect of three Regional Secretariats and one Ministry revealed that 356 employees as shown inTable 45 had not been confirmed even though most of them had already worked for more than 30 years up to the end of 30th June 2015. The employee(s) morale is adversely affected when they are not confirmed.

**Table 45: List of antries with Employees not confirmed after probation period**

| Vote | Entity | No. of Staff |
|---|---|---|
| 77 | Mara Regional Secretariat | 133 |
| 70 | Arusha Region Secretariat | 115 |
| 89 | Rukwa Regional Secretariat | 96 |
| 99 | Ministry of Livestock and Fisheries Development | 12 |
| **Total** | | **356** |

***Source:****respective Management Letters for the year ended 30th June 2015*

I advisedAccounting Officers to ensure that recruited employees are confirmed immediately after completion of their probation period and their status isbeing updated in the LAWSON system.

### 7.1.7 Lack of evidence of open staff performance reviews and appraisals

Order number D.62 of the Public Service Standing Orders of 2009 stipulates “All organizations shall use open performance appraisal system as stipulated in the Public Service Act, Cap.298 and under Reg. 22 of the Public Service Regulations, 2003".

Reg. 22 (1) of the Public Service Regulations, 2003 requires every organization within the Public Service to operate an Open Performance Review and Appraisal System (OPRAS) for all its public servants; this requirement is in line with the requirements Public Service Standing Orders D.62 of 2009.

Further, Reg. 22 (2) of the Public Service Regulations, 2003 explains the purpose of the performance appraisal of public servants is to discover, evaluate and document the potential and shortcomings of individuals to enable measures to be taken for improvement of the efficiency and effectiveness of public service as a continuous objective.

My review on a selected sample of five (5) Regional Secretariat and two (2) Ministries noted that, out of 187 files selected for audit, 119 files had no documented evidences that Open Performance Review and Appraisal were conducted during the year under review as shown in the Table 46below.
Further, I noted that Tanzania High Commission in London did not carry out staff performance reviews and appraisals.

Failure to appraise staff implies that management is not informed of the capacity gaps employees may have in order to design appropriate interventions to address them. Besides, it is best practice to adopt Open Performance Review and Appraisal system whereby promotion, training and rotation of employees is based on periodic performance.

**Table 46: List of entries with Lack of Open Performance Review and Appraisal**

| Vote | Entity | Files selected for test checks | Files lacks documentation |
|---|---|---|---|
| 70 | ArushaRegional Secretariat | 10 | 7 |
| 75 | Kilimanjaro Regional Secretariat | 25 | 8 |
| 84 | Singida Regional Secretariat | 11 | 9 |
| 86 | Tanga Regional Secretariat | 30 | 19 |
| 82 | Ruvuma Regional Secretariat | 35 | 2 |
| 51 | Ministry ofHome Affairs | 15 | 13 |
| 52 | Ministry of Health and Social Welfare | 61 | 61 |
| **Total** | | **187** | **119** |

***Source:*** *Individual Management Letters for the year ended 30th June 2015*

I advised Accounting Officers to regularly carry out Open Performance Review and Appraisal to their entire staff in accordance with Public Service Standing Orders of 2009.

### 7.1.8Heads of Departments acting for aperiod exceeding six months

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

My review on human resources management in Central Government entities revealed that seven (7) entities having a total of twenty (20) employees as shown in the Table 47 below acting in various positions. Further, I noted that they acted for a period of more than six months without confirmation. Employees acting in positions for long time may lead to de-motivation hence, low performance.

**Table 47: Head of Department/Head of Units in acting positions**

| SN | Vote | Entity | Not Confirmed |
|---|---|---|---|
| 1 | 70 | Arusha Regional Secretariat | 1 |
| 2 | 72 | Dodoma Regional Secretariat | 5 |
| 3 | 95 | Manyara Regional Secretariat | 1 |
| 4 | 36 | Katavi Regional Secretariat | 2 |
| 5 | 82 | Ruvuma Regional Secretariat | 4 |
| 6 | 85 | Tabora Regional Secretariat | 4 |
| 7 | 66 | President's Office Planning Commission | 3 |
| **Total** | | | **20** |

***Source:*** *Individual Management Letters for the year ended 30th June 2015*

I advised the Accounting Officers in collaboration with the President's Office – Public Service Management to fill those vacant key posts with the competent employees.

### 7.1.9 Late remittance of statutory deductions TZS 707,169,904

I noted that statutory deductions amounting to TZS 707,169,904 as shown in the Table 48 below was made from public servants from a sample of two

(2) Regional Secretariatsbut there was no evidence that the deductions were remitted to the respective institutions including NHIF, NSSF, PSPF, LAPF etc. Late payments of statutory deductions attract fines and penalties from respective Institutions.

**Table 48: Late remittance of statutory deductions**

| Vote | Entity | Amount (TZS) |
|---|---|---|
| 75 | Kilimanjaro Regional Secretariat | 590,670,916 |
| 36 | Katavi Regional Secretariat | 116,498,988 |
| **Total** | | **707,169,904** |

*Source: Individual Management Letters for the year ended 30th June 2015*

I advisedthe Government to ensure that remittance of statutory deductions is done in accordance with the laws.

### 7.1.10 Pay As You Earn (PAYE) not deducted on acting allowancesTZS 78,187,048

In accordance with Order number D.18 (1) of Public Service Standing Order 2009 states that acting appointments occurwhere an employee is assigned temporarily to perform the duties of a position in a classification with a superlative substantive post.

Sect. 7(2) (a) of the Income Tax Act, 2004 (revised in 2008) requires all income from employments to be taxed, with exception to any subsistence, travelling, entertainment or other allowance that represents solely the reimbursement to the recipient of any amount expended by him wholly and exclusively in the production of his income from his employment or services rendered as required under Sect. 7 (3) (d).

My review on a selected sample of three (3) government entities noted that acting allowance amounting to TZS 78,187,048 as shown in the Table 49 below was paid without deducting income tax (PAYE), hence the income tax component has been taken by officers instead of submittingthe same to TRA as required by Sect. 7 (2) (a) of the IncomeTax Act, 2004 (revised in2008).

I advised Accounting Officers to ensure that all acting allowances paid are duly charged with Pay As You Earn. In addition, Accounting Officers to ensure that accrued Income Tax is paid to Tanzania Revenue Authority (TRA).

**Table 49: Acting allowance paid without deducting PAYE**

| Vote | Entity | Amount (TZS) |
|---|---|---|
| 81 | Mwanza Regional Secretariat | 39,569,000 |
| 89 | Rukwa Regional Secretariat | 36,311,000 |
| 32 | President's Office Public Service Management | 2,307,048 |
| **Total** | | **78,187,048** |

***Source:*** *Individual Management Letters for the year ended 30th June 2015*

### 7.1.11 Unpaid Gratuities to Local Based Staff TZS 17,980,539

I noted that the Embassy of Tanzania in Cairo had outstanding gratuities amounting to TZS 17,980,539 as of December 2015 of which TZS 8,990,270 relates to the financial year ended 30th June 2015 and TZS 8,990,270 are for the period from July 2015 to December 2015. Basing on the procedure that the gratuity is supposed to be paid in December for each financial year.

I recommend to the government to ensure that local based staff gratuities are settled in accordance with the local based staff employment contracts.

### 7.1.12 Unpaid salaries not remitted to TreasuryTZS 2,233,475,668

Reg. 133 (1) and (2) of Public Finance Regulations of 2001 state that any deposit which has remained unclaimed for five years may with the approval of the Accountant-General, be paid into revenue and the Accountant-General may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic. And, any refunds after the deposit has been transferred to revenue must be from voted expenditure.

My review of the Tanzania People's Defence Force (TPDF) payrolls and supporting documents for seven (7) financial years from 2007 to 2014 revealed that unpaid salaries in respect of suspended officers and soldiers totalling TZS 2,233,475,668 not remitted back to the Treasury. Instead all unpaid salaries were retained by the Chief of Defence Forces (CDF) under Suspense Account. There is a risk that unpaid salaries could be misappropriated.

I advise the Accounting Officer to comply with Reg. 133(1) and (2) of the Public Finance Regulations of 2001. In addition, to ensure that unpaid salaries are remitted back to Treasury.

### 7.1.13Staff receiving net salaries below the allowable statutory limit

Section 3 of the Debt Recovery Act, 1970 and a Circular with Ref. C/CE.45/271/01/I/87 of 19th March, 2009 issued by the Permanent Secretary, President's Office Public Service Management (PS-POPSM) directed all Accounting Officers to ensure that deductions fromstaff salaries for recovery of debts/loans in any month shall not exceed twothird of the salary payable in that month.

My review of selected sample of two (2) government entities noted that 875 employees were paid salaries below the statutory limit. As employees receive less income their commitment to work might be impaired and therefore leadto underperformance. Details of the employees are shown in Table 40 below;

**Table 50: Employees with net salaries below the statutory limit**

| Vote | Entity | No. of staff |
|---|---|---|
| 82 | Ruvuma Regional Secretariat | 4 |
| | TRA | 871 |
| **Total** | | **875** |

***Source:*** *Individual Management Letters for the year ended 30th June 2015*

As observed in the previous years the majority of the audited entities are still not complying with the requirement. As total number of employeesreceiving net salaries below the allowable statutory limit has increased to 875 from 314 last year an increase of 561 staffs, the number of entities has decreased from twelve (12) to two (2).

I advised Accounting Officers to strengthen controls by certifying all staff loans and liaise with credit providers such that total deductions do not exceed twothird of the employee's monthly salary as per Sect. 3 of the Debt Recovery Act, 1970 and the Circular with Ref. C/CE.45/271/01/I/87 of 19th March, 2009 from the Permanent Secretary- PO-PSM.

### 7.1.14Retired Officer working with the Embassy without having a valid employment contract

Tanzania Embassy in Washington DC had one home based staff retired on 14th March, 2015 but he was still working with the Embassy without having a valid employment contract due to lack of sufficient funds for transporting personnel effects from Washington Dc. This practice is contrary to the compulsory retirement requirements under Order No F.43 of the Standing Order of the Public Service of 2009.

Further, I noted that TZS 105,135,200 was paid as foreign services allowances to retired officers from 14th March, 2015 to January, 2016.

I recommend to the government that the President's Office Public Service Management to enter into employment contract with the retired officer pending availability of funds for payment of moving expenses. In addition, Accounting Officer of the Ministry of Foreign Affairs and International Cooperation to prepare succession plan to facilitate replacement of retired officers.

### 7.1.15 Overstay of Home Based Staff

Sect. 31(1) and (2) of the Tanzania Foreign services Regulations of 2013 stipulates that an officer may be posted to any station, where his services may be required and unless otherwise specified a form of duty shall be for a period of forty –eight months. Also, appointment letters of the home based staff give them the maximum stay of four (4) years in the work station abroad.

My review of the Human Resource and payroll Management in a sample of nine (9) Missions, I noted twenty three (23) staff who had overstayed. Home based staff have been overstayed for the period ranging between three years to five years. This was due to the fact that the responsible Ministry had not replaced them. Details of overstayed staff are shown in theTable 51 below:

### Table 51: Overstayed home based staff

| Sub vote | Mission | No. of staff overstayed |
|---|---|---|
| 2032 | Tanzania Embassy in Brasilia | 1 |
| 2012 | High Commission of Tanzania in Ottawa | 2 |
| 2018 | Tanzania Embassy in Washington DC | 2 |
| 2011 | Permanent Mission of the UN - New York | 5 |
| 2005 | High Commission of Tanzania in Abuja | 1 |
| 2001 | Tanzania Embassy in Addis Ababa | 3 |
| 2014 | Tanzania Embassy in Beijing | 5 |
| 2004 | Tanzania Embassy in Kinshasa | 1 |
| 2021 | Tanzania Embassy in Kampala | 3 |
| **Total** | | **23** |

***Source:*** *Individual Management Letters for the year ended 30th June 2015*

I advised the Accounting Officer of the Ministry of Foreign Affairs and International Cooperation to comply with Reg. 31 (1) and (2) of Tanzania Foreign Services Regulations of 2013 by making staff transfer.

# Chapter Eight

## GOVERNMENT EXECUTIVE AGENCIES AND OTHER INSTITUTIONS

### 8.0 Introduction

This chapter covers audit results of thirty four(34) Government Executive Agencies, thirteen (13) Special Funds and thirty three (33) Other Institutions.

The chapter highlights specific issues which need attention of the Government, Parliament, Ministerial Advisory Board and management of the respective auditees to ensure efficient functioning of their operations.

### 8.1 Salient Audit Findings on Government Executive Agencies

The following are the salient audit findings for Government Executive Agencies for the year 2014/2015.

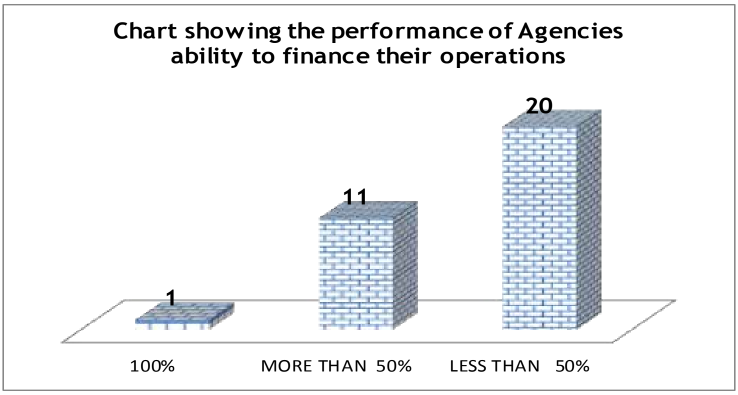
#### 8.1.1 Weaknesses on Budgeting and Financing

#### 8.1.1.1 Dependency on Government Subvention

The sources of funds for the Agencies' budget and financing are own source revenue and Government grants (recurrent and development). Performance of each of these sources of funds has a bearing on the performance of the total funds available for the Agencies' budget.

During the financial year 2014/2015 the total revenue estimates for Agencies amounted to TZS 1,949,385,061,572, a decrease of TZS 46,428,235,058 (2 per cent) compared to 2013/2014 estimates of TZS 1,995,813,296,630. Out of the total estimates; TZS 1,655,629,610,241 (85 per cent) was expected to be financed by Government grants and TZS 293,755,451,331 (15 per cent) was expected to be financed by own sources revenue. Out of the

Government grants estimates TZS 685,760,849,482 (41per cent was for recurrent and TZS 969,868,760,759 (59 per cent) was for development. The bar chart below shows composition of sources of revenue:




The histogram above shows the ability of Agencies to finance theiroperations from theirown sources of revenue; only one (3%) Agencies were 100% financed from own sources of revenue, 11 (34%) by more than 50% while 20(63%) Agencies by less than 50%; in the category of Agencies which were financed by more than 50% if empowered could finance theiroperations totally from their own sources. Additionally, I noted that among the Agencies which financedtheiroperations by less than 50%, there were two Agencies which totally depend on Government subventions; therefore the ability of these Agencies to generate funds from their own sources in financing theiroperations is very minimal.Thus, it is clear that Agencies to a large extent still depend on Government to fund their activities.

The total actual collection was TZS 1,202,910,236,048 (62%) against the approved estimates of TZS 1,949,385,061,572; thus there was under collection amounting to TZS 746,474,825,524 equivalent to 38% of the approved total estimates. This is adecrease of TZS 157,513,989,156 (12%) collections compared to

2013/2014 actual collectionof TZS1,360,424,225,204. Analysis of approved estimates against actual collection is shown in table 52below;

**Table 52: Approved estimates and actual collections**

| S/N | Agency | Total Estimates in TZS | Total Collections in TZS |
|---|---|---|---|
| 1 | E-Government Agency | 10,074,626,857 | 5,114,824,724 |
| 2 | Registration Insolvency and Trusteeship Agency RITA) | 8,742,439,033 | 6,601,667,897 |
| 3 | Tanzania Forestry Service Agency(TFSA) | 81,228,596,000 | 88,271,762,518 |
| 4 | Tanzania Global Learning Agency(TAGLA) | 1,983,278,000 | 1,552,072,858 |
| 5 | Tanzania Public Service College(TPSC) | 22,576,110,000 | 19,493,979,775 |
| 6 | Tanzania Tree Seeds Agency(TTSA) | 1,453,376,000 | 1,079,765,148 |
| 7 | Agriculture Seeds Agency(ASA) | 8,919,630,408 | 5,814,013,612 |
| 8 | Drilling and Dam Construction Agency(DDCA) | 13,261,413,809 | 11,064,881,940 |
| 9 | Fisheries Education and Training Agency(FETA) | 3,259,203,800 | 2,525,611,414 |
| 10 | Geological Survey of Tanzania(GST) | 12,234,598,300 | 5,911,151,110 |
| 11 | Livestock Institute Training Agency(LITA) | 7,329,514,210 | 6,494,481,712 |
| 12 | National Food Reserve Agency(NFRA) | 154,600,547,950 | 188,370,098,469 |
| 13 | Tanzania Building Agency (TBA) | 22,573,755,813 | 14,448,354,348 |

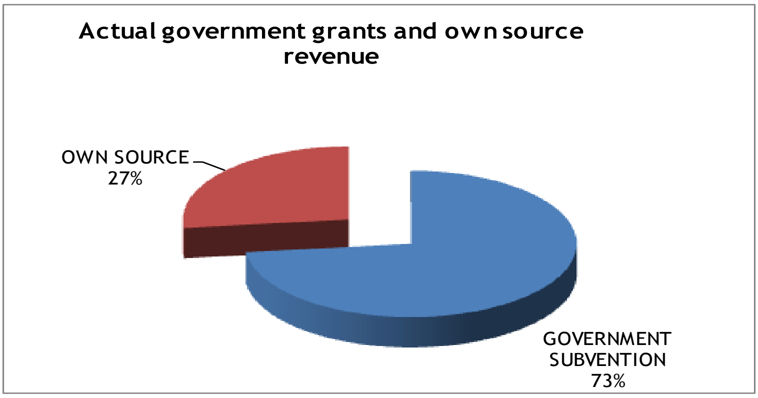
| S/N | Agency | Total Estimates in TZS | Total Collections in TZS |
|---|---|---|---|
| 14 | Tanzania Electrical, Mechanical and Services Agency (TEMESA) | 53,881,438,514 | 44,425,571,750 |
| 15 | Tanzania Government Flights Agency(TGFA) | 21,571,957,000 | 16,399,374,687 |
| 16 | Tanzania Meteorological Agency (TMA) | 23,919,514,422 | 16,270,980,167 |
| 17 | Tanzania National Roads Agency (TANROADS) | 1,116,334,213,000 | 481,759,738,304 |
| 18 | Tanzania Veterinary Laboratory Agency (TVLA) | 3,580,503,400 | 1,991,582,009 |
| 19 | Water Development and Management Institute(WDMI) | 8,471,433,097 | 4,591,325,785 |
| 20 | Weights and Measures Agency(WMA) | 20,868,033,728 | 18,186,885,122 |
| 21 | National Housing and Building Research Agency(NHBRA) | 3,258,518,000 | 1,839,870,786 |
| 22 | Agency for Development of Education Management(ADEM) | 3,459,011,040 | 2,584,323,639 |
| 23 | Government Chemistry Laboratory Agency(GCLA) | 3,551,420,000 | 10,155,207,380 |
| 24 | Institute of Arts and Culture-Bagamoyo(TASUBA) | 2,046,984,000 | 1,258,655,753 |
| 25 | Occupational Safety and Health Agency(OSHA) | 7,582,079,370 | 6,996,180,528 |
| 26 | Tanzania Employment Service Agency (TAESA) | 1,823,833,600 | 1,133,708,687 |

| S/N | Agency | Total Estimates in TZS | Total Collections in TZS |
|---|---|---|---|
| 27 | Tanzania Mineral Audit Agency(TMAA) | 11,178,436,000 | 10,886,222,000 |
| 28 | Dar es Salaam Rapid Transit Agency(DART) | 6,880,542,440 | 4,376,537,266 |
| 29 | Government Procurement Service Agency(GPSA) | 13,629,422,000 | 7,555,166,694 |
| 30 | Tanzania Institute of Accountancy(TIA) | 21,044,452,000 | 20,317,203,448 |
| 31 | Rural Energy Agency(REA) | 269,457,877,881 | 191,887,823,176 |
| 32 | National College of Tourism(NCT) | 8,608,301,900 | 3,551,213,342 |
| | **TOTAL** | **1,949,385,061,572** | **1,202,910,236,048** |

**Source:***Individual management Letters for the year ended 3oth June 2015*

During the financial year 2014/2015 out of the total collections TZS 879,855,434,819 (73%) was from Government grants while TZS 323,054,801,229 (27%) was from own source revenue. Out of the Government grants received TZS 389,572,100,385 (44%) was for recurrent expenditure while TZS 490,283,334,434 (56%) was for development expenditure.

The pie chart below shows the analysis of actual collection from own source revenue against Government grants




The pie chart above shows actual collection from Government grants and own source revenue; from the pie chart 73% was received as Government grants and 27% collected from own source revenue marking the contributions from own source revenue to increase to the tune of 26,352,696,008(9%) compared to 2013/2014 collection of TZS 296,702,105,221. There was also a decrease of TZS 183,866,685,164 (17%) compared to thegrant received from government in the financial year 2013/2014 of TZS1,063,722,119,983.

**8.1.1.2Under release of recurrent and development grants Government grant TZS 775,774,175,422**

During the financial year 2014/2015, TZS 879,855,434,819 was released as development and recurrent grants from the Government against the approved budget of TZS 1,655,629,610,241, therefore there was under released of TZS 775,774,175,422 (47%), of which TZS 296,188,749,097 (38%) was for recurrent expenditure and TZS479,585,426,325 (62%) was for development expenditure. This implies that the Agencies operation both for recurrent and development was limited to the tune of unreleased funds.Analysis of approved Government grants and the actual amount released is shown in table 53 below;

**Table 53: Analysis of approved estimates and funds released**

| S/N | Agency | Total Estimates in TZS | Funds Released in TZS |
|---|---|---|---|
| 1. | E-Government Agency | 8,631,264,857 | 4,831,543,960 |
| 2. | Registration Insolvency and Trusteeship Agency(RITA) | 3,311,242,912 | 2,594,601,793 |
| 3. | Tanzania Global Learning Agency(TAGLA) | 290,878,000 | 182,425,086 |
| 4. | Tanzania Public Service College(TPSC) | 5,016,730,000 | 3,550,736,150 |
| 5. | Tanzania Tree Seeds Agency(TTSA) | 1,015,476,000 | 477,917,895 |
| 6. | Agriculture Seeds Agency(ASA) | 4,944,630,408 | 4,077,827,614 |
| 7. | Drilling and Dam Construction Agency(DDCA) | 4,950,421,004 | 2,562,915,424 |
| 8. | Fisheries Education and Training Agency(FETA) | 1,850,114,800 | 848,403,536 |
| 9. | Geological Survey of Tanzania(GST) | 11,551,098,300 | 5,625,747,885 |
| 10. | Livestock Institute Training Agency(LITA) | 2,453,857,260 | 1,172,757,501 |
| 11. | National Food Reserve Agency(NFRA) | 111,656,840,000 | 111,533,816,548 |
| 12. | Tanzania Building Agency(TBA) | 6,372,715,600 | 2,880,848,058 |
| 13. | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | 23,920,867,250 | 16,875,672,119 |
| 14. | Tanzania Government Flights Agency(TGFA) | 15,882,797,000 | 10,290,857,076 |

| S/N | Agency | Total Estimates in TZS | Funds Released in TZS |
|---|---|---|---|
| 15. | Tanzania Meteorological Agency(TMA) | 17,594,514,422 | 10,809,270,328 |
| 16. | Tanzania National Roads Agency (TANROADS) | 1,109,673,890,000 | 471,502,591,304 |
| 17. | Tanzania Veterinary Laboratory Agency(TVLA) | 2,812,003,400 | 1,499,008,775 |
| 18. | Water Development and Management Institute(WDMI) | 7,435,062,297 | 3,535,544,655 |
| 19. | Weights and Measures Agency(WMA) | 2,809,630,000 | 3,043,705,450 |
| 20. | National Housing and Building Research Agency(NHBRA) | 2,394,998,000 | 745,004,947 |
| 21. | Agency for Development of Education Management(ADEM) | 1,754,566,040 | 766,461,764 |
| 22. | Government Chemistry Laboratory Agency(GCLA) | 3,551,420,000 | 1,949,281,289 |
| 23. | Institute of Arts and Culture-Bagamoyo(TASUBA) | 1,831,984,000 | 756,885,903 |
| 24. | Occupational Safety and Health Agency(OSHA) | 2,781,539,370 | 1,438,620,733 |
| 25. | Tanzania Employment Service Agency (TAESA) | 1,743,833,600 | 969,580,208 |
| 26. | Tanzania Mineral Audit Agency(TMAA) | 10,978,436,000 | 10,705,544,000 |
| 27. | Dar es Salaam Rapid Transit Agency(DART) | 6,880,542,440 | 4,376,537,266 |

| S/N | Agency | Total Estimates in TZS | Funds Released in TZS |
|---|---|---|---|
| 28. | Government Procurement Service Agency(GPSA) | 4,735,000,000 | 2,564,772,000 |
| 29. | Tanzania Institute of Accountancy(TIA) | 3,654,352,000 | 3,489,900,788 |
| 30. | Rural Energy Agency(REA) | 269,440,305,381 | 191,870,250,676 |
| 31. | National College of Tourism(NCT) | 3,708,599,900 | 2,326,404,089 |
| | **TOTAL** | **1,655,629,610,241** | **879,855,434,819** |

**Source:***Individual Management Letters*

#### 8.1.1.3Own source revenue collection

During the year under review I noted own source revenue amounting to TZS323,054,801,229 was collected by 32 Agencies against the approved estimates amounting to TZS293,755,451,331; generally there was over collection of TZS29,299,349,898(10%) against the approved estimates. Despite of over collection but also there were15 Agencies which collected below their approved estimates by TZS26,419,696,565 (20%); while 15 Agencies collected above their approved estimates by TZS 55,719,046,463 (35%). This implies that the budgets of 15 Agencies which collected beyond their approved budgets were unrealistic.

I recommend the Government to develop a mechanism which will help the Agencies to depend on theirown source revenue rather than on Government subvention.

### 8.1.2 Deficiencies in Procurement and contract management

#### 8.1.2.1 Procurement made from un- approved suppliers TZS 165,583,183

In 2014/2015, three (3) Agencies violated Regulation 131 (5) of the Public Procurement Regulations, 2013 which mandates public institutions to procure goods and services from the approved suppliers. The goods and services amounting to TZS 150,878,660 procured by National College of Tourism (TZS 125,384,200) and Tanzania Forestry Service Agency (TZS 25,494,460) from suppliers not approved by GPSA and TZS 14,704,523 incurred by Registration Insolvency and Trusteeship Agency (RITA) for repair and maintenance of motor vehicles without being channelled to TEMESA.

I recommend strict compliance with the provisions of the Public Procurement legislations to ensure transparency and value for money in procurement transactions.

#### 8.1.2.2 Delayed commencement of Bus Transport Services

Assessment on procurement made by DART I noted that on 24th April, 2015 DART entered into contract with UDA-RT (ISP) for provision of Interim Bus Transport Service Phase 1. However, as of December, 2015 after an eight month lapse sincesigning the service contract, transport service was yet to commence and no action taken by the Agency as per the terms and conditions of the contract. I would like to remind Agencies' management to adhere tothe contract terms and conditions to avoid further delay of the contract.

#### 8.1.2.3 Procurement of buses in excess

In2014/2015 I noted that, Dar Rapid Transit Agency (DART) signed a contract with Interim Service Provider UDA Rapid Transit Limited (UDA-RT) which requires the Interim Service Provider (UDA-RT) to make available and operate a total of 76 buses with specification specified in the ISP Contract. The contract provides for variation at the discretion of the Agency in compliance with the Public Procurement Act, 2011 limited the number of buses to be delivered to 84 only. Available information indicates that UDA-RT has procured and delivered 140 buses, that is in excess of 56 buses from the signed agreement. I also observed that the buses procured were marked with UDA-RT logo instead of DART Agency logo contrary to ISP business specification which requires each bus supplied to come with Internal and external decals based on the DART Agency logo.

Procurement of buses exceeded the requirement and needs of the Agency. I would like to remind the Management of DART to ensure that the operation of UDA RT is according to the terms and conditions of the signed contract. The surplus has to be accounted for and managed for the intended purpose.

#### 8.1.2.4 Contract without timeframe

I reviewed a contract under Tanzania Forest Service Agency and noted that Rondo Forest Plantation entered into a contract with PRIME TIMBER LTD of Dar es Salaam vide contract No 068/2014-2015/HQ/B/1C on 9th March, 2015 for harvesting a total of 6,766.9 cubic meters of Teak Trees in the financial year 2014/2015. However, the contract does not show the time frame for harvesting Teak trees; this may result to delay in harvesting and hence late replanting or increasing cost of maintaining standing trees.

I advise management of the Agency to indicate the time frame in all contracts.

#### 8.1.2.5 Contract for the Supply and assembling of Tunnel Formwork System was out of procurement plan

On 22nd November 2012 Tanzania Building Agency (TBA) entered into a one year contract with M/S Mesa

Imalat San. VE TIC for the Supply and assembling of Tunnel Formwork System at a contract sum of USD 500,000 equivalent to TZS 971,000,000.On reviewing the contract, I noted that the procurement was not in the plan which is contrary to Sect. 49(3) of the PPA, 2011; and TBA management has paid additional payments amounting to TZS 147,585,464 as a result of delay in offloading the consignment, consignment detained fee, storage charges, additional customs Warehouse Rent charges and container handling costs. Additionally I noted that thesupplier did not furnish performance security amounting USD 50000 equivalent to TZS 79,100,000(10% of the contract sum) which was supposed to be paid within 30 days of receipt of notification of contract award.

I recommend to TBA to comply with Procurement legislations as required in order to get the required value for money from the procurement processes and avoid inefficiencies that might crop up as a consequence of non-compliance with the procurement procedures.

**8.1.2.6Contracts yet to be implemented**

Audit results indicate that on 21st August, 2013 TBA entered into a contract for the supply and installation of passenger lift in the proposed construction of TBA building on Plot No. 5 and 7 Moshi Avenue in Dodoma Region at a contract sum of TZS 131,762,380. I noted that the contractor has failed to comply with terms and general conditions of the contract because up to July 2015 the proposed lift installation was yet to be executed though the completion period lapsed since 21st January, 2014. Also, the contractor did not furnish performance security equivalent to 10 percent of the contract sum. TBA has not imposed liquidated damages of 0.1 per cent per day of the contract sum.

I recommend the management of TBA to comply with the terms and conditions stipulated in the contract. In another Agency, TEMESA entered into a three month contract on 30th October, 2014 Ref. No. AE/006/2012-13/HQ/NCS/CN-17 dated 30th October, 2014 with M/s Navy Command for Leasing and Fitting Plastic Modular Floating Barge and Gangways for the Dar es Salaam - Bagamoyo Ferry at a contract sum of TZS 180,000,000.

I noted that the performance bond was not paid by the contractor while the advance payment of TZS 90,000,000 was paid. I also noted that neither the liquidated damages nor termination of the contract has been done regardless of non-performance of the contract obligation which is contrary to the contract terms.

In the absence of the performance bond TEMESA will experience difficulties in the recovery of the amount advanced and liquidated damages. I recommend the management of TEMESA to recover the amount paid in form of advance payment as well as liquidated damages.

**8.1.2.7 Defective Ferry Boat worth TZS7,916,955,000**

The Ministry of Works is responsible through Tanzania Electrical Mechanical and Electronics Service Agency (TEMESA) to operate and regulate ferries in the country. As part of their responsibility TEMESA entered a contract Ref. No. AE/006/2012-13/HQ/G/CN-39 dated 25th April, 2013 with M/s Johs.Gram-Hanssen Bergensgade 10, DK 2100 Copenhagen Oe Denmark forsupply of new Coastal Passenger Ferry Boat plying between Dar es Salaam and Bagamoyo at a contract sum of USD 4,980,000 VAT exclusive. The contract period was agreed to be 8 months starting from 25th April, 2013, later it was extended to 31st October, 2014letter with reference No.TMS/

F/86/A/22 refers.However, I noted the following deficiencies in procurement:

**8.1.2.8 Ferry speed does not comply with purchaser's requirements**

The expert's inspection report noted that the maximum and minimum speed during sea trials was observed to be 19.45 and 17.25 knots respectively contrary to the agreed contract speed of 20 knots.

**8.1.2.9Goods acceptance certificate yet to be issued**

The ferrying boat was handed over on 17th November, 2014 to TEMESA after a delay of 16 days without goods acceptance certificate in accordance with Reg.247 of PPR, 2013. Additionally, as at the time of audit (August, 2015), almost one year after handing over the goods certificate of acceptance was yet to be issued to the supplier contrary to Reg.248 of PPR, 2013. The situation suggests that defects noted during technical and expert sea trials are not yet rectified and the ferry boat is not operational for ayear now.

I advise the management to communicate with the supplier to rectify all snags observed by the Goods Inspection and Acceptance committee including minimum and maximum speed and finally to issue the Goods Acceptance Certificate. Also Management to adhere with the contracts terms and Public Procurement Act and its Regulations of 2013

**8.1.2.10 Motor Vehicle yet to be delivered TZS 144,150,000**

I noted that Livestock Training Agency (LITA) paid TZS 144,150,000 in advance to Government Procurement Service Agency (GPSA) for acquisition of motor vehicle. However, the motor vehicle is yet to be delivered.

In absence of the motor vehicle, the propriety of the expenditure of 144,150,000 could not be ascertained and therefore these public funds may not have been utilized lawfully and in an effective manner.

I recommend the Management of LITA to make close follow up and ensure that the Government Procurement Service Agency and the supplier comply with the contractual obligations and deliver the motor vehicle without delay.

**8.1.2.11Delayed completion of construction works**

Poor contract management is a long-standing issue in public institutions. TANROADS has experienced persistent late payment of contractor's claims for a number of years. My audit noted that Tanzania National Roads Agency entered into various construction contracts. However, some of the contracts are yet to be completed and they are beyond scheduled contract period as summarized in Table 54below:

All completion dates were observed to have been revised yet the contracts are still uncompleted for the reason of unreliable flow or non-release of funds during the financial year 2014/15 which prompted TANROADS management to delay payments of interim payment certificates as they mature. Late payment has reduced contractor's financial capabilities in executing the contract within the agreed time frame. Additionally, payments for 16 sampled contracts attracted interest amounting to TZS 5,616,652,022 and USD 686,174.86 on late payment of interim payment certificates as demonstrated in the table 54 below:

## Table 54: Interest on late payment

| SN | Contract Description | Contrct Price(TZS) | Date Starting | Date Ending | Interest(TZS) |
|---|---|---|---|---|---|
| 1 | Kilombero Bridge | 53,214,395,756 | 21.1.2013 | 20.1.2015 | 414,815,917 |
| 2 | Upgrading of Makutano-Natta road (50KM) | 46,138,083,789 | 17.5.2013 | 3.3.2016 | 90,358,036 |
| 3 | Upgrading Kibondo-Nyakanazi road (50KM) | 45,985,780,76 | 13.6.2014 | 13.6.2016 | 128,297,105 |
| 4 | Upgrading Kidahwe-Kasulu road (50KM) | 50,908,095,566 | 4.6.2014 | 4.6.2016 | - |
| 5 | contract number TRD/HQ/1007/2009/10 for upgrading to bitumen standards lot 3: Bariadi - Lamadi Sect. (71.8 km) | 67,408,991,569 | 9.9. 2009 | 23.12.2014 | 513,594,431.83 and USD 686,174.86 |
| 6 | Construction of Sibiti Bridge (82M) and its approach roads 25 Km | 16,302,313,479 | 01.11.2012 | 30.4.2014 | |
| 7 | TRD/HQ/1022/2013/14 for upgrading of Nyamuswa - Bunda - Kisorya - Nansio Road to bitumen standard (121.9 km) lot 2: Bulamba - Kisorya (51km section | 51,281,285,533 | 5.11.2013 | 11.11. 2015 | 1,138,713,393 |
| 8 | Contract No. TRD/HQ/1040/2008/2009 for Upgrading Kanazi - Kizi - Kibaoni Road project (76.6 Km) | 82,841,779,607 | 15.12.2012 | 14.12.2014 | 139,841,385 |
| 9 | Upgrading works for Lot 1: Tabora - Sikonge (Uselula) Section (30Km) | 28,645,048,253 | 15.8.2014 | 14.4.2016 | 1,673,901,938 |
| 10 | contract No. TRD/HQ/1029/2012/13 for Upgrading Usagara - Kisesa Road (16 Km) to Bitumen standard worth | 20,828,392,743 | 2.5.2013 | 30.12.2015 | - |
| 11 | Magole - Turiani - Mziha - Handeni Lot 1 Magole-Turiani | 41,890,858,201 | 3.3.2010 | 10.2.2012 | 1,517,129,845 |
| | **Total** | **459,505,230,353** | | | **5,616,652,051** |

**Source:** *Individual Management Letters for the year ended 30th June 2015*

Interest on late payment of TZS 5,616,652,051 is fruitless and wasteful expenditure that could have been avoided had reasonable care been taken.

I recommend TANROADS Management to make follow up of funds from the Ministry of Finance and ensure early completion of the projects. I recommend the award of contract to be done in phases depending on the availability of funds so that no certificate will remain unpaid and hence attract interest. This would help the Government to prevent avoidable costs due to project variations and lapse of time. I also recommend that Management of TANROADS to exert more efforts in the supervision of the projects/ contracts so that they are executed within the provided time frame.

**8.1.2.12 Loan yet to be recovered TZS 180,637,375**

During 2014/2015, three Agencies failed to recover loans amounting to TZS 180,637,375 advanced to parent Ministries. TZS 103,377,375.18(57%) of unrecovered loan was from National Food Reserve Agency (NFRA) to the Ministry of Agriculture, TZS 55,760,000 (31%) was from Drilling and Dam Construction Agency (DDCA) to the Ministry of Water and TZS 21,500,000(12%)fromAgency for the Development of Educational Management (ADEM) to the Ministry of Education and Vocational Training (MOEVT). Failure to repay loans indicates that the Ministries are threatening operations of the Agencies as it affects the working capital.

I advise the management of the Agencies to make follow up on all outstanding loans issued to ministries

**8.1.3Deficiencies in noncurrent assets management**

**8.1.3.1Abandoned Motor Vehicles by Government Institutions**

During the year 2014/2015 I noted TEMESA MT and Mwanza depot had 44 abandoned motor vehicles by different Government institutions for a period of more than three to five years.

Detailed analysis of the Governmentinstitutions and the abandoned motor vehicles is shown in table 55 below:

Table 55: Abandoned Motor vehicles

| S/N | Reg No. | Model of Car | Government Institution | Depot |
|---|---|---|---|---|
| 1 | STK 4333 | Suzuki Vitara | National Assembly | MT DEPOT |
| 2 | DFP 1090 | Toyota L/C | Ministry of Finance | MT DEPOT |
| 3 | STJ 3956 | Toyota L/C | Ministry of Labor and Employment | MT DEPOT |
| 4 | STK 2624 | Toyota L/C | Ministry of East Africa Community | MT DEPOT |
| 5 | STK 411 | Nissan Patrol | Ministry of Finance | MT DEPOT |
| 6 | STJ 3012 | Prado | Ministry of Works | MT DEPOT |
| 7 | STK 1972 | Nissan Patrol | Ministry of Labor and Employment | MT DEPOT |
| 8 | STJ 2409 | Hyundai | TEMESA | MT DEPOT |
| 9 | STK 5142 | Toyota L/C V-8 | Mpanda District Council | MT DEPOT |
| 10 | STJ 7336 | Nissan Patrol | Ministry of Finance | MT DEPOT |
| 11 | STK 702 | L/Rover 110 | Ministry of Finance | MT DEPOT |
| 12 | DFP 3059 | Discover | Ministry of Finance | MT DEPOT |
| 13 | STH 2785 | Tata Lory | TEMESA | MT DEPOT |
| 14 | STJ 1810 | M/Benz | National Assembly | MT DEPOT |
| 15 | STJ 2727 | Toyota L/C | TEMESA HQ | MT DEPOT |
| 16 | STJ 2411 | Hyundai | TEMESA | MT DEPOT |
| 17 | STJ 9888 | Nissan H/Body | TMA | MT DEPOT |
| 18 | STK 8275 | Toyota L/C V-8 | TANROADS | MT DEPOT |
| 19 | STK 5478 | Toyota L/C V-8 | Nanyumbu District Council | MT DEPOT |
| 20 | DFP 7399 | Toyota Rav 4 | CMA | MT DEPOT |
| 21 | STL 2632 | Toyota L/C | Treasury Registrar Office | MT DEPOT |
| 22 | STH 5812 | Isuzu Tipper | Lindi Reginal Secretariat | MT DEPOT |
| 23 | STH 7388 | Tata Bus | TEMESA HQ | MT DEPOT |
| 24 | STJ 8384 | Isuzu D/Cabin | TEMESA | MT DEPOT |
| 25 | STJ 9333 | Toyota Rav 4 | Treasury Registrar Office | MT DEPOT |
| 26 | STJ 1673 | Toyota L/C | Ministry of Finance | MT DEPOT |
| 27 | STJ 7800 | M/Benz | Gta- TEMESA | MT DEPOT |
| 28 | ST 137 A | Toyota L/C | President Office | MT DEPOT |
| 29 | STJ 853 | Kia | President Office | MT DEPOT |
| 30 | ST 68 A | Isuzu Bus | President Office | MT DEPOT |
| 31 |  | Tractor | President Office | MT DEPOT |
| 32 | STJ 3107 | Toyota L/C | BRELA | MT DEPOT |
| 33 | STJ 9751 | Prado | BRELA | MT DEPOT |
| 34 | STJ 9602 | Toyota Hilux | BRELA | MT DEPOT |
| 35 | DFP 209 | Toyota L/Cruiser Hard Top | TAFIRI -Mwanza | MWANZA |
| 36 | DFP 2240 | Nissan Ternal | Kituo cha Kuleana Mwanza | MWANZA |
| 37 | DFP 2289 | Suzuki Escudo | Kituo cha Kuleana Mwanza | MWANZA |
| 38 | DFP 194 | Toyota Hilux | Fishery-Mwanza | MWANZA |
| 39 | DFP 187 | Toyota Prado | TAFIRI -Mwanza | MWANZA |
| 40 | STJ 447 | Mitsubishi Canter | TEMESA-Mwanza | MWANZA |
| 41 | STG 9474 | Tata LWB Lorry | TEMESA-Mwanza | MWANZA |
| 42 | STK 345 | Ford Ranger/Cabin | TEMESA-Mwanza | MWANZA |
| 43 | STH 7898 | Mitsubishi P/UP | TEMESA-Mwanza | MWANZA |
| 44 | STH 2789 | Layland Comet Tanker | TEMESA-Mwanza | MWANZA |

**Source:** *Individual Management Letters*

In the absence of prompt action taken on the abandoned assets, there is a risk that the assets will

have no value on disposal or carrying value.
I advise the management of TEMESA to communicate with all Government institutions to rescue the assets from further deterioration.

### 8.1.3.2 Grounded Motor Vehicles

On physical verification exercise I noted 31 grounded motor vehicles in three Agencies; DDCA with 28(90%), TEMESA 2(7%) and 1(3%) in NFRA. Additionally I noted obsolete assets costing TZS 83,301,000 in Tanzania Institute of Accountancy (TIA) which have reached the end of their useful life and beyond economical repair. The Accounting Officers are yet to undertake disposal procedure in accordance with Regulation 254 (1) of the Public Finance Regulations 2001. In the absence of prompt action on the motor vehicles may lead into loss of public assets.

I recommend the Agencies to dispose all unserviceable assets to avoid further losses.

Analysis of the grounded motor vehicles and obsolete assets are shown in **Appendix 8.1**

### 8.1.3.3 Lack of ownership documents

The reported cases of Government properties lacking legal documents for ownership are widespread and have been in existence for quite sometime. In this year 2014/2015 I noted that Prison corporation sole own assets worth TZS 522,727,935 without legally binding documents. This is due to transfer of assets from Prison Service Department to corporate sole which were not valued. This might cause adverse condition when there is dispute against the assets and in most cases the corporation sole may lose.

I also, noted there are 10 plots owned by National Food Reserve Agency and 42 Plots owned by Tanzania Trees Seeds Agency without title deeds which confirm rights and obligation.

In the absence of documents for ownership confirmation, I could not confirm whether these lands are actually owned by the respective Agencies. The Government is advised to ensure all Agencies obtain ownership documents in order to safeguard Government assets.

**8.1.3.4 Loss from unsold Dairies and Calendars TZS 42,536,880**

In 2014/2015 I noted that GPSA incurred a loss amounting to TZS 42,536,880 from unsold dairies and calendars. The loss was due to delayed delivery which was caused by change in Government policy whereby all printed materials for Government to be printed through Government printers. I also noted that some Ministries and Independent Government Entities printed their own Diaries and Calendars hence decreased thedemand of Diaries and Calendars printed by GPSA.

Failure to sell all printed dairies resulted into loss of Government revenue.

I recommend the management of GPSA to develop a good mechanism of ensuring the suppliers are held accountable for the loss arising as a result of delayed delivery. Also GPSA should establish demand of its products to avoid losses from unsold products

**8.1.3.5 Fixed assets register not updated and Assets not coded**

Regulation 265 (2) of the Public Finance Regulations, 2001 requires dates and other details of all movements of items and changes in the location of items must be recorded as they occur.

My review of internal control system noted fixed assets registers from eightAgencieswere not updated and assets from three Agencies were not coded. This is contrary to Regulation 265 (2) of the Public Finance Regulations, 2001

**Table 56: Agencies not coded and Fixed Asset Register not updated**

| S/N | Agency | Asset register not updated | Assets not codded |
|---|---|---|---|
| 1 | Dar Rapid Transit Agency(DART) | ✓ | |
| 2 | Tanzania Building Agency(TBA) | ✓ | |
| 3 | National Collegeof Tourism(NCT) | ✓ | |
| 4 | Government Chemistry Laboratory Agency(GCLA) | ✓ | ✓ |
| 5 | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | ✓ | |
| 6 | Fisheries Education and Training Agency | ✓ | |
| 7 | National Food Reserve Agency(NFRA) | ✓ | |
| 8 | Tanzania Tree Seeds Agency(TTSA) | ✓ | |
| 9 | Institute of Arts and Culture-Bagamoyo | | ✓ |
| 10 | Tanzania Institute of Accountancy(TIA) | | ✓ |

Source: *Individual Management Letters*

I recommend the Agencies to comply with Regulation 265 (2) of PFR, 2001 by ensuring that, Asset Registers are regularly updated so that the figure of PPE disclosed in the financial statement is supposed to agree with the amount shown in the Fixed Asset

Register; Also all Agencies' assets to be properly coded to enhance control over assets.

### 8.1.3.6Outstanding Accounts receivables TZS 688,022,407,694

During the year 2014/2015 I noted 28 Agencies with receivables amounting to TZS 688,022,407,694 an increase of TZS 442,555,951,209 (180%) compared to receivables of TZS 245,466,456,485 reported 2013/2014. Among the total receivables TZS 501,909,054,611 (73%) was outstanding for more than 12 months while TZS 186,113,353,083 (27%) for 12 months. Additionally I noted that Tanzania National Road Agency (TANROAD) carried 56%, followed by National Food Reserve Agency (NFRA) with 25% and Rural Energy Agency (REA) with 7%of total receivables reported in financial year under review.

List of Agencies with outstanding accounts receivables is shown in the table 57 below;

**Table 57: Agencies with outstanding Receivables**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | E-Government Agency | 233,336,923 |
| 2 | Registration Insolvency and Trusteeship Agency(RITA) | 1,850,563,850 |
| 3 | Tanzania Global Learning Agency (TGLA) | 118,841,000 |
| 4 | Tanzania Public Service College (TPSC) | 281,740,053 |
| 5 | Tanzania Tree Seeds Agency(TTSA) | 900,000 |
| 6 | Agriculture Seeds Agency(ASA) | 1,616,546,834 |
| 7 | Drilling and Dam Construction Agency(DDCA) | 1,834,955,424 |
| 8 | Fisheries Education and Training Agency(FETA) | 38,546,500 |
| 9 | Geological Survey of Tanzania(GST) | 11,831,000 |

| S/N | Agency | Amount in TZS |
|---|---|---|
| 10 | Livestock Institute Training Agency(LITA) | 216,140,004 |
| 11 | National Food Reserve Agency(NFRA) | 173,650,642,457 |
| 12 | Tanzania Building Agency(TBA) | 30,885,241,650 |
| 13 | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | 13,441,603,867 |
| 14 | Tanzania Government Flights Agency(TGFA) | 23,229,512,368 |
| 15 | Tanzania Meteorological Agency(TMA) | 981,573,580 |
| 16 | Tanzania National Road Agency(TANROAD) | 382,319,084,991 |
| 17 | Water Development and Management Institute(WDMI) | 46,938,596 |
| 18 | Weight and Measures Agency(WMA) | 1,021,977,317 |
| 19 | National Housing and Building Research Agency(NHBA) | 19,138,466 |
| 20 | Agency for Development of Education Management(ADEM) | 94,393,122 |
| 21 | Government Chemistry Laboratory Agency(GCLA) | 1,476,299,928 |
| 22 | Occupational Safety and Health Agency(OSHA) | 1,641,500,474 |
| 23 | Tanzania Mineral Audit Agency(TMAA) | 1,485,111,000 |
| 24 | Dar es Salaam Rapid Transit Agency(DART) | 45,647,635 |
| 25 | Government Procurement Service Agency(GPSA) | 3,271,833,648 |
| 26 | Tanzania Institute of Accountancy(TIA) | 1,000,829,195 |
| 27 | Rural Energy Agency(REA) | 47,097,093,000 |
| 28 | National College of Tourism(NCT) | 110,584,813 |
| | **TOTAL** | **688,022,407,694** |

**Source:** *CAG audit Reports*

Huge amount of outstanding receivables reduce the Agencies' operations as the Agencies working capital will be tied up to the tune of outstanding receivables. I urge the Agencies to closely follow up the outstanding receivables to avoid delay in achieving theirStrategic objectives

### 8.1.4 Weaknesses noted on Liabilities

#### 8.1.4.1 Litigation claim against Agencies TZS 3,984,442,970

On reviewing contingent liabilities I noted that Five (5) Agencies had cases in court which are likely to have financial implications amounting to TZS 3,984,442,970 in case rulings will not be in favour of the Agencies; Additionally I noted that ASA and TBA have not set aside provisions to cover these liabilities in case ruling will not be intheir favour. List of Agencies with contingent liabilities is shown in the Table 58 below:

**Table 58: Agencies with cases pending litigation**

| S/N | Agency | Amount TZS |
|---|---|---|
| 1 | Agricultural Seed Agency(ASA) | 2,751,850 |
| 2 | Agricultural Seed Agency(ASA) | Two cases depends on court decisions |
| 3 | Dar Rapid Transit Agency(DART) | 2,570,062,176 |
| 4 | Tanzania Building Agency(TBA) | 1,368,188,944 |
| 5 | Registration Insolvency and Trusteeship Agency(RITA) | 43,040,000 |
| | TOTAL | 3,984,042,970 |

**Source:** *Individual management letters*

I advise Agencies to work closely with the court for early completion of the cases; additionally Agencies have to set aside provisions to settle the liabilities in case the ruling will not be in their favour.

#### 8.1.4.2 Escalating 15% loan interest TZS 12,723,218,833

On reviewingthe contract agreement between the Board of the Trustees of the NSSF and RITA signed on 19th April, 2011, RITA being the borrower I noted that the value of loan was TZS 24,153,638,530 for construction of RITA tower. As at 30 June 2015 RITA had accumulated Loan Interest of TZS 12,723,218,833being 52.68 per cent of principal. The penalty could have been avoided if the Government would have complied with loan agreement to repay itin time.

I urge RITA to solicit fund to repay loan without further delay as this will become a financial burden to the Agency

**8.1.4.3Accounts payables TZS 1,585,462,664,305**

During the year 2014/2015 I noted 26 Agencies with payables amounting to TZS 1,585,462,664,305 anincreaseof TZS666,328,896,602 (72%) compared to 2013/2014 payables amounting to TZS 919,133,767,703. This implies the ability of Agencies to meet their present obligations has decreased by (72%). Among the total payables TZS 1,312,571,520,270 (83%) was outstanding for more than 12 months while TZS 272,891,144,035 (17%) for 12 months.Since 83% of the total payables had been outstanding for more than a year, this reduces the Agencies reputation to suppliers.Additionally I noted that Tanzania National Road Agency (TANROAD) had the largest proportion (73%) of the total payables.

I would like to recommend the accounting officers to set budget provisions to meet financial obligations

List of Agencies with outstanding accounts payables is shown in the table 59 below;

Table 59: Agencies with Outstanding Payables

| S/N | Agency | Amount in TZS |
|---|---|---|
| 2 | Registration Insolvency and Trusteeship Agency(RITA) | 1,407,935,742 |
| 3 | Tanzania Forestry Service Agency(TFSA) | 335,926,280 |
| 4 | Tanzania Global Learning Agency(TGLA) | 334,768,000 |
| 6 | Tanzania Tree Seeds Agency(TTSA) | 87,511,184 |
| 7 | Agriculture Seeds Agency(ASA) | 1,144,528,716 |
| 8 | Drilling and Dam Construction Agency(DDCA) | 182,798,475 |
| 9 | Fisheries Education and Training Agency(FETA) | 89,962,937 |
| 10 | Geological Survey of Tanzania(GST) | 328,679,577 |
| 11 | Livestock Institute Training Agency(LITA) | 195,562,296 |
| 12 | National Food Reserve Agency(NFRA) | 3,275,740,163 |
| 14 | Tanzania Building Agency(TBA) | 3,551,905,010 |
| 15 | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | 11,695,999,695 |
| 16 | Tanzania Government Flights Agency(TGFA) | 2,939,302,106 |
| 17 | Tanzania Meteorological Agency(TMA) | 1,928,679,827 |
| 18 | Tanzania National Road Agency(TANROAD) | 1,159,229,494,045 |
| 20 | Water Development and Management Institute(WDMI) | 1,044,323,274 |
| 22 | National Housing and Building Research Agency(NHBRA) | 8,180,000 |
| 23 | Agency for Development of Education Management(ADEM) | 2,108,736,121 |
| 26 | Occupational Safety and Health Agency(OSHA) | 31,106,662 |
| 27 | Tanzania Employment Service Agency(TAESA) | 220,534,959 |
| 28 | Tanzania Mineral Audit Agency(TMAA) | 341,708,000 |
| 29 | Dar es Salaam Rapid Transit Agency(DART) | 123,866,399 |
| 30 | Government Procurement Service Agency(GPSA) | 2,371,696,011 |
| 32 | Tanzania Institute of Accountancy(TIA) | 1,491,583,493 |
| 33 | Rural Energy Agency(REA) | 390,826,808,000 |
| 35 | National College of Tourism(NCT) | 165,327,333 |
| | **TOTAL** | **1,585,462,664,305** |

**Source:** *CAG Report 2014/2015*

### 8.1.5 Weaknesses noted on expenditure

#### 8.1.5.1 Payments not supported with EFD receipts TZS 976,282,947

On reviewing Agencies' transactions for expenditure I noted, that Five (5)Agencies paid a total of TZS 976,282,947 to various suppliers without demanding Electronic Fiscal Device (EFD) receipt which is contrary to Reg. 24 of EFD regulation of 2012. Lack of Electronic Fiscal Device (EFD) receipt implies that the suppliers were avoiding paying tax hence loss of Government revenue. This is demonstrated by the various weaknesses noted as well as the inability of the Agencies to request receipts while making some of the procurements. This is a Finance function and should be carried out diligently. List of Agencies with payments not supported with EFD receipts is shown in table 60below:

**Table 60: Payments without EFD receipts**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Dar Rapid Transit Agency(DART) | 14,144,420 |
| 2 | Drilling and Dam Construction Agency | 170,938,360 |
| 3 | National Housing and Building Research Agency | 196,980,403 |
| 4 | Tanzania Building Agency(TBA) | 265,389,402 |
| 5 | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | 328,830,362 |
| **Total** | | **976,282,947** |

**Source:** *Individual management letters*

I advise the Agencies to demand TRA Electronic Fiscal Device (EFD) receipts when they make payments to suppliers. Apart from that the Agencies are urged to discontinue business transactions with suppliers whodo not use EFD machines

### 8.1.5.2 Payments without deducting withholding tax TZS 21,210,107

In the financial year 2014/2015, I noted that Five (5) Agencies paid various suppliers without deducting withholding tax amounting to TZS 21,210,107 which is contrary to section 83 of Income Tax Act 2006 which requires the procuring entity to deduct withholding tax of two per cent (2 per cent) for goods and services supplied. Failure to deduct withholding tax implies loss of Government revenue. List of entities which did not withhold tax is shown in table 61 below:

**Table 61: Withholding tax not deducted**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Dar Rapid Transit Agency(DART) | 7,404,717 |
| 2 | TaSuBa | 5,100,000 |
| 3 | Drilling and Dam Construction Agency(DDCA) | 1,133,412 |
| 4 | Tanzania Building Agency(TBA) | 1,580,978 |
| 5 | Registration Insolvency and Trusteeship Agency(RITA) | 5,991,000 |
| | **TOTAL** | **21,210,107** |

Source: *Individual management letters*

I call upon all Accounting Officers of the concerned Agencies to comply with Income Tax Laws.

### 8.1.5.3Imprest not retired TZS 402,706,732

In the financial year 2014/2015, I noted six (6) Agencies which had outstanding imprests amounting to TZS402,706,732. However, up to the 30th June, 2015 the reported un-retired impreststwere still outstanding contrary to Regulation 103(1) of the Public Finance Regulations of 2001 (revised 2004) which requires imprests to be retired within 14 days after the completion of the respective activities. List of Agencies with outstanding imprests is shown in table 62;

**Table 62: Imprests not retired**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Tanzania Veterinary Laboratory Agency(TVLA) | 5,415,000 |
| 2 | Drilling and Dam Construction Agency | 115,433,629 |
| 3 | National Housing and Building Research Agency | 256,745,503 |
| 4 | Tanzania Building Agency(TBA) | 10,000,000 |
| 5 | Tanzania Institute of Accountancy(TIA) | 8,972,600 |
| 6 | Ruvuma Basin and Southern Coast Water Board | 6,140,000 |
| | **TOTAL** | **402,706,732** |

**Source:** *Individual management letters*

I advise the Agencies to comply with the public finance regulations on early retirement of outstanding imprests after completion of the activities

### 8.1.5.4Payments not supported TZS 556,845,254

I noted that in 2014/2015 six(19 per cent) out of 32audited Agencies had unsupported payments amounting to TZS 556,845,254 which is contrary to Regulations 95(4) of Public Regulation 2001 which require every payment to be properly supported. Therefore the scope of audit was restricted.List of Agencies with payments not supported is shown in table 63 below:

**Table 63: Agencies with payments not supported**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Tanzania Forestry Service Agency(TFSA) | 44,781,809 |
| 2 | Tanzania Public Service College(TPSC) | 138,988,913 |
| 3 | National Housing and Building Research Agency(NHBRA) | 275,166,457 |
| 4 | Tanzania Building Agency(TBA) | 78,123,075 |
| 5 | Tanzania Institute of Accountancy(TIA) | 8,545,000 |
| 6 | Water Development and Management Institute(WDMI) | 11,240,000 |
| | **TOTAL** | **556,845,254** |

**Source:** *Individual management letters*

I advise the Accounting Officers to comply with the requirement of Regulations 95(4) by ensuring that all payments are properly supported by adequate documents.

### 8.1.5.5Advances not Recovered TZS 78,690,084

In financial year 2014/2015 I noted that staff advance amounting to TZS 78,690,084 was paid to Agency's officials. The Agencies have yet to recover advances. Additionally, I noted that there was no effort taken by Agencies to recover the outstanding advance. Failure to recover the advances might limit the Agency's operations. List of Agencies with unrecovered advances is shown below;

**Table 64: Agencies with unrecovered loans**

| S/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Livestock Training Agency(LITA) | 8,482,982.00 |
| 2 | National Housing and Building Research Agency(NHBRA) | 7,842,272.11 |
| 3 | Water Development and Management Institute(WDMI) | 62,364,830.00 |
| | TOTAL | **78,690,084.11** |

**Source:***Individual management letters*

I advise the Agency's Accounting Officers to recover the outstanding advance immediately from staff salaries.

### 8.1.5.6 Employees' Deductions not remitted to Respective Authorities

In financial year 2014/2015 I noted that employees statutory salary deductions amounting to TZS 35,642,900 was not remitted to their respective authorities which is contrary toPSPF:Section 40 and 41 of the Public Service Retirement Benefits Act No. 2 of 1999NSSF: Section 12 (1) ofThe National Social Security Fund Act, 1997. Failure to remit statutory deduction implies that the employees might not receive their pension or gratuities in case of retirement or death whichever comes first. Additionally, there is a risk that a penalty of five per cent will be charged for unpaid amounts for each month or part of month following the date when the payment due for late payment might be incurred as per requirement of pension law.

**Table 65: Agencies with deductions not remitted**

| SS/N | Agency | Amount in TZS |
|---|---|---|
| 1 | Drilling and Dam Construction Agency | 27,023,876 |
| 2 | Tanzania Employment Service Agency | 8,619,024 |
| | **TOTAL** | **35,642,900** |

**Source:** *Individual management letters*

I advise the Agencies' Accounting Officers to establish a mechanism of ensuring that all statutory deductions are timely remitted to their respective authorities.

### 8.1.6 Weaknesses noted in Revenue Management

#### 8.1.6.1 Uncollected dues from sale of Government houses TZS 214,748,556

I noted that the Accounting officer of Tanzania Building Agency is yet to notify 199 long term debtors who have defaulted to honour their contractual obligation on sale of Government houses contrary to Reg. 57 (2) of the Public Finance Regulations, 2001.On reviewing revenue collected from Agencies I noted that Tanzania Building Agency sold houses to Government officials on contract to pay their dues within ten years. The contracts expired in January, 2015 while dues amounting to TZS 214,748,556from 199 officials were not collected by Tanzania Building Agency after expiry of sale contract. Additionally I noted that there was no reminder note issued by TBA to inform them to repay their dues. Uncollected dues are summarized in table 66 below:

**Table 66: Uncollected dues from sale of Government houses**

| S/N | Region | Debtors | Amount in TZS |
|---|---|---|---|
| 1 | Morogoro | 89 | 99,031,850 |
| 2 | Dodoma | 59 | 55,605,762 |
| 3 | Mbeya | 51 | 60,110,944 |
| **TOTAL** | | **199** | **214,748,556** |

***Source:*** *Individual management letter*

I recommend the management of Tanzania Building Agency to take legal action against defaulters and come up with strategies to ensure all monies are collected as per signed contract agreement by both parties in order to avoid loss of Government revenue.

#### 8.1.6.2 Revenue not properly banked

Three (3) out of thirty two audited Agencies had notable deficiency on revenue collection. I noted that revenue collected amounting to TZS 51,465,623 was not properly banked and revenue amounting to TZS 14,162,800 was banked in incorrect bank account which is contrary to Regulation 78(1) of the Public Finance Regulation 2001 which require all revenue collected to be banked at the earliest possible opportunity as shown in table 67below

**Table 67: List of regions with Revenue not properly banked**

| Region | Agency | Amount in TZS | Description |
|---|---|---|---|
| Morogoro | TBA | 6,335,000 | Not banked |
| Dodoma | TBA | 5,460,000 | Not banked |
| Arusha | TBA | 9,513,800 | Banked in incorrect account |
| Mwanza | TBA | 4, 649,000 | Banked in incorrect account |
| Morogoro | TTSA | 39,670,623 | Not banked |
| | RITA | 103,882,962 | |

**Source:** *Individual management letter*

I advised the GovernmentAgencies to ensure that all revenue collections are strictly and promptly banked to the required accounts without further delay.

### 8.1.7 Human Resources Issues

#### 8.1.7.1 Shortage of staff

On reviewing the human resources management I noted that eight(8) Agencies had a shortage of 2,554 staff in different departments equivalent to 52 per cent of the required staff level. The Agency with the highest shortage is TFSA (80%), followed by RITA (6%) and TVLA (5%).The shortage of staff impacts on the performance of the Agency's operations.

Additionally I noted that three Agencieswith key staff acting for more than six months without being confirmed, which is contrary to Standing Order for Public Service, Section D.24(3) of 2009.

**Table 68: Shortage of staff**

| S/N | Agency | Acting Staff | Staff Required | Available | Shortage |
|---|---|---|---|---|---|
| 1 | Agency for the Development of Educational Management (ADEM) | 0 | 4 | 1 | 3 |
| 2 | Tanzania Veterinary Laboratory Agency(TVLA) | 0 | 318 | 200 | 118 |
| 3 | Tanzania Forestry Service Agency | 0 | 3891 | 1840 | 2051 |
| 4 | Occupational Safety and Health Agency(OSHA) | 1 | 30 | 7 | 23 |
| 5 | National Food Reserve Agency(NFRA) | 0 | 239 | 128 | 111 |
| 6 | Tanzania Institute of Accountancy(TIA) | 0 | 128 | 33 | 95 |
| 7 | Registration Insolvency and Trusteeship Agency(RITA) | 1 | 308 | 155 | 153 |
| 8 | Tanzania Employment Services Agency(TAESA) | 5 | 0 | 0 | 0 |
| **TOTAL** | | **7** | **4918** | **2364** | **2554** |

**Source:***Individual audit reports*

I recommend the Agencies to communicate with the Public Service Recruitment Secretariat to ensure that qualified staff are recruited to fill the positions. For staff acting for more than six months I advise the Agencies to either confirm them or recruit other staff if the acting staff do not qualify for the positions they are acting.

## 8.2 Salient Audit Findings on Audit of Other Government Institutions

The following are the salient audit findings for 31 audited Other Government Institutions for the year 2014/2015.

### 8.2.1Delayed construction of Uongozi Institute permanent building

On reviewing I noted that Institute of Leadership for Sustainable Development (Uongozi Institute) was given 490 acres by the Government to construct a permanent office building at Kondo village in Bagamoyo District Council since 2011, up to December 2015 the construction was yet to commence due to delay in compensating 68 villagers amounting to TZS 589,388,000 whose properties would be affected by the construction of a 5 KM tarmac road to join the Project to the main road to enhanceaccessibility to the project.

I advise the management of Institute of Leadership for Sustainable Development to make close follow up on the compensation fund for the affected villagers in order to commence the project.

### 8.2.2 Procured furniture not utilized TZS 94,344,119

Due to overestimation of demand; quantity procured exceeded the requirement and needs of the Constituent Assembly for preparation of new constitution as the result, the store had a surplus

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inventory of TZS 94,344,119. These included unused furniture in the stores whose intended purpose had lapsed.

I advise the authority to ensure that supply and demand of material is carefully determined during preparation of annual procurement plan so as to avoid waste or unwanted materials. I suggest the Assembly to consider an alternative use of this furniture.

In another case, the Law School of Tanzania signed a contract with Inventions Technologies Company Limited for supplies and installation of a video link at a contract sum TZS 213,561,400 VAT exclusive; However audio and video link have yet to be operational as intended, because there was no Memorandum of Understanding between LST management and Judicial management on the installed Video link.

I urge the management of Law School of Tanzania to make follow up on the video link contract so as to ensure theintended objectives are met with a view toachieving value for money

Failure to makethe video link operational implies that the value and benefit of using video link shall not be realized.

### 8.2.3 Statutory deductions yet to be remitted TZS 89,286,386

African Peer Review Mechanism (APRM) failed to remit TZS 89,286,386 to Tanzania Revenue Authority (TRA) in respect of Pay as You Earn of TZS 61,734,761 for financial year 2013/2014 and TZS 27,551,625.00 for 2014/2015.

Additionally, during the financial year 2014/2015, the African Peer Review Mechanism received TZS 681,221,236 as Government grant. However, APRM was established in Tanzania after the Government acceded to the mechanism by signing the MoU on 26th May 2004 and the country's Parliament ratifying the MOU on 1st February 2005. However, as at the time of audit in December, 2015 the Secretariat was operating without being announced in the gazette hence lacking legal status.

I advise the accounting officer of APRM to make close follow up to ensure that statutory deductions (PAYE) are remitted to TRA timely to avoid penalties on late payment.

### 8.2.4Management Information System underutilized

I noted that Tanzania Automotive Technology Centre (TATC) signed a contract on 22nd June, 2011 with MS DATA HOUSE at a total contract sum of TZS 187,729,645 and paid in full;and nine sub modules were agreed to be configured in the MIS. Up to June 2015 only one (Integrated Financial Management) out of nine sub modules developed is being utilized and with minimum functions such as Voucher and Receipt writing leaving the rest of the functions unutilized. The system had depreciated to the tune of TZS 62,513,972 without yielding anticipated economic benefit to the Centre.Additionally TATC is still operating under manual accounting system despite the fact that it had signed the contract and installed the Management Information System (MIS) since the year 2011.

I recommend the Management of TATC to implement the MIS as was earmarked in the Contract in order to realize the benefits expected and hence yielding the value for money of the funds spent to implement the project.

### 8.2.5 Payment of a variation order without approval

Reg. 61 (4) of the Public Procurement Regulations, 2013, requires the contract amendment not to increase the total contract price by more than fifteen per cent (15%) of the contract price without the approval of budget approving authority. I noted that TZS 279,504,931(15.53% of the original price) was paid by Lake Victoria Basin Water Board to M/s Prince General Investment Ltd as variation order without approval of the budget approving authority.

The use of funds without the approval of the budget approving authority implies misappropriation of funds.

I recommend the management of Lake Victoria Basin Water Board to comply with the requirements of Reg. 61 (4) of Public Procurement Regulations, 2013.

### 8.2.6 Inadequate performance of Tanzania Automotive Technology Centre (TATC)

I noted a significant decrease of Government subvention from 2012/2013 to 2014/2015. In 2014/2015 only TZS 3,337,468,000 was received by Tanzania Automotive Technology Centre (TATC) as Government subventions; a decrease of TZS 1,082,336,000 and TZS 1,050,987,000 compared to 2013/2014 and 2012/2013 government subvention of TZS 4,419,804,000 and TZS 4,388,455,000 respectively. Among the funds received from the government in three consecutive years only TZS 1,030,000,000 was received by TATC in respect of development expenditure in 2013/2014

Additionally I noted that; No initiatives were taken by Government to encourage local products produced by TATC especially agricultural implements (power tillers, machine bricks, sisal mobile, decorticator and medium duty water pump) to be purchased by government institutions and other local potential users which could have saved Government funds from importing implements from abroad.

Further I noted that there was little interest on the part of the Government to enhance researches in Military combat Vehicles where TATC managed to develop Nyumbu Armored Reconnaissance Vehicle (ARV) and Armored Personnel Carrier (APC) whereby the researches could have improved the items developed which in due course and could have saved government funds.

I recommend that the Government should provide adequate funding to enable the center discharge its core functions as stipulated in Order No. 1 of 6th March, 1986.



**8.2.7 Loan yet to be recovered TZS 80,900,000**

Prison Corporation Sole advanced TZS 80,900,000 as loan for Parliament furniture, the payment was not related to Corporation Sole activities. These funds were for implementation of upcountry projects; however, up to 30th June, 2015 these funds were yet to be recovered. Non recovery of the loan limits the implementation of up country projects. I recommend the Corporation sole headquarters to refund the amount of TZS 80,900,000 to respective account.

**8.2.8Irregular procurement TZS 60,536,600**

I noted that Local Government Training Institute procured goods and services from KAREN GENERAL SUPPLY and NEHOS GENERAL SUPPLIES amounting to TZS 24,747,000 and TZS 35,789,600 respectively; the goods were to be used during three days meeting for Regional and District lenders held in Dodoma from 1/10/2014 to 3/10/2014; however I noted that there wasno proof on the supply, delivery and distribution of the items to the meeting participants

Additionally I noted thatdocuments submitted mismatch with each other whereby, dates on the delivery note and receipt vouchers show the said goods werereceived five days after the closure of the meeting and quantities supplied differ in some of the documents. Therefore I could not authenticate the validity of the expenditure incurred.

I recommend the Accounting officers for all Government Institutions to enhance controls over all expenditure incurred within the Institutions mandate

**8.2.9Inventory held for more than 35 months neither used nor disclosed in the financial statements TZS 5,130,665,997**

Effective inventory management ensures that the entity does not tie up large working capital in inventory which is not turned into production of goods for sale for an entity to realize revenue.

During audit, I reviewed the journal entries as well as contracts and noted that Mzinga Corporation ordered inventories from China North Industries Corporation (NORINCO) worth USD 3,154,962during the year 2012 equivalent to TZS 5,130,665,997 as of 30/06/2015.

I noted through inspection that the ordered goods were received at Mzinga Corporation premises since February 2013 but as of February 2016 the goods have not been inspectednorrecorded in the stores records andare still placed in marshalling area hence have not been issued for production thus being held idle for 35 months.

I also noted these materials were not included in the annual stock taking exercise conducted in June 2015. I recommend the procurement should be done upon need and request by the user departments. Holding stock for more than 35 months without being used implies that those goods were bought without being needed by the user department.

**8.2.10 Unverified Expenditure TZS.48, 480,300**

During the financial year 2014/2015 Prime Minister's Office transferred a total amount of TZS 48,480,300 to Mtwara DC vide chq No. 247760 of 6/2/2015 to carter transportation cost of relief maize; However, review of Mtwara DC's accounting documents I noted that, Expenditure details in support of TZS 48,480,300 were not available.

I urge those entrusted with responsibilities to comply with Public Finance Act and other Acts while executing their duties. I communicated the issue to the respective entity and will make follow up in my next audit.

**8.2.11 Accounts payables TZS 13,006,575,507**

During the year 2014/2015 I noted 20 Government Institutions with payables amounting to TZS 13,006,575,507. Huge amounts of payables reduce the Institutions reputation to suppliers.

List of Government Institutions with outstanding accounts payables is shown in the table 69 below;

Table 69: Institutions with outstanding payables

| S/N | Institutions | Amount in TZS |
|---|---|---|
| 1 | Property and Business Formalization Program (MKURABITA) | 47,577,079 |
| 2 | Institute of Judicial Administration | 450,760,298 |
| 3 | Law School of Tanzania | 10,695,760 |
| 4 | Pasiansi Wildlife Training Institute | 146,129,636 |
| 5 | African Peer Review Mechanism | 34,981,950 |
| 6 | Office of the Constituent Assembly | 2,186,981,048 |
| 7 | Tengeru College of Development Training Institute | 99,461,275 |
| 8 | Nelson Mandela African Institution of Science and Technology | 1,180,243,510 |
| 9 | Ruvuma Basin and Southern Coast Water Board | 44,344,780 |
| 10 | Local Government Loans Board (LGLB) | 1,800,000 |
| 11 | Wami/Ruvu Basin Water Board | 144,719,083 |
| 12 | Rufiji Basin Water Board | 1,853,315,036 |
| 13 | Lake Tanganyika Basin Water Board | 94,450,900 |
| 14 | Tanzania Automotive Technology Centre | 479,893,306 |
| 15 | SUMA JKT Agricultural and Industrial Department | 1,715,851,000 |
| 16 | Internal Drainage Basin Water Board | 41,658,300 |
| 17 | National Service Corporation Sole (SUMAJKT) 2014/2015 | 1,297,814,421 |
| 18 | SUMAJKT Guard | 146,857,000 |
| 19 | SUMA JKT-National Services Construction Department | 2,421,307,000 |
| 20 | Local Government Training Institute | 607,734,126 |
| | TOTAL | 13,006,575,507 |

**Source**: *Individual Management Letters for the year ended 30th June 2015*

I would like to recommend the accounting officers to set budget provisions to meet financial obligations.

### 8.2.11.1 Outstanding Accounts receivables TZS 30,655,370,268

During the year 2014/2015 I noted 24 Government Institutions with receivables amounting to TZS30,655,370,268. Huge outstanding receivables reduce the potential growth of Government Institutions by forcing them not to fully implement their planned activities

List of Government Institutions with outstanding accounts receivables is shown in the table 70 below;

## Table 70: Institutions with outstanding accounts receivables

| S/N | Institutions | Amount in TZS |
|---|---|---|
| 1 | Property and Business Formalization Program (MKURABITA) | 49,950,427 |
| 2 | Institute of Judicial Administration | 94,721,100 |
| 3 | Law School of Tanzania | 176,859,238 |
| 4 | Pasiansi Wildlife Training Institute | 17,582,500 |
| 5 | African Peer Review Mechanism | 4,050,000 |
| 6 | Local Government Training Institute | 76,855,000 |
| 7 | Tengeru College of Development Training Institute | 109,914,097 |
| 8 | Tanzania Official Seed Certification Institute | 743,932,757 |
| 9 | Nelson Mandela African Institution of Science and Technology | 1,165,487,228 |
| 10 | Ruvuma Basin and Southern Coast Water Board | 51,892,068 |
| 11 | Local Government Loans Board (LGLB) | 6,900,265,069 |
| 12 | Prison Corporation Sole | 6,592,506,042 |
| 13 | Wami/Ruvu Basin Water Board | 749,172,750 |
| 14 | Rufiji Basin Water Board | 3,322,137,013 |
| 15 | Lake Tanganyika Basin Water Board | 316,275,431 |
| 16 | Tanzania Automotive Technology Centre | 277,504,000 |
| 17 | Eastern Africa Statistical Training Centre | 328,815,573 |
| 18 | SUMA JKT Agricultural and Industrial Department | 1,043,158,000 |
| 19 | Pangani Basin water Board | 289,655,000 |
| 20 | Internal Drainage Basin Water Board | 54,052,688 |
| 21 | SUMA JKT Guard | 1,023,830,000 |
| 22 | National Service Corporation Sole Headquarters (SUMAJKT) | 1,184,654,327 |
| 23 | SUMA JKT-National Services Construction Department | 3,754,239,000 |
| 24 | MZINGA Corporation | 2,327,860,960 |
| | **TOTAL** | **30,655,370,268** |

**Source:***Individual Management Letters for the year ended 30th June 2015*

I urge the Government Institutions to closely follow up the outstanding receivables to avoid delay in achieving theirstrategic objectives.

### 8.2.12 Weaknesses in Procurement Management

My review on procurement noted that three Government Institutions procured goods amounting to TZS 660,939,835 without obtaining competitive quotations from eligible suppliers and approval of the Tender Board. This is contrary to Section 164 (1) and 55(2) of Public Procurement regulations of 2013 of Public Procurement Regulations of 2013.

Failure to obtain quotations from at least three suppliers implies the procurement process was not competitive and the price may not justify the best value for money. I advise management of concerned entities to engage in tendering process which is transparent and through proper channels with regard to procurement legislations.Table 71 shows Government Institutions with non-compliance on procurement processes.

### Table 71: Non-compliance with procurement processes

| SN | Institution | Amount in TZS | Irregularities Noted |
|---|---|---|---|
| 1 | Prison Corporation Sole | 40,000,000 | Procurements of consultancy services for feasibility study and business plan for Kitengule prison farm - Kagera made without conducting competitive tendering procedures |
| 2 | SUMA JKT Agricultural and Industrial Department | 36,910,000 | Procurement without competitive Quotations |
| | Pangani Basin water Board | 10,195,200 | |
| 3 | National Service Construction Department (NSCD) | 98,069,100 | Procurement of goods and service made by Suma JKT Construction without Tender Board approval |
| 4 | SUMA JKT Agricultural and Industrial Department | 63,836,300 | Procurement of goods and service made without Tender Board approval |
| 5 | SUMA JKT National Service Construction Department | 240,500,277 | Procurement of various items of stores without quotations |
| 6 | SUMA JKT National Service Construction Department | 44,792,375 | Hiring motor vehicles without competitive quotations |
| | Nelson Mandela African Institution of Science and Technology | 14,250,000 | Procurements of goods not channeled to Procurement unit |
| | National Service Corporation Sole (SUMAJKT) | 17,426,440 | Procurement of goods made without following proper procurement procedures |
| | SUMA JKT Guard | 72,782,643 | Procurement of goods made without follow proper procedures |
| | Local Government Training Institute | 22,177,500 | Procurement of goods made without competitive bidding |
| | **TOTAL** | **660,939,835** | |

**Source:** *Individual Management Letters for the year ended 30th June 2015*

I recommend the management of Government Institutions to comply with the Section 164 (1) of Public Procurement Regulations of 2013 in order to ensure a competitive procurement process within the Institutions. Also, all procurement should not be done without the approval of the Tender Board as required by Sec 55(2) of Public Procurement Regulations of 2013.

### 8.2.13 Litigation claims pending legal cases TZS 191,502,000

On reviewing Institutions contingent liabilities I noted that SUMA Corporations Sole had cases in court which are likely to have financial implications amounting to TZS 191,502,000in case ruling will not be in favour of the Corporations.

I advise SUMA Corporations Sole to work closely with the court for early completion of the cases.

### 8.2.14Inadequately supported expenditure

My review of expenditure over other institutions noted that payments amounting to TZS 5,189,261,546 were made without proper supporting documents for the year 2014/15; therefore I could not ascertain the authenticity and regularity of the expenditures. In this category it includes, missing payment vouchers, inadequately supported expenditures, payments made without supporting EFDs receipts, withholding tax not deducted and imprest not accounted for. The summary of institutions and their observations are shown in the table 72below:

## Table 72: Institutions with inadequately supported expenditure

| Criteria | Audit finding | Institution | Amount in TZS |
|---|---|---|---|
| Regulation 94(4) of the Public Finance Regulation, 2001 | Missing Payment Voucher | Property and Business Formalization Program (MKURABITA) | 5,944,150 |
| | | Tanzania Pharmacy Council | 181,478,440 |
| | | MZINGA Corporation | 1,096,314,480 |
| Regulations 86 (1) and 95(4) of Public Regulation 2001 | Payments with inadequate Supporting Documents | Pasiansi Wildlife Training Institute | 102,031,934 |
| | | SUMA Corporation Sole | 78,482,800 |
| | | Wami/Ruvu Basin Water Board | 5,848,000 |
| | | Lake Rukwa Basin Water Board | 22,726,295 |
| | | Tanzania Nursing and Midwifery Council | 21,004,000 |
| | | Tanzania Pharmacy Council | 500,490,405 |
| | | Local Government Training Institute | 410,910,499 |
| | | MZINGA Corporation | 95,226,828 |
| **SUB TOTAL** | | | **2,520,457,830** |
| Reg. 24 of EFD regulation of 2012 | Payment made without supported with EFD receipts | Institute of Judicial Administration | 216,736,043 |
| | | Ruvuma Basin and Southern Coast Water Board | 7,216,800 |
| | | Local Government Loans Board (LGLB) | 34,035,448 |
| | | Prison Corporation Solefor | 113,051,288 |
| | | Wami/Ruvu Basin Water Board | 15,868,750 |
| | | Rufiji Basin Water Board | 471,877,540 |
| | | Pangani Basin water Board | 650,079,481 |
| | | Lake Rukwa Basin Water Board | 22,761,575 |
| | | Internal Drainage Basin Water Board | 21,308,000 |
| | | Local Government Training Institute | 498,403,700 |
| | | MZINGA Corporation | 355,540,504 |
| **SUB TOTAL** | | | **2,406,879,129** |
| section 83 of Income Tax Act 2006 | Payments without deducting withholding tax | Uongozi Institute | 18,897,855 |
| | | Property and Business Formalization Program (MKURABITA) | 3,552,083 |
| | | Local Government Loans Board (LGLB) | 3,183,447 |
| | | Lake Victoria Basin Water Board | 504,547 |
| **SUB TOTAL** | | | **26,137,931** |
| Regulation 103(1) of the Public Finance Regulations of 2001 | Imprest not retired | Property and Business Formalization Program (MKURABITA) | 16,041,455 |
| | | Pasiansi Wildlife Training Institute | 17,067,500 |
| | | Nelson Mandela African Institution of Science and Technology | 160,806,300 |
| | | Wami/Ruvu Basin Water Board | 17,519,400 |
| | | Local Government Training Institute | 24,352,000 |
| **SUB TOTAL** | | | **235,786,655** |
| **GRAND TOTAL** | | | **5,189,261,546** |

**Source:** *Individual management letters*

On the issue of unsupported payments and missing payment vouchers, I would like to remind the management of Government institutions to comply with the requirement of Regulations 95(4) of Public Regulation 2001 by establishing sound Internal Control Systems of ensuring that all relevant documents including vouchers are properly safeguarded.

On the issue of payments made without being supported with EFD receipts I recommend the Government to issue directives to all Government institutions to stop dealing with suppliers who are not using the EFD machines.

On the issue of payment without deducting withholding tax I call upon all Accounting Officers of the concerned Government Institutions to comply with Income Tax Laws.

On the issue of outstanding imprests I advise the government Institutions to comply with the Public Finance Regulations on early retirement of outstanding impretsafter completion of the activities

**8.2.15 Irregularities noted on assets management**

During the audit I noted that five Government institutions with grounded motor vehicles, five with assets registers not updated and assets amounting to TZS 9,850,000 owned by MKURABITA were not coded. Additionally I noted grounded motor vehicles and Assets register not updated in some of the institutions. The summary of institutions and irregularities noted on assets management is shown in the table 73 below:

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**Table 73: Institutions with irregularities on assets management**

| Criteria | Audit finding | Institution | Amount in TZS |
|---|---|---|---|
| Regulation 265 (2) ofPublic Regulation 2001 | Asset Register not updated | Property and Business Formalization Program (MKURABITA) | |
| | | Tanzania Official Seed Certification Institute | |
| | | National Service Construction Department (NSCD) | |
| | | SUMA JKT Guard Limited | |
| | | SUMA JKT Agricultural and Industrial Department | |
| | Assets not coded | Property and Business Formalization Program (MKURABITA) | 9,850,000 |
| Regulation 254 (1) of the Public Finance Regulations 2001 | Grounded motovehicle | Tengeru College of Development Training Institute | STG 6336 |
| | | Maji Central Stores | STA 1654, STJ 4944, and STJ 6500 |
| | | Nelson Mandela African Institution of Science and Technology | Toyota Land Cruiser GX V8 200R. With reg. No. SU 38375 |
| | | Lake Tanganyika Basin Water Board | DFP 2649 and DFP 2648 |
| | | Internal Drainage Basin Water Board | DFP 2651 |
| | | | STH 8627 |
| | | | STH 8254 |
| | | | STG 6145 |

**Source:***Individual management Letters for the year ended 30$^{th}$ June 2015*

On the issue of non-maintenance of Assets Registers; I recommend Government institutions to comply with Regulation 265 (2) of PFR, 2001 by ensuring that, Asset Registers are regularly reconciled to the balances in the general ledger and PPE disclosed in the financial statement is supposed to agree with the amount shown in the Fixed Asset Register.

On the issue of assets not coded I recommend the Government institutions to ensure that all assets are coded.

On the issue of grounded motor vehicles I recommend the Government institutions to dispose all unserviceable assets to avoid further losses.

## 8.3 Salient Audit Findings on Audit of Special Funds (Ring Fenced Funds)

The financial year 2014/2015 some irregularities had been observed in special funds and other irregularities in respect of noncompliance with laws and regulations.

### 8.3.1 Assistance donated to beneficiaries without approval of TANDREC TZS 70,680,000

I reviewed various payments made in favour of those who suffered loss as a result of natural catastrophes and noted among them was payments amounting to TZS 70,680,000 paid to Director of Finance CRDB Bank vide cheque No.246630 of 28/1/2014. The funds were transferred to RAS Dodoma and distributed to Fufu Village TZS 33,540,000, Chipogoro Village TZS 33,540,000 and various churches TZS 3,600,000. I reviewed supporting documents attached to payments and noted that the assistance was pledged by the Prime Minister during his one day visit tothe victims in Chamwino and Mpwapwa whereby the Prime Minister directed the Permanent Secretary PMO to meet such promise from Disaster Fund.

According to NRF directives, all assistance made to beneficiaries and paid out of the National Relief Funds must be approved by TANDREC Committee either before or after being paid, however, this payment was not approved by the said committee and after inquiry from the management they said they are expecting to retrospectively approve the payment in August when the committee will have its session held.

I urge those who are entrusted with responsibilities to adhere to Acts and other Directives as it may deem necessary.

### 8.3.2 Unrecovered loan from farmers TZS 130,745,000

On assessing loans recovery I noted that Agricultural Inputs Trust Fund(AGITF) provided loan amounting to TZS 212,720,000as one of its core activity to nine (9) customers to be recovered in the year 2013 and 2014; however up to 30th June,2015 only 82,095,000(39%)were recovered leaving the balance of TZS 130,745,000 (61%)not yet recovered.

Failure to recover the loan on due dates limits the strategic and operational objective of the Agricultural Inputs Trust Fund; additionally, there is a risk that penalty for late payments might be incurred.

I advise the management of AGITF to take legal action against the defaulters by confiscating collaterals.

### 8.3.3Other Irregularities noted on special funds

Other entities which failed to comply with or deviated from Laws and Regulations for which expenditure did not satisfy financial and procurement requirements are as summarized in the below:

**Table: Other Irregularities noted on special funds**

| Criteria | Audit finding | Special funds | Amount in TZS |
|---|---|---|---|
| Regulation No 103 (1) of the Public Finance Regulation 2001 revised 2005 | Imprest not retired | National Fund for Antiquities (NFFA) | 3,222,000 |
| **SUB TOTAL** | | | **3,222,000** |
| Regulations 95(4) of Public Regulation 2001 | Unsupported Payments | Agriculture Input Trust Fund(AITF) | 19,050,000 |
| | | Maji Central Revolving Fund(NCRF) | 232,315,637 |
| | | Tanzania Wildlife Protection Fund | 133,139,089 |

| Criteria | Audit finding | Special funds | Amount in TZS |
|---|---|---|---|
| **SUB TOTAL** | | | **384,504,726** |
| Regulation 265 (2) of PFR, 2001 | Non maintenance of assets registers | National Fund for Antiquities(NFFA) | 969,659,151 |
| **SUB TOTAL** | | | **969,659,151** |
| Reg. 24 of EFD regulation of 2012 | Payment made without supported with EFD receipts | Maji Central Revolving Fund(MCRF) | 539,771,253 |
| **SUB TOTAL** | | | **539,771,253** |

From the above table it is evident that there are systematic weaknesses; I urge all Funds' Accounting Officers to strengthen internal control system.

On the issue of unsupported payments, I advise the Accounting Officers to take into account and comply with the requirements of Regulations 95(4) of Public Regulation 2001.

On the issue of Payment made without being supported with EFD receipts I recommend the Government to issue directives to all other Government institutions to stop dealing with suppliers who are not using the EFD machines.

On the issue ofNon maintenance of Assets Registers; I recommend the special funds to comply with Regulation 265 (2) of PFR, 2001 by ensuring that, Asset Registers are regularly reconciled to the balances in the general ledger and PPE disclosed in the financial statements are supposed to agree with the amount shown in the Fixed Asset Register.

## 8.4 Overall audit results on political parties

The audit of Political Parties in the country is in accordance with the requirement of section 14 (1) of the Political Parties Act No.5 of 1992.The audit of the financial statements of political parties for the year ended 30th June, 2015, indicates that out of twenty two (2)political parties with permanent registration, only one political party submitted financial statements for six months period covering January to June, 2015, the rest twenty one (21) did not submit financial statements as per requirement of Political Parties Act and section of Public Finance Act, 2001.

In the preceding year 2013/2014 only three (3) political parties submitted their financial statements for audit and audit reports issued thereon.

These Political Parties did not submit their financial statements in accordance with financial reporting framework therefore I was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

I advise the management of Political Parties in collaboration with the Registrar of Political Parties to comply withsection 14 (1) of the Political Parties Act No.5 of 1992 and Sect.25 (2) and (4) of the Public Finance Act, 2001 (revised 2004) and Reg. 71 of the Public Audit Regulations of 2009 that requires the Accounting Officer to prepare the final accounts and submit them to the Controller and Auditor General for audit purposes on or before 30th September of each financial year.

# Chapter Nine

## PROCUREMENT AND CONTRACTS MANAGEMENT

### 9.0. Introduction

The objective of procurement and contracting function within MDAs/RS is to ensure the acquisition of goods and services in a manner that enhances access, competition and fairness in managing procurements and contracts with the aim of achieving the best value for money and/or an optimal balance of overall benefits to the respective MDAs/RS.

This chapter contains audit findings relating to procurement and management of contracts from the audit of MDAs/RS during the year under review. Apart from my audit I have included audit findings from PPRA and Director of Government Assets Management Division.

### 9.1. Legal and regularity requirement in the Public Procurement

Public procurement in Tanzania is governed by the Public Procurement Act No.7 of 2011 together with Public Procurement Regulations GN. No. 446 of 20th December 2013,which decentralizes procurement system and provides mandates for each Procuring Entity to carry out procurement functions within the approved budget and be accountable for all procurement decisions made.

To ensure the existence of procurement compliance in Tanzania, Section 48 (3) of the Public Procurement (PPA), 2011 requires the auditor of each public entity to state in his annual report whether or not the audited entity has compliedwith the procurement law and its Regulations.

### 9.1.1. Inadequate implementation of Annual Procurement Plan TZS 8,462,110,917

Out of 121MDAs and RS audited, I observed that seven(7) MDAs/RS procured goods and services worthTZS 8,462,110,917 which were not contained in the Procurement Plan contrary to Section 49 (2) and (3) of PPA No.7 of 2011 which requires the budget approving authority of the procuring entity to approve the annual procurement plan based on the approved budget. Since these procurements were not planned for, budgeted resources were used for unplanned activities. The overspending could throw the Institution's budget into disarray and could make budgetary control difficult. In my view, the lapse was due to improper planning and I recommended that management should carry out proper needs assessment and market surveys so that it can obtain adequate and reliable information to afford proper planning and implementation of procurement plans. Details are provided in the table 74 below:

**Table 74: List of entities made procurement outside plan**

| S/N | VT No | Name of MDA/RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 1 | 29 | Prisons Service Department | Procurement made out of procurement plan | 911,906,006 |
| 2 | 72 | RS Dodoma | Contractsworksnot included in theprocurement plan | 45,538,560 |
| 3 | 73 | RS Iringa | Expenditure incurred above procurement plan | 9,215,700 |
| 4 | 81 | RS Mwanza | The Regional Secretariat entered into Contract without adequate Funds | 54,902,400 |

| S/N | VT No | Name of MDA/RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 5 | 34 | Ministry of Foreign Affairs and International Cooperation | Procurement made in excess ofprocurement plan | 4,617,947,311 |
| 6 | 56 | PMO-RALG | Irregular procurements of goods and services | 1,995,557,870 |
| 7 | 23 | Accountant General's Department | Procurements made out of the Annual Procurement Plan | 827,043,070 |
| | **Total** | | | **8,462,110,917** |

*Source: Individual CAG's management letters for the year 2014/15*

Compared to 2013/14, there is an increase in non-compliance with procurement plans. During 2013/14, four (4) MDAs'/RS reported irregularities amounting to TZS 204,346,797, while in the year under review reported seven (7) MDAs'/RS with irregularities amounting to TZS 8,462,110,917indicating an increase of 75% of institutions with deficiencies in complying with procurement plans.

I recommend adherence to the procurement plans and also urge management to conduct proper needs assessment and market surveys to obtain adequate and reliable information to enable proper planning and implementation of procurement activities.I further emphasise on management to seek retrospective approval from the appropriate and competent authorityand should in future be guided by the Public Procurement Act in such transactions.

### 9.1.2. Procurements not approved by Tender Board TZS494,395,890

Section 35(3) of PPA, 2011 and Regulation 55 of PPR, 2013 requires procurement of a certain threshold to be approved by the Tender Board. My review on the compliance with the same noted three (3) MDAs'/ RS engaged in procurements of goods and services amounting to TZS 494,395,890 without approval of the respective Tender Boards as shown in the table75below;

**Table 75: List of entities made procurements without Tender Board approval**

| S/N | Vote | Name of MDA/RS | Amount(TZS) |
|---|---|---|---|
| 1 | 29 | Prisons Service Department | 348,500,000 |
| 2 | 72 | RS Dodoma | 124,274,335 |
| 3 | 68 | Ministry of Communication, Science and Technology | 21,621,555 |
| **Total** | | | **494,395,890** |

*Source: Individual CAG's management letters for the year 2014/15*

I have noted a significant improvementin the compliance with this legislation within MDAs/RS.The amount of procurement not approved by Tender Board has decreased by 35% from TZS 760,868,514 reported in 2013/14 to TZS 494,395,890. I recommend management to strictly comply with the PPA, 2011 and its Regulations in order to strengthen overall procurement within the MDAs/RS.

### 9.1.3. Procurements made without Competitive tendering TZS 27,121,224,071

Regulations 163 & 164 of the PPR, 2013 requiresprocuring entities to obtain quotations from at least three suppliersthe aim being price considerations without compromising quality. From nine(9) sampled MDAs/RS goods and services worth

TZS 27,121,224,071 were procured from various suppliers withoutcomplying with the Regulation states above.List of entities which did not comply with the above Regulation is as shown in the table 76 below.

**Table 76: List of entities made procurement without competitive quotation**

| S/N | VT No. | Name of MDA/RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 1 | 38 | Tanzania Peoples' Defence Forces | Procurement without competitive bidding | 4,287,219,708.28 |
| 2 | 38 | Tanzania Peoples' Defence Forces | Procurements made without competitive quotations | 14,706,603,298 |
| 3 | 28 | Police Force Department | Lack of justification on single source procurement method | 1,517,600,000 |
| 4 | 39 | National service(JKT) | Questionable contract made for catering services at Rwamkoma camp | 150,630,000 |
| 5 | 86 | RS Tanga | Anomalies noted in Procurement of services by quotations | 23,997,265 |
| 6 | 82 | RS Ruvuma | Single source procurements without proper justification | 59,309,600 |

| S/N | VT No. | Name of MDA/RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 7 | 56 | PMO-RALG | Procurement of service delivery without calling for Tenders and/or Quotations | 372,960,000 |
| 8 | 76 | RS Lindi | Procurements made without Competitive Quotations | 2,904,200 |
| 9 | 41 | Ministry of constitution and legal affair | Printing constitution books 2,000,000 | 6,000,000,000 |
| | | Total | | **27,121,224,071** |

***Source:*** *Individual CAG's management letters for the year 2014/15*

The amount of procurement made without competitive tendering has increased from TZS 144.48 million to TZS 27.12 billion when compared with last year's audit. In 2013/14 only three MDAs/RS were involved.

I urge management of concerned Ministry, Department and Regional Secretariats to make sure competitive methods of procurement are used prior to award of contracts in the future so as to obtain value for money in all procurements.

Non-compliance with the Procurement Act and its Regulations may mean that value for money was not obtained.

### 9.1.4. Delivered goods not inspected TZS 15.36 billion

Pursuant to Regulation 244(1) of PPR 2013, the procuring entity on procuring goods or services shall make them to be inspected, sampled and tested to confirm whether they meet the standards stipulated in the contract. In addition, Reg. 245 of GN No.446 of 2013 requires the Accounting Officer to appoint a Goods Inspection and Acceptance Committees for each tender including call off orders. My test on compliance with these requirements of law at Sixteen (16) MDAs/RS out of 121 MDAs/RS, I noted that the quality assurance for the goods worth TZS 15,361,328,135 was not performed. In other occasions, Accounting Officers did not establish the Goods Inspection and Acceptance Committee responsible for inspecting, testing goods and services received from the suppliers.Details are provided under table 77 below.

**Table 77: List of MDA with Goods/Services not inspected**

| S/N | Vote | Name of MDA/ RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 1 | 6 | President's delivery bureau | Missing Inspection and Acceptance CommitteeReports | 48,804,800 |
| 2 | 38 | Tanzania Peoples' Defence Forces | Goods purchased not supported with inspection reports | 14,706,603,298 |
| 3 | 92 | TACAIDS | Repair and maintenance conducted without inspection | 5,660,007 |
| 4 | 14 | Fire and Rescue Force | Weaknesses noted on procurement of fire-fighting equipment (DSPA5) | 132, 600,000 |
| 5 | 39 | National Services(JKT) | Contract made for procurement of water pump without complying to the procurement procedures. | 18,889,940 |

| S/N | Vote | Name of MDA/ RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 6 | 36 | RSKatavi | Improper Tendering Procedures on Procurement of Furniture | 32,650,000 |
| 7 | 70 | RS Arusha | Goods procured and delivered without being inspected | 7,644,920 |
| 8 | 70 | RS Arusha | Irregularities noted on TSM 9 forms procurement contract | 130,000,000 |
| 9 | 87 | RS Kagera | Procurement of TSM 9 made but not supported by proper tendering procedures | 143,708,400 |
| 10 | 75 | RS Kilimanjaro | Goods received without inspection report | 8,402,153 |
| 11 | 75 | RS Kilimanjaro | Anomalies noted in procurement procedures in respect of 1000pcs corrugated iron sheets | 14,625,002.60 |
| 12 | 47 | RS Simiyu | Procurement not initiated by user department | 2,757,720 |
| 13 | 86 | RS Tanga | Repair of motor vehicles not supported by the Inspection Reports | 4,732,800 |
| 14 | 68 | Ministry of Communication, Science and Technology | Improper Procedures for Maintenance of Motor Vehicles | 146,210,174.73 |

| S/N | Vote | Name of MDA/ RS | Description | Amount(TZS) |
|---|---|---|---|---|
| 15 | 61 | National Electoral Commission | Paymentsnot supported byGoods Inspection report | 72,177,660.00 |
| 16 | 79 | RS Morogoro | Goods not inspected with inspection and Acceptance Committee | 18,461,260 |
| | **Total** | | | **15,361,328,135** |

Source: *Individual CAG's management letters for the year 2014/15*

There is an increase in irregularities relating to non-inspection of goods prior to acceptance compared to 2013/14's audit. In the year 2013/14 audit six (6) MDAs/RS reported irregularities amounting to TZS 534.90 million were noted while Sixteen (16) MDAs/RS with irregularities amounting to TZS 15.36 billion have been noted in theyear under audit indicating there is significant increase of goods received and services rendered without being inspected.

Receiving goods without inspection by the Goods Inspection and Acceptance Committee may create a loophole for acquiring substandard goods or goods of low quality, or goods received may not conform to the specifications provided in the purchase contract. I urge Accounting officers to form Goods Inspection and Acceptance Committees whenever goods and services are procured.

### 9.1.5. Deficiencies over record keeping in the procurement process

During 2014/2015, a number of Ministries, Departments, Commissions and Regional Secretariat failed to avail documents and procurements records.

This is an indication of deficiencies in internal control over record keeping in some of the MDAs/ RS & Embassies as required by Section 61 (1) of the Public Procurement Act, 2011.

I noted that five(5) inclusive of two (2) MDAs and three (3) Embassies out of 121 audited entities that did not comply with the above requirement as detailed in the table below:

**Table 78: List of entities with inadequate procurement records**

| S/N S/N | Vote | Name of MDA/ RS | Description |
|---|---|---|---|
| 1 | 38 | T a n z a n i a Peoples'Defense Forces | No procurement plan |
| 2 | 29 | Prisons Service Department | Lack of procurement plan |
| 3 | 2005 | Tanzania High Commission In Abuja, Nigeria | AbsenceofProcurement PlananditsImplementation Report |
| 4 | 2001 | T a n z a n i a Embassy In Addis Ababa, Ethiopia | AbsenceofProcurement PlananditsImplementation Report |
| 5 | 2012 | High Commission of Tanzania - Ottawa | Non-preparation of Annual Procurement Plan |

Source: *Individual CAG's management letters for the year 2014/15*

In the absence of procurement records I could not track procurement transactions from initial stage to final. I advise procuring entities to properly maintain accountable documents for easy traceability, referencing and follow up.

### 9.1.6. Procurement of goods and services without contracts TZS 5.21 billion

During 2014/2015, I noted five (5) MDAsout of 121 audited failed to avail contract documents in support of various procurements totaling to TZS5.21 billion appearing in their respective financial transactions. In accordance with Regulation 3 of the Public Procurement Regulations, 2013 which defines contract as a contract or agreement made between a procuring entity and a tenderer as a result of procurement proceedings.

Furthermore, Regulation 10(4) of Public Procurement Regulations, 2013 specify that, a procuring entity shall ensure that payments due to tenderer are made properly and promptly in accordance with the terms of each procurement contract entered into. Involved entities are shown in the table 79 below:

**Table 79: List of entities made procurements without contract**

| S/N | VT No | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 1 | 38 | Tanzania Peoples' Defence Forces | Procurement of goods and services without binding contracts | 1,088,026,112 |
| 2 | 89 | RS Rukwa | Renovation of the Regional block building done without a Formal BindingContract | 131,841, 000 |
| 3 | 23 | Accountant General's Department | Engaging contractors without Signed Contract Agreements | 1,074,410,001 |
| 4 | 61 | National Electoral Commission | Procurement madewithout contract | 2,438,170,050 |

| S/N | VT No | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 5 | 61 | National Electoral Commission | Payments made in advance | 612,933,093 |
| | | | | **5,213,539,256** |

Source: *Individual CAG's management letters for the year 2014/15*

I have noted a significant increase in this irregularity within the MDAs/RS whereby in the last year audit, Seven MDAs/RS made procurements worth TZS 134,071,510 without contracts.

It is therefore important that all procurement transactions mustbe properly supported with contracts so that any part in defaultof its obligations is adequately accountable before the law. I recommend MDAs/RS to adequately adhere to the Public Procurement legislations by entering contractual agreements which can be enforceable by the law.

### 9.1.7.Procurement of Goods and Services through Impress TZS 150 million

My review on compliance with PPA of 2011 and PPR of 2013 byMDAs revealed procurements that were made using special imprests and Local Purchase Orders (LPO) beyond the limit specified under the Seventh Schedule of PPR, 2013. In this schedule it is stated that procurement by using LPO should be in respect of goods or services whosevalue is between TZS 10million and TZS 20 million while the use of imprest is limited to only TZS 5 million.

While reviewing procurement processes of two (2) MDAs I noted procurements of goods and services worth TZS 150 million were made through cash/ imprestscontrary to seventh schedule of PPR, 2013. The list of entities which made procurement on impresls or cash payments is illustrated in table 80below:

**Table 80: Entities made procurement through imprest/cash basis**

| S/N | Vote | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 1 | 38 | Tanzania Peoples' Defence Forces | Use of imprest above the allowable limit to effect procurements | 52,036,250 |
| 2 | 39 | National Service | Procurements made through imprest/cash | 98,292,300 |
| | | **TOTAL** | | **150,328,550** |

Source: *Individual CAG's management letters for the year 2014/15*

As compared to 2013/14 audit, the number of MDAs/RS reported with this anomaly decreased by 50% from four (4) MDAs/RS reported in the previous year to two (2) MDAs/RS reported during the year; however the amount increased from TZS 65.81 millionto TZS 150 million indicating increasing in non-compliance with this legislation.

I recommend that, all subsequent procurements above 5,000,000 for goods and services should be referred to the PE Tender Board for approval and that Management must ensure compliance with the methods of procurements as stipulated in the PPA, 2011 henceforth.

### 9.1.8.Procurement of goods and services from unapproved suppliers TZS8,556.82 million

Regulation 131 (5) of the Public Procurement Regulations, 2013 provides procedures for the procurement of goods and services from the approved suppliers. However, I found that infractions had occurred concerning observance of the prescribed procedures in Sixteen (16) MDAs/RS involving a total amount of TZS 8,556.82 million. Details are provided in the Table 81 below.

**Table 81: Entities made procurement from unapproved suppliers**

| S/N | Vote | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 1 | 33 | President's office ethics secretariat | Irregular procedures on repair of motor vehicles | 12,180,502.50 |
| 2 | 92 | TACAIDS | Motor vehicles maintenance and repair not routed through TEMESA | 32,658,456 |
| 3 | 73 | RS Iringa | Procurement of Medical Supplies from Private Suppliers without MSD Out of Stock Notifications | 47,469,200 |
| 4 | 38 | Tanzania Peoples' Defence Forces | Procurement of goods and services from unapproved suppliers. | 8,071,808,256 |
| 5 | 31 | Vice president's Office | Maintenance of motor vehicle serviced without being channelled through TEMESA | 3,528,200 |
| 6 | 39 | National Services(JKT) | Medical supplies procured from private suppliers instead of Medical Stores Department | 18,199,830 |
| 7 | 70 | RS Arusha | Repairing and maintenance of secretariat motor vehicles outside TEMESA and without competitive quotations | 17,298,729 |

| S/N | Vote | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 8 | 70 | RS Arusha | Procurements of goods and services made from un-shortlisted suppliers | 10,464,700 |
| 9 | 72 | RS Dodoma | Procurement of goodsand services made from unapprovedsuppliers | 14,208,894 |
| 10 | 54 | RS Njombe | Violation of motor vehicle service procedures leading to loss of public funds | 32,421,578 |
| 11 | 75 | R S Kilimanjaro | Procurement of medical supplies without MSD approval | 55,539,173 |
| 12 | 86 | RS Tanga | Procurement of Hospital equipment and drugs from sources other thanMSD | 50,127,931 |
| 13 | 73 | RS Iringa | Procurement of Medical Supplies from Private Suppliers without MSD Out of Stock Notifications | 47,469,200 |
| 14 | 81 | RS Mwanza | Procurement of Medicine and Medical equipment from Private supplier without approval | 76,616,060 |
| 15 | 81 | RS Mwanza | Motor vehicles were repaired/serviced at private garages without getting approval from TEMESA | 7,903,824 |
| 16 | 82 | RS Ruvuma | Repair of motor vehicles not certified by TEMESA | 58,928,184.90 |
| Total | | | | **8,556,822,718** |

Source:*Individual CAG's management letters for the year 2014/15*

On the basis of the procurements made from unapproved suppliers by MDAs/RS the outcome of the audits indicated an increase in irregularities compared to last year's audit. In the last year audit nine (9) MDAs/RS with irregularities amounting to TZS519.02 million were noted while sixteen (16) MDAs/RS with irregularities amounting to TZS 8,556.82 millionhave been noted in the current year audit indicating an increase 78% of institutions with deficiency in procurement.

I urge the Management of the mentioned MDAs/RS to strictly comply with the provisions of the Public Procurement legislations to ensure transparency and value for money in procurement transactions.

### 9.1.9. Goods and works procured and paid for but not delivered TZS3,253.65 million

In three (3) MDAs and one RS sampled, I noted procurement of works and goods worth TZS 3,253.65 million which were not delivered despite the fact that they had been paid for. The contractual agreement provided that the goods were supposed to be delivered between April,2014 and July, 2015, to the contrary the supplier failed to comply with contractual agreement. List of entities made procurement but yet to be delivered is shown in table82 below:

**Table 82: List of entities with goods not delivered**

| S/N | Vote | Name of MDA/RS | Observation | Amount(TZS) |
|---|---|---|---|---|
| 1 | 57 | Ministry of Defence and National Service | Irregular procurement of Motor Vehicles | 2,856,770,876 |
| 2 | 87 | RS Kagera | Motor Vehicle Procured and paid for but not delivered | 88,928,632 |
| 3 | 99 | Ministry of Livestock and Fisheries | Payments for procurement of Motor Vehicles and motorcycles not delivered | 302,670,681 |
| 4 | 70 | RS Arusha | LAN items paid for not installed-Mt Meru Hospital | 5,280,000 |
| | **Total** | | | **3,253,650,189** |

Source: *Individual CAG's management letters for the year 2014/15*

As compared to 2013/14 audit, the number of MDAs/RS reported with this anomaly decreased by 33% from Six (6) MDAs/RS reported in the 2013/14 to four (4) MDAs/RS reported during the year under review; however the amount increased from TZS 857.88 million to TZS 3,253.65 million indicating poor compliance with this legislation.

I urge the concerned Accounting Officers of the respective institutions to ensure supplierscomply with the contractual obligations and deliver the goods without further delay.

### 9.1.10.Irregularities in the implementation of the contracts/projects

Results of my audit indicated that MDAs/RS & Embassies did not manage well the contracts entered between them and various contractors. This weakness had contributed to the late completion of some of the projects and sometimes substandard performance of the same.

In this scenario a sample of 27 contracts/projects worth TZS 109,683.40 million from twenty (20) MDAs/RS &Embassies were executed beyond the contractual period. I noted a delay of completion of these projects/contracts for the period ranging from one month to four years. Details of these projects/ contracts together with the respective institutions are provided under**Appendix 9.1**

### 9.1.10.1. Contract variations not approved

Regulation 61(4) of the PPR, 2013 requires that anycontract amendment shall not increase the totalcontract price by more than fifteen percent of the original contract price without the approval of the budget approving authority. Contrary, I noted that the at the Ministry of Foreign Affairs and International Cooperation (Vote 34) and The Ministry of Water (Vote 49) both approved contract variations totalling TZS 1,675,187,919 above the 15% threshold mentioned above.

I recommend management to comply with the above Regulation, seek retrospective approvals from the relevant budget approving authorities and exert more efforts in the supervision of the contract works.

The variation issued amounting to TZS 234,978,660 was assessed to be equivalent to 77% of the original contract price of TZS 416,415,250. The addendum did not comply with the requirements of Reg. 61(2)(c) and 61 (4) of the Public Procurement Regulations, 2013 that restrict the variation to the contract not to exceed 15 per cent of the contract price and obtain approval from Paymaster General.

Regulation 110(4) of the Public Procurement Regulation 2013 states that the procuring entity shall have no power to authorize additions beyond the scope of the contract without having obtained prior written approval from the Paymaster General or appropriate budgetary approving authority for additional financial authority to meet the cost of such work.

Ministry of Foreign Affairs and International Cooperation entered into contract No.ME/013/2011/2012/M2Q/W/01of USD2,107,028.89 equivalent to TZS 3,442,695,573.65 with Ms CM Constructora Do Mondego for rehabilitation of Embassy building at Maputo.The expected date of completion was February 2013. It was noted that the contract sum was revised and variation of USD 679,971.11 equivalent to TZS 1,258,772,669.69 was added

**9.1.10.2. Delayed completion of construction works**

On 27th June, 2014 the Ministry of Education and Vocational Training (Vote 46) entered into contract agreement number ME-024/CTR/HQ/2013-2014/29 with M/S Prison Corporation Sole for the construction of three storey office building in Dodoma town. Notable deficiencies in the contractmanagement and implementation included the following:

a. The contract price was TZS 2,100,700,776 and was agreed to start on 4th July, 2014 and be completed on or before 17th July, 2015.Contrary to Regulation 61(4) and 110(4) of PPR of 2013, on 26/9/2015 the managementamended the contract by changing the scope of work to construct a four storey Block costing TZS 4,430,734,935 without seeking appropriate approval from relevant authority.

b. I noted that upfront payment of TZS 780,662,138 was paid on 26/6/2014 one day before the date of signing the contract.

c. The contract was awarded to the contractor based on single source method hence there were no competitive tendering as only one contractor was evaluated.

d. At the time of the audit the construction was not yet completed. Up to the date of finalization of this audit(i.e. December, 2015) the contractor had absconded the construction site.

The audit results indicate that the contract was not managed at acceptable levels of compliancein public procurement.

I recommend to the management to seek retrospective approval from the relevant budget approving authorities and to exert more efforts in the supervision of the contract works.

I recommend that Management of the respective entities to make follow up of their funds from the Ministry of Finance and ensure early completion of the projects. I recommend the award of contract to be done in phases depending on the availability of funds so that no certificate will remain unpaid and attract interest arrears. This would help the Government to prevent avoidable costs due to project variations and lapseof time. I also recommend that Management of the respective MDAs/RS to exert more efforts in the supervision of the projects/contracts so that they are executed within the provided time frame.

### 9.1.11. Flawed Procurement of printing services for proposed Constitution books TZS 7,080 million

In my audit I noted that on 30th April, 2015 the Ministry of Constitution and Legal Affairs received Exchequer Issue Notification for other charges amounting to TZS 7,125 million in order to settle financial liability of printing proposed Constitution books.

I noted that the Ministry received directives to print Proposed Constitution books. Due to time constraints the Ministry sought and was given permission to use emergency Procurement method under Sect.65 of the Public Procurement Act, 2011 from GPSA vide letter referenced No. CAD.124/318/01/25 dated 11th December, 2014. Procurement of printing of proposed Constitution books was impaired by several irregularities as narrated below:

**(i) Goods received before signing the contract**

I noted that the contracts were signed on 2nd February,2015 but the delivery of the proposed books started on 26th January,2015. It was further noted that 365,092 books of proposed constitution books were delivered and posted in the stores ledger before signing the contract.

**(ii) Failure to submit performance security**

I also noted that the suppliers failed to furnish a performance bond at a rate of 10% of the contract price within thirty (30) days of the award as required by paragraph 9.1 of the general condition of contract.

**(iii) Breach of code of ethics-Governance issues Conflict of Interest**

I reviewed the evaluation Committee members' reportand related documents and noted that one officer on behalf of the Chief Government Printer proposed and selected three private firms for printing the proposed Constitution to the Ministry of Constitution and Legal Affairs through letter No.CHAPA/ORD/23/331 dated 6th December, 2014.

During the evaluation, the same person was appointed as the Chairpersonof the Evaluation Committee. This is contrary to the best practice of good Governance. This means the chairperson cannot oversee the issue which had been approved and signed by him. A conflict of interest could impair an individual's ability to perform his or her duties objectively.

**(iv) Copies 158,003 of Proposed Constitution books not issued to targeted beneficiaries TZS 559,330,620**

According to the records availed for audit review on 1st October,2015, 158,003 copies of proposed Constitution bookswere still in the store or were not yet distributed for purposes of sensitization and public awareness on the referendum for the proposed Constitution. Consequently, it was not possible to ascertain ifvalue for money had been achieved or not and it is not clear when the remaining books will be distributed to users. It was further noted that undistributed books were not reported in the financial statements.

The lapses are attributed to Management's reluctance to fully complywith Public Procurement Act. Whenever Management overrides internal controls intended to ensure orderly conduct of business and protect publicresources, the violation poses a high risk to economy, efficiency and effectiveness in the use of resources and protection of public assets.

I recommend that the Accounting Officer to comply with procurement legislations before awarding contract to successful suppliers and also the Ministryto communicate with Treasury to realise funds for the distribution of the remaining books.

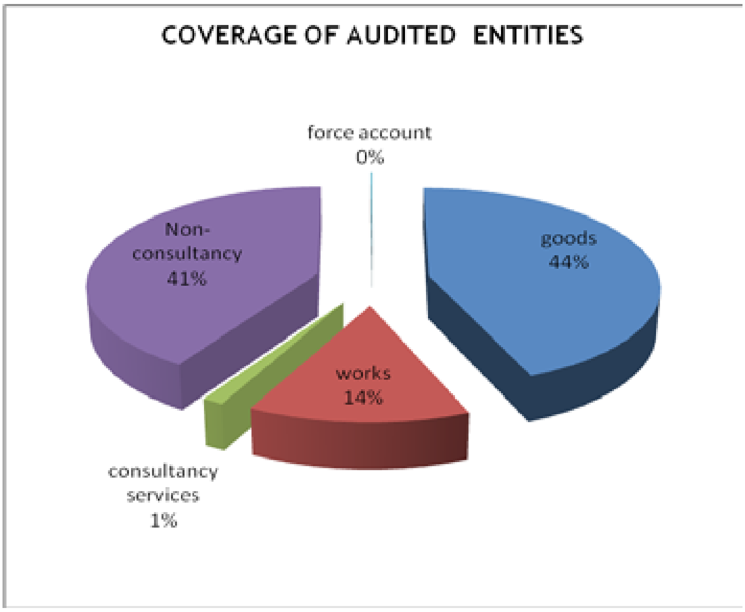
### 9.1.12. Excessive purchases TZS.827,046,942

Physical verification of stores at the National Electoral Commission noted unused registration forms and T-shirts in the warehouses whose intended purposes had lapsed. There were a number of excessive procurements consisting of registration forms and T-shirts with caps worth TZS 518,374,872.99 and TZS 308,672,069.42 respectively.

I recommend thatthe commission shouldensure that, there is needs requirement assessment before any procurement and for the unused stores NEC should find an alternative use of the materials before they become obsolete.

### 9.1.13. PPRA Report on Compliance of MDAs with Public Procurement Act, 2011 and its Regulations of 2013

During the reporting period, PPRA carried out compliance audit of 5,206 procurement contracts with a total value of TZS 214.63 billion in eighty procuring entities. The audit covered 345 contracts for works worth TZS 119.62 billion;




1,112 contracts for goods amounting to TZS 35.11 billion; 34 contracts for consultancy services with a total value of TZS 5.63 billion; 1,041 contracts for non-consultancy services with a total value of TZS 18.04 billion; minor value procurements (goods and non- consultancy services) amounting to TZS 29.68 billion; and three force account procurements amounting to TZS 6.54 billion.

On the basis of the seven compliance indicators, the outcome of the audits indicated an average level of compliance of 69.0%, demonstrating a significant increase above the last year's average

Compliance level of 65%. However, the recorded compliance level is below the targeted compliance level of 75% which was set for FY 2014/15. The analysis of the audit results has shown that while.

27 procuring entities were assessed to have satisfactory compliance levels above the 75% target, 53 were assessed to have unsatisfactory performance

below the targeted level. Although the overall compliance level of the audited PEs has increased, the average compliance level for MDAs has dropped from 71% to 69% compared to last year's audit results.

In the assessment of specific performance areas, the performance was above the targeted level of compliance on three areas namely: Institutional setup and performance (77%); Tender processing (77%); and Preparation and implementation of procurement plans (75%). However, the performance is below the targeted level of compliance on Contract management and implementation (70%); Management of procurement records (67%); and Implementation of systems prepared by PPRA (35%).

**Notable weaknesses by PPRA during the Procurement Audits of MDAs**

Table 83presents weaknesses noted by the PPRA during the Procurement Audits of MDAs to the respective MDAs:

Table 83: Issues identified during the audit

| No. | Procuring Entity | Audit Finding |
|---|---|---|
| 1. | Ministry of Foreign Affairs and International Cooperation | It was noted that he did not sign contracts for all the procurement activities on behalf of the procuring entity pursuant to Section 36 (h) of PPA, 2011 and did not appoint Evaluation Committees and negotiation teams as required by Section 36 (e) of PPA, 2011<br>PMU was approving a shortlists of suppliers<br>The invited quotations were not publicly opened as required.<br>PMU did not perform their responsibilities for preparing tendering documents for shopping methods contraryto Section 38 (h) of PPA, 2011; procurement records in respective contract file, contrary to Section 38 (l) of PPA, 2011 |
| 2. | Public Service Commission | Procurement requirements were not properly aggregated in the APP contrary to Section 49 (b & c) of PPA, 2011 and Regulations 72, 73 of GN No; 446 of 2013 |
| 3. | Vice President's Office Vice President's Office | 12 tenders out of 17 tenders planned for procurement during the FY 2014/2015 were not implemented contrary as per Section 49(3) of PPA, 2011 & Reg. of GN. No. 446 of 2013. |
| 4. | Public Services Recruitment Secretariat | The AO did not issue notice of intention to award contracts to all bidders who participated in the tenders as per Sec. 60(1, 2&3) of PPA, 2011 and Reg. 231(2) of GN. No446 of 2013 |

| No. | Procuring Entity | Audit Finding |
|---|---|---|
| 5. | National Electoral Commission | The specifications and TOR were being prepared by UD and the same were not harmonized to ensure that there is elimination of all discriminatory practices. For instance in Tender No. IE/018/2012-13/HQ/G/19 for supply of Biometric Voter Registration Kits Tender No. IE/018/2013-14/HQ/W/01 for renovation Works for server room at NEC processing Centre, the design and specification did not accommodate wiring and electrical equipment and installation of AC which was a crucial item. TB did not ensure that the evaluation reports had been Critically reviewed by its secretariat before adjudication, contrary to Section 75 of PPA 2011 and Reg. 57(3) of GN No.446 of 2013. |
| 6. | Ministry Of East Africa Cooperation | Tender No. ME/027/2014/15/NC/09 for internet and emailconnection services did not follow procurement procedure instead single source procurement method was used The contract was prepared by the service provider instead of the PE. Records for contracts which used single source procurement method such as Tender No. ME/027/2014/15/NC/09 for internet and email connection services and records |

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| No. | Procuring Entity | Audit Finding |
|---|---|---|
| 7. | Vice President Office | It was observed that site management meetings were not held and records were not prepared in accordance with the terms and condition of the signed contract Missing measurement sheets / progress report before payment is effected contrary to Reg. 248, 243(2) and 242(1) of GN No. 446 of 2013 |
| 8. | PMO-RALG | Tender for supply of computer software for connecting 34 new LGAs to EPICOR 9.05 central Server there was no contract document prepared. |
| 9. | Ministry of Finance | Some of the procurement records were not availed to the Audit team for review, specifically on procurements for consultancy services where by tenders from water, education and building Department were missing |
| 10. | Public Service Commission | The contract register hadincomplete tender information and did not include all awardedContracts. The tender files were not properly arranged, records were not kept in one file and in accordance withsuccessive stages in procurement |

### a) Investigations on allegations, complaints and reported cases of mis-procurement

Section 10 of the Public Procurement Act, (PPA) 2011 gives power to PPRA where it considers necessary to carry out investigation on alleged cases of mis-procurement. By virtue of section 11 of PPA, 2011 the investigation may be undertaken by the Authority on its own initiative or as a result of complaint or representations made to it. During the year under review the Authority conducted Investigation on Tender number IE/08/2012-13/HQ/G/19 for the supply of Biometric Voters Registration Kits by national Electoral Commission. The result of investigation shows that the Commission did not comply with PPA and PPR

**Table 84: Investigation results on supply of Biometric Voters Registration Kits**

| S/N | Criterion | Finding |
|---|---|---|
| 1 | Prior preparation | There was inadequacy in the preparation/drafting of specifications for BVR Kits which resulted into the use of ineffective and unclear specifications |
| 2 | PPAA order to restart tender | NEC decided to invite all six participating Tenderers to appear before NEC to demonstrate the functional operation of their kits; |
| 3 | post qualification requirement | Post qualification criteria were not considered and were not taken into account during post qualification exercise; |
| 4 | Delivery terms | The evaluation team could not notice that Delivery terms in the schedule of requirements indicated the price of USD119, 882,407.05 CIF Dar es Salaam while the form of bid indicated the price of USD 119,882,407.05 DDP and proceeded to recommended award of contract without stating the delivery terms |

| S/N | Criterion | Finding |
|---|---|---|
| 5 | Approval | Approval of the evaluation report and the negotiation plan by the Tender Board, conducting of the first negotiation and issuance of letter of acceptance to the successful bidder were done on the same day i.e. 15th February, 2014 |
| 6 | Award letter | The letter of award of contract was issued before approval of the outcome of negotiations by the Tender Board. |
| 7 | Section 41 of PPA, 2011 | Some NEC officials in this tender participated both in the Evaluation Committee, Tender Board meetings and all 8 negotiation meetings which amounted to conflict of interest |
| 8 | Regulation 220(1), (2) and (3) of GN No.446 of 2013 | PMU failed to review the evaluation reports before submitting them to the Tender Board |

Source: ***Individual CAG's management letters for the year 2014/15***

## Recommendations

All PEs with performance below the 75% compliance target be required to organizetraining to their staff on the application of PPA, 2011 and its Regulations as well as guidelines and systems prepared by the Authority. The training should be conducted by PPRA and be tailored to each PE (or a group of PEs) depending on the weaknesses observed during the audits. The cost for the training should be met by respective PEs. Furthermore, the AOs of therespective PEs should be required to submit plans/ strategies within three months of communicating the audit reports, aimed at ensuring full compliance to PPA and its Regulations.

As recommended in previous year, in order to address weaknesses observed in MDAs under contracts management, collaborative capacity building strategies are required between PPRA, PMO-RALG, CRB and other stakeholders. The strategies should include: Strengthening the capacity of MDAS/RAS offices to; strengthen the capacity of Internal Audit Units in MDAs to audit adequately procurement issues and implementation ofworks contracts; strengthening capacity of MDAs engineers offices in terms of staffing, quality control equipment, and supervision vehicles/ motorcycles; and strengthening the capacity of contractors in terms of technical skills, equipment, management skills; taking disciplinary and/or legal measures against fraudulent behaviours.

### 9.1.14. Anomalies in procurement and stores management observed by Directorate of Government Assets Management Division

As part of my responsibility I received stock verifier's report in accordance to Reg. 239-249 of the Public Finance Regulations 2001 that requires the Government Stock Verifier to carry out Independent Stock Verification in the stores of MDAs/RS and report the results thereon.Summary of findings are described in the table85below:

**Table 85: Notable issues from stock verifier**

| S/N | Observations | Amount (TZS) |
|---|---|---|
| 1 | Un transferred balances of stores | 62,410,665.10 |
| 2 | Uncounted purchases of stores | 2,241,408,322.90 |
| 3 | Unaccountability of Furniture & equipment in master inventory registerandinventory sheets | 1,099,869,200.00 |

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| S/N | Observations | Amount (TZS) |
|---|---|---|
| 4 | Deficient of stores | 361,935,605.00 |
| 5 | Unaccounted receiptsof Stores | 398,668,378.10 |
| 6 | Fuel Not Accounted for in Log bogs | 545,700,889.00 |
| 7 | Fuel not accounted for | 537,588,062.94 |
| 8 | Maintenance and repair of Government vehicles to private garage without prior approvals of TEMESA | 104,699,409.64 |
| 9 | Non-competitive procurement | 276,437,567.12 |
| 10 | Goods received without Inspection | 5,424,428.10 |
| 11 | Outstanding stores on loan | 109,731,285.00 |
| 12 | Bulk issues of stores | 21,713,600.00 |
| 13 | Undelivered stores | 192,363,001.50 |
| 14 | Un posted issues of stores | 258,153,112.00 |
| 15 | Procurement without Tender Board approval | 41,946,600.00 |
| 16 | Unsupported issues of stores | 960,100,646.59 |
| 17 | Unsupported receipt of stores | 919,398,718.53 |
| | **GRAND TOTAL** | **8,137,549,491.52** |

**Source:** *Stock Verifier Report for the year 2014/15*

Detailed analysis of the Ministries, Independent Departments and Regional Secretariats are provided in **Appendix 9.2**

On reviewing the stock verifier report I noted that there is slight increase of8.12 % deficiencies compared to previous year; Overall anomalies worth TZS7,526,447,299 were noted in the previous year compared to TZS8,137,549,491.52 reported in the year under audit.

I wish to recognize and acknowledge efforts made by the Director of Government Assets Management Division ensuring that the entity has capacity to control the service potential associated with the stock/assets which may reduce waste in stock management.

I advise all concerned Accounting Officers to strengthen and improve internal control systems by ensuring that all store items and fuel purchased are properly recorded in the stores ledger books.

# Chapter Ten

## EXPENDITURE MANAGEMENT

### 10.0 Introduction

This chapter presents in detail the main findings noted during audit of expenditure management of Ministries, Independent Departments, Embassies and Regional Secretariat (RSs) in the financial year 2014-15. Key issues observed in this year are summarized below:

### 10.1 Key issues noted during the audit of expenditure management

#### 10.1.1 Inadequately supported payments TZS11,314,507,724

During this year's audit, I noted that, 17 Ministries, 2 Embassies and 11 RSs made payments amounting to TZS11,314,507,724 **(see Appendix 10.1)**whose supporting documents were missing contrary to Reg. 86(1) of PFR, 2001 and(Reg. No. 95(4) & 18(f) of PFR, 2001).

Consequently, I could not be able to ascertain the authenticity of those payments hence, scope limitation.

A five (5) years trend analysis of payments inadequately supported is given in figure 19 below for comparison purposes:

**Figure 19: 5 year's trend for unsupported payment**


***Source***: *Individual Management Letters for the year ended 30th June 2015*

The analysis of trend above shows that the amount of unsupported payments has increased this year from 7.15bil of last year to 11.26bil while the number of institutions involved also increased from 27 last year to 30 this year. This trend indicates that, those charged with governance have not established sound internal controls to mitigate such weaknesses.

I recommend that the management of responsible institutions should further strengthen their internal controls system.

### 10.1.2 Missing payment vouchers - TZS 361,793,870

In this year, a number of Ministries, Departments, Regional Secretariat and Embassies failed to avail documents in support of various expenditure totalling TZS 361,793,870 observed in six audited entities. The expenditures were incurred but payment vouchers together with supporting documents were not availed contrary to Reg. No.86 (1) of the Public Finance Regulation, 2001.

The accuracy and authenticity of payments made could only be and confirmed with payment vouchers and other relevant supporting documents. In the absence of payment vouchers the scope of audit is limited. This is an indication of ineffective internal control systems. The following table 86 shows entities with missing payment vouchers;

**Table 86: Entities with missing payment vouchers**

| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 1 | 94 | Public Service Commission | 34,019,152 |
| 2 | 52 | Ministry of Health and Social Welfare | 49,720,390 |
| 3 | 48 | Ministry of Land and Human Settlement | 56,190,000 |
| 4 | 61 | National Electoral Commission (NEC) | 194,072,150 |
| 5 | 76 | Lindi Regional Secretariat | 7,200,000 |
| 6 | 71 | Coast Regional Secretariat | 20,592,178 |
| **Total** | | | **361,793,870** |

***Source***: *Individual Management letters*

A five years trend analysis of payments inadequately supported is given in the graph below for comparison purposes:

**Figure 20: Line graph - payments whose vouchers were missing**


***Source***: *Individual Management letters*

The trend above shows that the problem of missing vouchers has increased tremendously in 2014/2015 (TZS 361.8mil) compared to the amount involved in 2013/2014 (TZS 125.16mil), also the number of entities involved has increased to 6 this year from 4 last year.

According to Reg.18 (f) of PFR, 2001 the missing vouchers is quite similar as cash loss, therefore I urge the concerned Accounting Officers to hold accountable the responsible officers.

### 10.1.3 Payments lacking Electronic Fiscal Devices Receipts TZS 6,185,012,346

During 2014/2015, a number of Ministries, Departments, Commissions and Regional Secretariats failed to demand EFD receipts in support of various payments totallingTZS 6,185,012,346contrary to Reg. 28(1) of the Income Tax (Electronic Fiscal Devices) Regulations

In addition, by not demanding fiscal receipts the respective government entities assist the respective business owners to evade tax and hence cause the government to lose a substantial amount of revenue annually.

I noted 8 RS and 18 MDAs with payments amounting to TZS 6,185,012,346 without fiscal receipts from various suppliers as summarized in **Appendix 10.2**

**Figure 21: Comparison of missing fiscal receipts for past three years**




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From the figure above it shows that payments with missing fiscal receipts have increased in 2014-15 from TZS.4.1bil to TZS 6.19 bil an increase of TZS 2.09 bil equivalent to of 51 per cent.

I advise the Government to continue providing education and awareness program on the voluntary compliance with the Income Tax (Electronic Fiscal Devices) Regulations, 2012 and use of EFD machines which would directly increase revenue if every purchase will be accompanied with EFD receipts.

I also, recommend that the government discontinue doing business with suppliers who do not use EFD machines.

### 10.1.4 Expenditure charged to wrong expenditure codes TZS 887,012,294

During the year under audit, I noted that, some MDAs and RSs did not adhere to MTEF Budget provisions and Government Financial Statistics contrary to Reg. 51(1-8) of the Public Finance Regulations, 2001 as such of TZS 887,012,294 as shown in table below were charged to wrong expenditure items without proper authority for reallocation. Charging expenditure into incorrect account codes indicates that financial and budgetary discipline is lacking on the part of the managements.

**Table 87: List of entities with wrong expenditure codes**

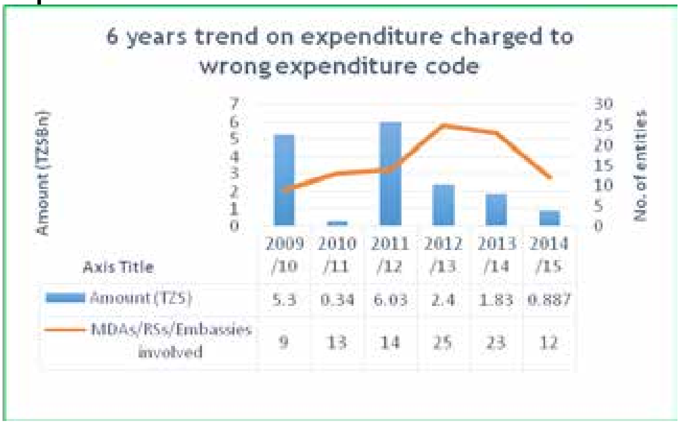
| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 1 | 12 | Judicial Service Commission | 39,890,000 |
| 2 | 38 | Tanzania People's Defence Force (TPDF) | 86,564,355 |
| 3 | 25 | Prime Minister's Office - Private Office | 2,784,800 |
| 4 | 52 | Ministry of Health and Social Welfare | 255,834,855 |
| 5 | 48 | Ministry of Land and Human Settlement | 33,406,000 |
| 6 | 72 | Dodoma Regional Secretariat | 30,085,412 |
| 7 | 63 | Geita Regional Secretariat | 6,388,757 |
| 8 | 74 | Kigoma Regional Secretariat | 32,344,246 |
| 9 | 86 | Tanga Regional Secretariat | 12,580,666 |
| 10 | 85 | Tabora Regional Secretariat | 372,973,203 |
| 11 | 37 | Prime Minister's Office | 9,935,000 |
| 12 | 71 | Coast Regional Secretariat | 4,225,000 |
| **Total** | | | **887,012,294** |

***Source***: *Individual Management letter for the year ended 30th June 2015*

This signifies diversion of funds to other expenditure items which may affect implementation of planned activities.

Six (6) years trend analysis of payments charged to wrong expenditure codes is given in the Figure 22 below:

**Figure 22: Payments charged to wrong expenditure codes**




There has been an overall decrease over deviation of funds for the past two years; however I advise Accounting Officers in future to refrain from reallocating funds and adhere to MTEF budget and the Government Financial Statistics codes. Whenever such deviation is inevitable and in line with authority reallocation warrant has to be considered.

### 10.1. 5Expenditure made out of the approved budget TZS 1,298,373,921

My audit noted that 9 Embassies, 2 Ministries and 2 RS incurred expenditure amounting to TZS 1,298,373,921 for financing various activities that were not budgeted contrary to Reg.46 (3) of PFR, 2001. This implies that some planned activities were not implemented as budgeted.

However, out of these expenditures TZS 147,662,326 was incurred out of the approved budget and TZS 1,150,711,595 was made above approved budget without seeking relevant authorization contrary to Section 46 of the Public Finance Regulation, 2004 as detailed in **table 88**below:

**Table 88: Expenditure made out of the approved budget**

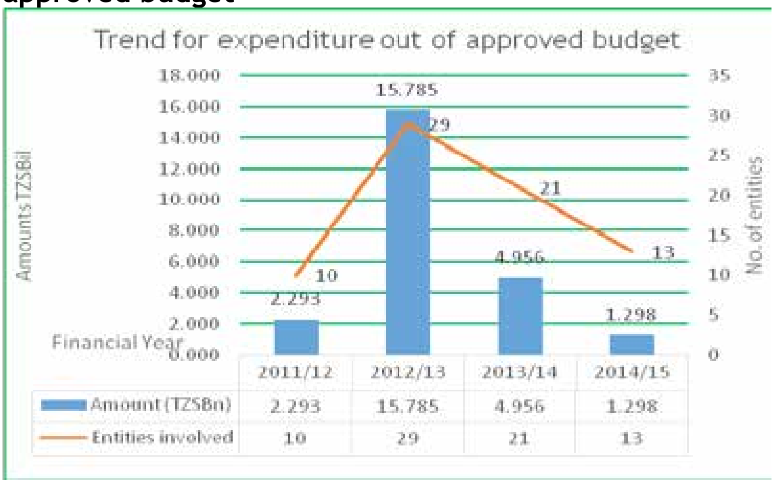
| S/N | Vote No. | Description | Amount (TZS) | Remarks |
|---|---|---|---|---|
| 1. | 2025 | Tanzanian Embassy in Pretoria, South Africa | 27,813,874 | Unbudgeted |
| 2. | 48 | Ministry of Land and Human Settlement | 5,000,000 | Unbudgeted |
| 3. | SV NO. 2001 | Tanzanian Embassy in Addis Ababa, Ethiopia | 103,494,252 | Unbudgeted |
| 4. | 83 | Shinyanga Regional Secretariat | 11,354,200 | Unbudgeted |
| | | **Subtotal** | **147,662,326** | |
| 5. | SV NO. 2025 | Tanzanian Embassy in Pretoria, South Africa | 200,726,900 | Above approved budget |
| 6. | SV NO. 2008 | Tanzanian Embassy in Maputo, Mozambique | 146,847,102 | Above approved budget |
| 7. | SV NO. 2034 | Tanzanian Embassy in Moroni, Comoro | 374,890,135 | Above approved budget |
| 8. | 37 | Prime Minister's Office | 15,165,515 | Above approved budget |
| 9. | SV NO. 2030 | Tanzanian Embassy in Lilongwe | 42,902,594 | Above approved budget |
| 10. | SV NO. 2014 | Tanzanian Embassy in Beijing, China | 109,448,872 | Above approved budget |

| S/N | Vote No. | Description | Amount (TZS) | Remarks |
|---|---|---|---|---|
| 11. | SV NO. 2009 | Tanzanian Embassy in Moscow, Russia | 97,557,289 | Above approved budget |
| 12. | SV NO. 2015 | Tanzanian Embassy in Rome, Italy | 154,733,188 | Above approved budget |
| 13. | 76 | Lindi Regional Secretariat | 8,440,000 | Above approved budget |
| **Subtotal** | | | **1,150,711,595** | |
| **Grand-Total** | | | **1,298,373,921** | |

***Source***: *Individual Management letters for the year ended 30th June 2015*

Four (4) years trend analysis of such payments made out of approved budget is given in the figure below;

**Figure 23: Trend for expenditure out of approved budget**




The analysis from the above shows that, the Number of MDs and RSs that incurred expenditure above approved budget decreased from 21 in 2013/14 to 13 in the year 2014/15.

According to Reg. 48 of PFR, 2001 I do advise the accounting Officers who failed to control the expenditure in respect of any service under their control to ensure that the provision for the service authorised by an Accounting Warrant is not exceeded, should be held personally and peculiarly responsible for any excess expenditure which is incurred without proper authority.

### 10.1.6Long outstanding Imprests TZS232,695,369

Imprests amounting to TZS.232, 695,369 for two (2) Ministries and one (1) RSissued during the year were not retired after completion of the intended activities contrary to Regulation 103 of the Public Finance Regulations, 2001

Non-retirement of imprests may infer misuse of funds and non-accomplishment of the intended purpose. The MDAs and RSs involved are as shown in the table 89 below:

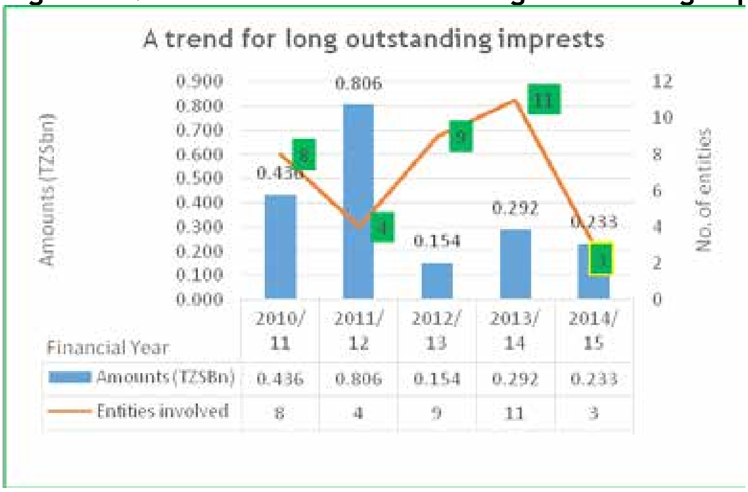
**Table 89: Entities with Long outstanding imprests**

| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 1 | 85 | Tabora Regional Secretariat | 2,457,103 |
| 2 | 32 | President's Office Public Service Management (PO - PSM) | 118,251,957 |
| 3 | 43 | Ministry of Agriculture Food Security and Cooperatives | 111,986,309 |
| | | **Total** | **232,695,369** |

***Source***: *Individual Management letters*

Analysis of long outstanding imprests for the past five(5) years is given in the Figure 24 below:

**Figure 24: Summarized results of long outstanding imprests**




The trend compared to the last year, shows a decrease in value of the long outstanding imprests by 20% compared to the last year (i.e. TZS 291.532 million to 232.695 million) meanwhile the entities involved havedecreasedfrom 11 to 3.

Therefore, I do recommend managements of MDs and RS to insure imprests are retired immediately after the purpose for which they were issued has been completed and this period should not exceed two weeks or otherwise the amount outstanding should forthwith be recovered from any salary or other emoluments or from any other amounts due to the imprest holders as required by Regulation 103(2) of PFR, 2001

### 10.1.7Overpayments to various activities TZS 373,842,446

During year under review, I noted various payees were overpaid money totalling TZS 373,842,446 in four (4) RSs and one (1) Ministry and one (1) embassy. These overpayments led to payments for unexecuted works or activities thus deprived the state of immediate use of resources for other public financial business as summarized in the Table90below:

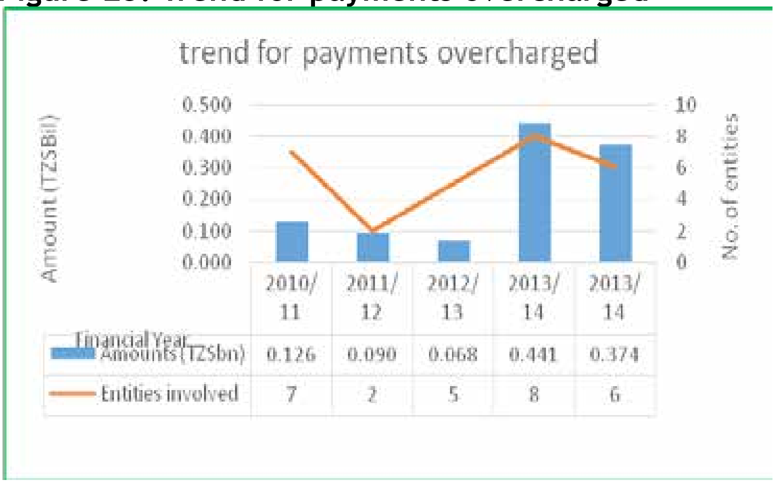
**Table 90: Overpayments to various activities**

| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 1 | 57 | Ministry of Defence and National Service | 226,132,130 |
| 2 | 70 | Arusha Regional Secretariat | 20,858,977 |
| 3 | 70 | Arusha Regional Secretariat | 9,100,000 |
| 4 | 86 | Tanga Regional Secretariat | 97,104,247 |
| 5 | 2014 | Tanzanian Embassy in Beijing, China | 15,677,092 |
| 6 | 76 | Lindi Regional Secretariat | 4,970,000 |
| **Total** | | | **373,842,446** |

***Source***: *Individual Management letters*

Analysis of payments overcharged for the past five(5) years are given in Figure 25 below:

**Figure 25: Trend for payments overcharged**




The trend for payments overcharged has decreased to TZS 373.842million compared with TZS 440.721million last year; the concerned Accounting Officers are advised to pursue the recovery of the overpayments.

### 10.1.8 Nugatory expenditure - TZS53,017,013,737

My review of expenditure and other payments noted that six(6) MDAs and two (2) RSs had expenditures amounting to TZS 53,017,013,737 which arefruitless and wasteful expenditures that weremade in vain and that could have been avoided had reasonable care been taken as stated in Reg.21 of PFR, 2001. List of entities involved is as shown in the table 91 below.

**Table 91: Nugatory expenditure**

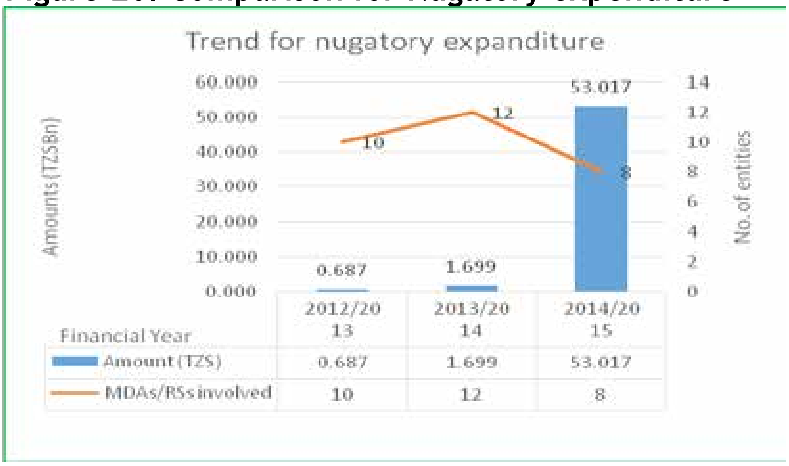
| s/n | Vote No. | Description | Amount (TZS) | Nature of expenditure |
|---|---|---|---|---|
| 1 | 55 | Commission for Human Rights and Good Governance | 2,172,547 | Penalty due to delay to pay rent for over an average of 14 months |
| 2 | 38 | Tanzania People's Defence Force (TPDF) | 5,666,975 | Storage charges on delay of customs clearance |
| 3 | 52 | Ministry of Health and Social Welfare | 3,355,981 | Payment of electricity and water bills to the staff who are not entitled to |
| 4 | 98 | Ministry of Works | 44,651,190 | Interest incurred due to delay in settlement of office rental charges |

| s/n | Vote No. | Description | Amount (TZS) | Nature of expenditure |
|---|---|---|---|---|
| 5 | 48 | Ministry of Land and Human Settlement | 109,722,539 | The Ministry of Land and Human Settlement purchased a motor vehicle (Toyota Land Cruiser VX V8) costing TZS 297,490,472 direct from supplier (TOYOTA (T) LTD) instead of bulk purchase system through GPSA of which the same car could be obtained for TZS 187,767,933 hence a nugatory expenditure of TZS 109,722,539 |
| 6 | 70 | Arusha Regional Secretariat | 15,000,000 | Payment for technical support of computer system which is not working |
| 7 | 85 | Tabora Regional Secretariat | 9,925,000 | Payment of subsistence allowance per day over and above the actual days that the person has worked with |

| s/n | Vote No. | Description | Amount (TZS) | Nature of expenditure |
|---|---|---|---|---|
| 8 | 22 | Public Debt and General Service Department | 52,826,519,506 | Delayed Remittance of Statutory Contributions hence attracted a penalty of 5% per month of outstanding amount |
| **Total** | | | **53,017,013,737** | |

***Source***: *Individual Management letters*

**Figure 26: Comparison for Nugatory expenditure**



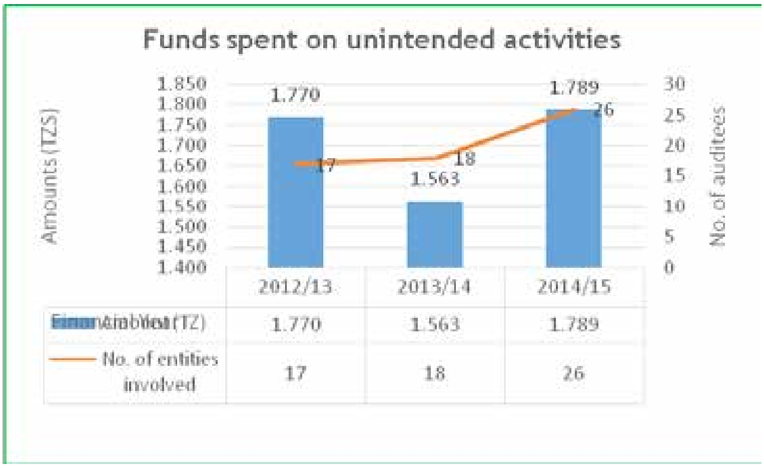

From the analysis above, it shows a significant increase of nugatory expenditure in the past two years consecutively from TZS 1.699bil last year to TZS 53.017 billion this year despite a decrease in number of entities involved to 8 from 12 in 2013/14. This implies laxity in management's internal controls and accountability in ensuring due diligence is undertaken before committing public monies. I recommend the Managements of the respective MDAs & RS to strengthen systems of their Internal Control Systems.

### 10.1.9 Funds spent on unintended activities TZS 1,788,881,933

In my audit, I found some MDAs diverted and spent funds to other activities which were not related to the approved budget. This total expenditures of TZS 1,788,881,933 as detailed in **Appendix 10.3** had not been properly charged to intended activities contrary to Regulation 115 of the Public Finance Regulations, 2001 which requires the voted funds to be applied only to the purpose for which they were intended, as a result the expenditure may lead to misappropriation and purpose for which the funds were intended may not be achieved.

Analysis of payments made for unintended activities for three (3)years is as shown in the Figure 27below:

**Figure 27: Comparison of funds used for unintended activities**




From the figure 27 above, the analysis shows that payments for unintended activities have increased by TZS 225.935 million equivalent to 14% compared to last year 2013/14.

However, to ensure that all funds as approved by Parliament were received and used exclusively and judiciously for eligible expenses as per approved budget and consistent with the provisions of existing laws, Regulations and prescribed procedure, I advise the management of audited entities to strengthen budgetary controls from its preparation to its execution, any deviations should be identified, documented and dealt with accordingly.

### 10.1.10 Payments lacking acknowledgement receipt TZS220,053,699

During the year under review I noted payments amounting to TZS 220,053,699 were made by 3 Ministries to various payees without demanding acknowledgement receipts.

However, these payments were not authenticated as having been received by the intended recipient because relevant acknowledgement receipts were not availed for audit verification contrary to Regulation 95 (4) of the Public Finance Regulations of 2001. The details are as shown in the table 92 below:

**Table 92: Entities made payments not supported by acknowledgement receipt**

| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 1 | 38 | Tanzania People's Defence Force (TPDF) | 90,581,698 |
| 2 | 42 | National Assembly | 27,836,074 |
| 3 | 43 | Ministry of Agriculture Food Security and Cooperatives | 101,635,927 |
| **Total** | | | **220,053,699** |

***Source***: *Individual Management letters*

*Comparison with last year*

| Financial Year | 2013/14 | 2014/15 |
|---|---|---|
| Amount TZS Billion. | 27.74 | 0.22 |
| No. Entities involved | 5 | 3 |

From the analysis table above, the number of entities with payments lacking acknowledgement receipts together with the amounts involved has declined from five (5) entities (TZS 27.74Bil) to three (3) entities (TZS 220.054 million).

This is an indication of deficiencies in internal control systems. I would like to remind the management of the MDAs on their primary responsibility in ensuring that, payments are supported by acknowledgement receipts.

### 10.1.11 Withholding tax not deducted TZS 692,539,424

I noted cases of non-compliance with statutory requirements in six (6) MDAs on remittance of withholding tax to TRA contrary to Sect. 83(1) (b) of Income Tax Act, 2004 (Revised 2008).The amendment requires all Government Agencies to withhold 5% and 15% tax on all payments made to a resident and non-resident person respectively in respect of services fee with a source in the URT.

However, my review of paymentsvouchers during the financial year 2013/2014 noted TZS 692,539,424 as withholding tax not deducted (see the table 93 below). Non-compliance with statutory requirements denies the Government the revenue for enhancing people's centered development of this country.

Table 93: Entities which did not deduct withholding tax

| Vote No. | Description | Amount (TZS) | Remarks (TZS) |
|---|---|---|---|
| 6 | Presidential Delivery Bureau | 14,526,217 | Tax not deducted |
| 28 | Police Force Department | 626,635,374 | Tax not deducted |
| 9 | Remuneration Board | 16,658,175.06 | Tax not deducted |
| 56 | Prime Minister's Office Regional Administration and Local Authorities (PMO - RALG) | 25,598,065 | TZS19,497,404 not deducted, TZS 6,100,662 deducted not remitted |
| 54 | Njombe Regional Secretariat | 6,583,166 | |
| 75 | Kilimanjaro Regional Secretariat | 2,538,427 | Deducted but not remitted to TRA |
| **Total** | | **692,539,424** | |

***Source***: *Individual Management letters*

I would like to remind the management of the audited entities on their primary responsibility in ensuring that, withholding taxes are deducted at source by the appropriate authority in line with income tax law.

## Chapter Eleven

## ASSETS AND LIABILITIES MANAGEMENT

### 11.0 Introduction

This part of the report presents a summary of key audit findings resulting from the audit of assets management and liabilities for the year 2014-15.

### 11.1 Assets Management

The Government has formal policies and procedures designed to ensure control and oversight related to recording, valuing, reporting and safeguarding of assets, and that assets are adequately accounted for. I reviewed fixed asset management system concerning the accountability, care, and disposal of those assets. I also, examined whether the Accounting Officers have developed and applied sound IPSAS accrual compliance strategy and implemented efficient and effective asset management practices.

The following is a summary of weaknesses noted which need attention of the government over assets management within MDAs and RS for the year under review;

### 11.1.1 PPE- IPSAS Accrual Compliance

The central government migrated from IPSAS cash basis of accounting to IPSAS accrual from 1st July, 2012 and produced its first time IPSAS accrual compliant financial statements as at 30th June, 2013. The central Government opted the transitional period to be ended 30th June, 2017 on PPE financial reporting compliance.

The following are discrepancies identified during the audit on the IPSAS accrual road map implementations:-

**a)Fixed Asset Register yet to be prepared and updated**

Preparation and updating of fixed Asset Register procedures were inconsistently applied across the MDAs and RAS. I noted that registers prepared by various MDAs are missing vital asset information i.e. acquisition date, in service date and asset identification etc. contrary to Government Asset Guidelines of 2012 part 6, further review noted 53 entities which have not yet started to identify their non-current assets to enable the preparation of comprehensive Asset Register. ***(See Appendix11.1)***

**b) Valuation of assets not accomplished**

Identification and Valuation of Non-Current Assets, due to the fact that the remaining period for the provision of five years opted by the Government is two years ending 30th June, 2017. I reviewed IPSAS implementation roadmaps and noted that there is a notable delay in the processes of identifying and valuing Non-Current Assets; I am of the view that the remaining period of two years for the Central Government to prepare fully compliant IPSAS accrual Financial Statements leaves much to be desired.

**c)Lack of Asset Accounting Policy**

Developing Central Government Asset accounting policy, I noted that Asset management procedures were inconsistently applied in the MDAs and RS caused by absence of Asset Accounting Policy. In the absence of Asset Accounting Policy, preparation of fully compliant IPSAS accrual Consolidated Financial Statements over assets will take long time to be achieved.

**d)Epicor Asset module not operational**

Epicor Based Asset Register, I noted that there is no proof that the existing asset module in epicor accounting software supports the asset reporting requirements under IPSAS accrual accounting system e.g. Asset category, depreciation rates and its calculations, acquisition date and in-service date etc. Also there is no training conducted to MDAs and RS staff on the utilization of asset module in the epicor accounting software.

**e)Land and building not separated**

Land and buildings not accounted separately where, IPSAS 17(74) requires land and buildings to be accounted separately because land has an unlimited useful life and therefore is not depreciated while buildings have a limited useful life and therefore are depreciable assets.

As reported in my previous report still value of land and buildings for eleven entities are classified as one category of asset contrary to paragraph 17(74) IPSAS accrual requirement. The Table 94 below analyses entities that have not accounted land and buildings separately:

**Table 94: Entities which did not account land and buildings separately**

| Vote | Name of MDA/RS |
|---|---|
| 14 | Fire and Rescue Force |
| 20 | State House |
| 26 | Vice President Private Office |
| 30 | President's office and Cabinet Secretariat |
| 31 | Vice President's office |
| 47 | SimiyuRegional Secretariat |
| 51 | Ministry of Home Affairs |
| 88 | Dar es Salaam Regional Secretariat |
| 2019 | Tanzania Embassy in Brussels |
| 2020 | Permanent Mission to the United Nations in Geneva |
| 2033 | Embassy in the Hague |
| 2014 | Embassy in the China |

**Source**: *Individual CAG's audit reports for the year 2014/15*

In the context of the new financial reporting framework, the Central Government should evaluate its asset IPSAS accrual compliance process with the aim of preparing IPSAS accrual fully compliance Financial Statements and ensuring that the efficiency and effectiveness of life cycle asset management is maintained. In achieving this, it is recommended that Accounting Officers and the Ministry of Finance:

a) ensure that all asset data is accurate and complete within the MDAs and RS

b) ensure that Asset valuations are performed in all MDAs and RAS ; and enhance the reconciliation process to support the accuracy and completeness of asset data captured in the system and finally recorded on the financial statements;

c) Central Government develops and implements a monitoring regime to ensure that all MDAs and RS are complying with Ministry of Finance directives issued;

d) Developing Asset Accounting Policy which will be used by all MDAs and RS, with a view to havingconsistent asset management procedures applied in all MDAs and RS.

e) To ensure that asset module in the epicor accounting software used support the asset reporting under IPSAS accrual accounting system and conduct training to MDAs and RS staffs that are responsible for asset management on the application of asset module in the epicor accounting software.

### 11.1.2 Assets not yet Disposed

As part of the audit, a physical verification of Non-current Assets was conducted on the sampled MDAs/ RAS and Missions abroad and noted 682 Motor vehicles and 301 other Non-current Assets that had not been disposed of in accordance with Reg.254 (1) of the Public Finance Regulations 2001. These assets are occupying buildings and ground space for a long period of time.

The Accounting Officers are yet to undertake disposal procedure in accordance with Regulation 254 (2) of the Public Finance Regulations 2001. ***(See Appendix 11.2)***

Since there is possibility of loss of government properties through dumping or stealing of spare parts I recommend the Ministry of Financeshould provide additional guidance/directives to MDAs and RAS specifically for the asset disposal procedures.

### 11.1.3 Land and Buildings Owned by Tanzania Missions Abroad.

The Government owns land and buildings across Tanzania overseas Missions. Out of 34 Tanzania embassies, eight (8) audited embassies had dilapidated buildings which require major repair and maintenance. Additionally, four (4) audited embassies had undeveloped plots. ***(See Appendix11.3)***

Over the past years, Overseas Missions have not been allocated with sufficient budget to construct new buildings and make major repairs on the existing buildings. I suggest the Ministry of Foreign Affairs and International Cooperation in collaboration with Ministry of Finance to allocate funds to either reconstruct or rehabilitate all buildings to preserve the good image of our Nation.

### 11.1.4 Non-use of Integrated Financial Management System.

Ministries including Embassies are required to process their financial data using computerized Accounting systems using Intergraded Financial Management System (IFMS) known as EPICOR for proper and efficient financial management. I reviewed sampled embassies on the payments and preparation of financial statements processes and revealed that all sampled Embassies are using manual accounting systems.Table 95 below shows a list of the respective embassies.

**Table 95: Entities using manual accounting systems**

| S/N | Vote | Name of MDA or RS |
|---|---|---|
| 1 | 2003 | Embassy in Cairo |
| 2 | 2017 | Embassy in Tokyo |
| 3 | 2022 | Embassy of Tanzania in Harare |
| 4 | 2005 | High Commission in Abuja |
| 5 | 2019 | Embassy in Brussels |
| 6 | 2020 | Permanent Mission to the United Nations in Geneva |
| 7 | 2028 | Embassy in Bujumbura, Burundi |
| 8 | 2026 | High Commission in Kigali |
| 9 | 2023 | High Commission in Nairobi |
| 10 | 2033 | Embassy in the Hague |
| 11 | 2001 | Embassy in Addis Ababa |
| 12 | 2014 | Embassy in Beijing - China |
| 13 | 2006 | High Commission in London |

**Source:** *Individual CAG's audit reports for the year 2014/15*

ACGENis advised to ensure that, all Embassies are using Intergraded Financial Management System (IFMS) for the harmonization and effective management of financial data processing at all Government entities.

### 11.1.5 Stores items not accounted for TZS.4,380,960,319

Audit results indicated that fourteen (14) entities including six MDAs, six RS and two Embassies did not account for store items worth TZS.4,380,960,319 contrary to Regulation 198 of the Public Finance Regulations, 2001.

There is an increase of TZS.4,051,553,716.74 for the stores not accounted for audited MDAs/RA compared to last year audit report of TZS.329,406,602.

List of audited entities with stores not accounted for in the ledgers are summarized in the table below:

**Table 96: Stores not accounted for**

| S/N | Vote | Name of MDA/RS and Embassy | Amount (TZS) |
|---|---|---|---|
| 1 | 38 | Tanzania Peoples Defense Forces | 4,016,222,850.44 |
| 2 | 94 | President's Office Public Service Commission | 18,183,576.30 |
| 3 | 27 | Registrar of Political parties | 43,945,400.00 |
| 4 | 75 | Kilimanjaro Regional Secretariat | 14,882,992.00 |
| 5 | 47 | Simiyu Regional Secretariat | 24,140,972.00 |
| 6 | 63 | Geita Regional Secretariat | 30,631,580.00 |
| 7 | 89 | Rukwa Regional Secretariat | 24,200,000.00 |
| 8 | 2034 | Embassy in Moroni | 26,845,425.00 |
| 9 | 85 | Tabora Regional Secretariat | 94,906,152.00 |
| 10 | 53 | Ministry of Community Development Gender and Children | 11,845,342.00 |
| 11 | 43 | Ministry of Agriculture Food Security and Cooperatives | 15,972,517.00 |
| 12 | 61 | National Electoral Commission | 15,154,425.00 |
| 13 | 2005 | High Commission in Abuja | 44,029,087.00 |

| S/N | Vote | Name of MDA/RS and Embassy | Amount (TZS) |
|---|---|---|---|
| 14 | 80 | Mtwara Regional Secretariat | 89,795,009.00 |
| | | **Total** | **4,470,755,327.74** |

**Source:** *Individual CAG's audit reports for the year 2014/15*

With the huge expenditure of public funds on the purchases of stores, I recommend that timely recording of store items to store ledgers be enhanced to ensure efficient use of the resources in providing timely service to the users of the stores.

### 11.1.6 Lack of Ownership documents for Government Land and Buildings

On assessment of ownership documents I noted that land and buildings possessed by MDA, RAS and Embassies do not have title deeds/ownership documents which confirm rights and obligation.

In the absence of ownership documents, I could not confirm whether the assets are actually legally owned by the respective audited MDAs/RS. This implies that the respective entities do not have legal ownership of the lands and buildingsand in the event of dispute the government is likely to lose.

Ownership documents for land and buildings owned by the Government have so far not been acquired despite my previous recommendations. The following tablepresents a list of entities lacking title deeds/ownership documents.

**Table 97: Entities lacking ownership documents**

| S/N | Vote | Name of MDA/RS |
|---|---|---|
| 1 | 5 | National Irrigation Commission |
| 2 | 14 | Fire and Rescue Force |
| 3 | 29 | Prisons Service Department |
| 4 | 36 | Tabora Regional Secretariat |
| 5 | 43 | Ministry of Agriculture Food Security and Cooperatives |
| 6 | 47 | Simiyu Regional Secretariat |
| 7 | 51 | Ministry of Home Affairs |
| 8 | 52 | Ministry of Health and Social Welfare |
| 9 | 53 | Ministry of Community Development Gender and Children |
| 10 | 88 | Dar es Salaam Regional Secretariat |
| 11 | 93 | Immigration Services Department |
| 12 | 2021 | High Commission in Kampala |

**Source:** *Individual CAG's audit reports for the year 2014/15*

Ministry of Finance is advised to provide additional directives toMDAs/RS to acquire ownership documents from respective authorities for the safeguarding of Government land and buildings.

### 11.1.7Non-Current Assets yet to be tagged

Owing to weak internal controls system in the Governmentto keep track of its Non-current Assets, I noted 14 audited entities(including seven MDAs, two Tanzania Missions Abroad and five RS) which had yet to codify their Noncurrent Assets for identification and easy of reference.The list of audited entities with untagged assets is shown in the tablebelow:

**Table 98: Entities with Assets not coded**

| S/N | Vote | Name of MDAs/RS/Mission |
|---|---|---|
| 1 | 35 | Directorate of Public Prosecutions |
| 2 | 39 | National Service Force |
| 3 | 44 | Ministry of Industry and Trade |
| 4 | 47 | Simiyu Regional Secretariat |
| 5 | 52 | Ministry of Health and Social Welfare |
| 6 | 59 | Law Reform Commission of Tanzania |
| 7 | 68 | Ministry of Communication ScienceandTechnology |
| 8 | 70 | Arusha Regional Secretariat |
| 9 | 75 | Kilimanjaro Regional Secretariat |
| 10 | 76 | Lindi Regional Administrative Secretariat |
| 11 | 79 | Morogoro Regional Secretariat |
| 12 | 96 | Ministry of Information, Youth, Culture and Sports |
| 13 | 2026 | High Commission in Kigali |
| 14 | 2028 | Tanzania Embassy in Bujumbura |

**Source:** *Individual Audit Reports for the FY 2014/15*

I recommend that, though Non-current asset tagging can be a big commitment in terms of time, human resources and financial outlay, Government is advised to execute this exercise properly and systematically, to instigate wide-reaching IPSAS accrual compliance across its entire entities.

### 11.1.8Underperformance of fire rescue force

Fire Rescue Force Department is responsible for providing fire prevention, protection, and suppression services in Tanzania Mainland.A notable weakness in the management of equipment is that Fire and Rescue Force has 90 fire tenders against the requirement of 157. As a result of the audit procedures and physical verification conducted,it was observed that out of 90 fire tenders reported 35 were grounded for a long time. This implies that the Fire and Rescue Force does not have enough capacity to fight fire incidences in the country based on the shortage of 102 fire tenders being 65 per cent of the requirement.

To effectively respond to fire outbreak FRF department utilizes a variety of apparatus, including fire tender vehicles. Therefore, in the absence of a reasonable number of fire tenders FRF department will not be effective to curb fire outbreak indecencies in the country.

Fire extinguishers not serviced timely
On scrutiny and physical verification of the fire extinguishers installed in the Government office buildings, I noted that the equipment on the sampled 8 MDAs/RS had not been serviced as illustrated in the table below:

**Table 99: List of audited entities yet to service fire extinguisher**

| S/N | Vote | Name of MDA or RAS | Observation |
|---|---|---|---|
| 1 | 55 | Commission for Human Rights and Good Governance | Untested and Outdated Firefighting Equipment |
| 2 | 35 | Directorate of Public Prosecutions | UntestedFirefighting Equipment |
| 3 | 55 | Commission for Human Rights and Good Governance | UntestedFirefighting Equipment |
| 4 | 27 | Registrar of Political parties | UntestedFirefighting Equipment |

Chapter Eleven

| S/N | Vote | Name of MDA or RAS | Observation |
|---|---|---|---|
| 5 | 70 | Arusha Regional Secretariat | Non - installation of firefighting facilities at Regional Hospital stores. |
| 6 | 52 | Ministry of Health and Social Welfare | Un-serviced Firefighting Equipment |
| 7 | 53 | Ministry of Community Development Gender and Children | Fire extinguisher amounting to TZS.6,300,000 remained idle at store for more than 7 years |
| 8 | 68 | Ministry of Communication ScienceandTechnology | Un-serviced and untested Firefighting Equipment |

The Government is advised to ensure firefighting equipment are tested and serviced regularly and also to help Fire Rescue Force department to conduct inspections and training to employees on how to use fire extinguisher.

### 11.2.0 Liabilities Management

IPSAS 1 on Presentation of Financial Statements states that "*Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential*". In this year I noted the following weaknesses concerning liability management across audited entities:

### 11.2.1 Contingent liabilities (Outstanding legal cases)

A contingent liability is a potential obligation that may be incurred depending on the outcome of a future event.

The audit results indicated nine (9) MDAs and two (2) RS had 94 legal cases with value amounting to TZS870,866,104,235 pending decision against various companies and individuals. These cases will have significant financial impact on the operations of the MDAs and RS. Some cases are at hearing stage and others at mediation stage.

The Ministry of Energy and Mineral had a large proportion of TZS.614, 918,311,003 equal to 70 per cent, followed by Ministry of Defence and National Service TZS.213,727,001,693 equal to 24 per cent. Entities with outstanding legal cases are as shown in the table below.

**Table 100: Entities with outstanding legal cases**

| S/N | Vote | Name of MDA or RS | Number of case | Amount (TZS) |
|---|---|---|---|---|
| 1 | 5 | National Irrigation Commission | 2 | 4,546,074,597 |
| 2 | 43 | Ministry of Agriculture Food Security and Cooperatives | 6 | 8,978,714,155 |
| 3 | 46 | Ministry of Education and Vocational Training | 11 | 495,987,034 |
| 4 | 49 | Ministry of Water | 12 | 2,331,696,126 |
| 5 | 55 | Commission for Human Rights and Good Governance | 5 | 2,095,000,000 |
| 6 | 57 | Ministry of Defence and National Service | 17 | 213,727,001,693 |
| 7 | 58 | Ministry of Energy and Minerals | 9 | 614,918,311,003 |

| S/N | Vote | Name of MDA or RS | Number of case | Amount (TZS) |
|---|---|---|---|---|
| 8 | 69 | Ministry of Natural Resources and Tourism | 20 | 22,583,614,827 |
| 9 | 77 | Iringa Regional Secretariat | 7 | 5,104,800 |
| 10 | 81 | Mwanza Regional Secretariat | 1 | 500,000,000 |
| 11 | 99 | Ministry of Livestock and Fisheries Development | 4 | 684,600,000 |
| **Total** | | | **94** | **870,866,104,235** |

**Source:** *Individual Audit Reports for the FY 2014/15*

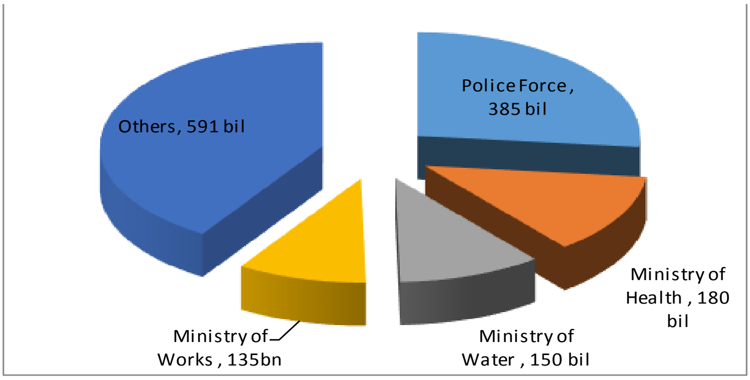
There is a risk of incurring nugatory expenditures by the MDAs/RAS resulting from fines or penalty which may be charged by the court if MDAs/RAS lose these cases, in addition there are a lot of expenses that are incurred by MDAs/RS in making follow upsto these cases.

Takingintoaccountofmyprioryear'srecommendations, I recommend the government to direct each entity to have appropriate risk management strategies in place to ensure that the entity's exposure to contingent liabilities is contained and minimized.

### 11.2.2Accumulation of liabilities TZS.1,443,859,273,539.30

As at 30 June, 2015 89 entities including 52 MDAs 25 RS and 14 Embassies had an outstanding account payable balance of TZS.1,443,859,273,539.30 and when compared to the prior year payable balance of TZS.772,508,290,161 there is a notable dramatic increase of TZS671,350,983,378.30 being an increase of 89 per cent.

The largest proportion is from the Police Force with 27 per cent of total liabilities, the second is the Ministry of Health and Social Welfare with 13 per cent of total liabilities followed by the Ministry of Water with 10 per cent of total liabilities as illustrated in the following pie chart:




Debts cited include the amount of TZS. 27,800,677,740 being the arrears of medical bills for patients who have been treated in hospital referral services in India. The trend of this debt for the past two years is as follows:

**Table 101: Referral hospitals claims**

| No. | Name of the Hospital | 2013/14 Amount (TZS) | 2014/15 Amount (TZS) |
|---|---|---|---|
| 1 | Apollo Hyderabad | 2,702,517,748 | 4,831,685,872 |
| 2 | Apollo Chennai | 6,630,974,112 | 8,685,499,033 |
| 3 | Apollo Bangalore | 380,246,720 | 1,245,306,554 |
| 4 | Apollo Ahmedabad | 582,268,288 | 1,906,267,772 |
| 5 | Apollo New Delhi | 6,082,196,624 | 10,117,292,151 |
| 6 | Madras Medical Mission | 562,189,712 | 1,014,626,358 |
| **Total** | | **16,940,393,204** | **27,800,677,740** |

Accumulation of financial obligations may affect the execution of the planned activities in the subsequent years as funds may be utilized to settle outstanding liabilities.

List of entities with financial obligations that have been incurred by the government for which payment is overdue is as shown in **Appendix11.4**

A dramatic increase in accounts payable without efforts to settle them impairs good contractual relationship between MDAs/RS and their suppliers and employees and might lead to inefficiency ofservice delivery to the public. MDAs/RS might face legal action as a result of failure to meet maturing obligations in time. Despite my prior year recommendations I insist the government to;

- Ensure funds are released as per approved budget in order to reduce accumulation of huge outstanding accounts payables which might be subject to the risk of litigation and reduce its credibility worthiness. I recommend re-budgeting of all overdue payables in the budget of the coming year in order to clear them with certainty and avoid dispute with suppliers and other stakeholders.

- Review its budget processes to ensure a realistic budget is formulated in a way that, it meets the planned activities and overall requirements.

### 11.2.3 Failure to recognize Payables in prior year

It came to my attention during audit that the reviewed payables were not in conformity with Reg.91 (2) of the Public Finance Regulations requiring all liabilities including outstanding indents incurred but not paid in a financial year to be entered in the register for the following financial year. However, during the year

Six entities made payments of TZS.731,317,717.01 to various suppliers for goods and services for which were supplied and service rendered during prior years.

However, I noted that these expenses were not recognized as payables in the respective financial statements for the year ended 30, June 2014 and consequently expensed in the year 2014/15 .The payables are summarized in the table below:

**Table 102: Unrecorded liabilities**

| S/N | Vote | **Name of MDA or RAS** | **Amount (TZS)** |
|---|---|---|---|
| 1 | 66 | President's Office, Planning Commission | 12,003,750 |
| 2 | 75 | KilimanjaroRegional Secretariat | 33,664,925 |
| 3 | 47 | SimiyuRegional Secretariat | 134,103,898 |
| 4 | 21 | Treasury | 376,641,080 |
| 5 | 48 | Ministry of Lands, Housing and Human Settlements Development | 21,151,293 |
| 6 | 70 | ArushaRegional Secretariat | 153,752,771 |
| **Total** | | | **731,317,717** |

I recommend that, Paymaster General should ensure that there is consistency in complying with IPSAS accrual in all MDAs/RS by conducting frequent IPSAS training to accounting staff.

### 11.2.4Unsupported payables TZS.23,265,941,375.99

Payables are liabilities to pay for goods or services that have been received or supplied, and have been invoiced or formally agreed with the supplier. The reviewed three (3) entities failed to provide supporting documents for goods and services which were supplied and rendered during the years. List of audited entities with unsupported liabilities is shown in the table below:

**Table 103: Entities with unsupported liabilities**

| S/N | Vote | Name of MDA or RS | Amount (TZS) |
|---|---|---|---|
| 1 | 57 | Ministry of Defence and National Service | 3,152,778,856.00 |
| 2 | 51 | Ministry of Home Affairs | 1, 771,336,398.98 |
| 3 | 52 | Ministry of Health and Social Welfare | 18,341,826,121.01 |
| **Total** | | | **23,265,941,375.99** |

In the absence of supporting documentation there is a possibility for the existence of fictitious payables created by dishonest employees. I could not authenticate transactions relating to the unsupported liabilities.

I recommend that, responsible Accounting Officers establish internal control mechanism to ensure that liabilities are properly supported and satisfy the agreed upon conditions of goods supplied and service rendered to the MDAs.

# Chapter Twelve

## SPECIAL AUDITS AND OTHER ISSUES

### 12.0 Introduction

In this chapter, I present the main audit findings identified while carrying out special audits for the financial year 2014/15 and other issues.

### 12.1Special Audits for the Year ended 2014/15

The special audits were undertaken in accordance with Section 29 of the Public Audit Act, 2008 and Regulation 79(1) of the Public Audit Regulation, 2009.

In this year special audits decreased to two (2) compared to eight (8) audits last year which were conducted in different Central Government entities as listed below;

#### 12.1.1 Verification and Confirmation of funds transferred to other government institutions under the Ministry of Education and Vocational Training

This audit was requested by the Clerk of the National Assembly On19th Desember, 2013 through letter with Ref. CBC.155/188/01/26 to conduct special audit and ascertain whether the transferred funds were correctly received and reported by the institutions under the Ministry of Education and Vocational Training.

Key issues from the special audits are summarized below, however individual special audits reports have been issued to respective authorities in accordance with Regulation 81 of the Public Audit Regulations, 2009:-

**(i) Fraudulent transactions at NECTA TZS 185,350,000**

In April 2010, a total amount of TZS 185,350,000 was transferred to NECTA as other charges but the amount was not recorded in their books of accounts. In addition the amount was acknowledged by forged receipt issued by unfaithful employees of NECTA.

**(ii) Funds not confirmed to have been received by Commonwealth Secretariat and Open University TZS 108,409,893**

a) In the financial year 2009/2010 the Ministry of Education and Vocational Training transferred TZS 90,000,000 to Commonwealth Secretariat, only TZS 40,734,000 was confirmed to have been acknowledged, the balance of TZS 49,266,000 is yet to be confirmed.

b) In year 2010/2011 The Ministry of Education and Vocational Training transferred TZS 10,486,252,913 to the Open University, only TZS 10,427,109,020 was accounted for, the balance of TZS 59,143,893 is yet to be accounted for.

**(iii) Transfer of funds yet to be accounted forTZS 188, 838,528**

In the year 2009/2010 a sum of TZS 712,798,788 was transferred to ADEM by the Ministry of Education and Vocational Training however only TZS 523,960,260 was properly acknowledged and recorded in the books of accounts as aresult TZS 188, 838,528 had not been accounted for by ADEM.

**(iv) Lack of follow up procedures**

It came to my attention that the Ministryof Education and Vocational Training had no clear follow up procedures on funds transferred to other organizations/institutions under the Ministry. Most institutions delayed to acknowledge receipt of funds timely and sometimes did not acknowledge at all consequently; financial reports were prepared based on information on one side without considering actual data from the recipients.

I advise the Government to conduct comprehensive investigations by referring the matters to investigation authorities for the purpose of getting counteractive measures and dissuade recurrence in other government departments.

### 12.1.1 Special audit on the Financial Statements of the Local Government Reform Programme Phase II (Decentralization By Devolution) (LGRP II D By D) for the year ended 30th June, 2013

Special audit was conducted on the contract between PwC and SIDA dated 16 September 2014, for the provision of consultancy services for the audit of the financial statements of the Local Government Reform Programme (LGRP II) and the Receipts and Transfer of funds under the Local Government Development Grant (LGDG) System for the financial year 2012/2013. Salient audit findings are as follow:

**(a) Lack of accountability for advances of TZS 903,270,394**

I noted that TZS 903,270,394 was spent for meetings and other project activities without evidence of the review and approval of their accountability reports and retirement forms. Furthermore, there isno evidence or alternative procedures to show how the accountability was cross checked with the budget holder and Program managementAuthority of the Controller of Budget. Consequently, I was unable to determine the occurrence of the reported activities.

**(b) Ineligible expenditure TZS 84,863,510**

My special audit noted ineligible expenditure amounting to TZS 84,863,510. The expenditure did not qualify or satisfy programme conditions therefore, threatened the achievement of the intended objective of the programme; this included the following:

**(a) Expenditure on activities not related to the program TZS 13,040,075**

Out of the total reported expenditure, the programme incurred a total of TZS 13,040,075 on implementation of various activities which had equivocal linkage to the purpose of the programme. Therefore, I was unable to confirm validity of these expenditure.

**(b) Irregular payment of daily allowances for workshops and training TZS 18,967,500.**

I noted that the programme incurred expenditure of TZS 236,190,000 as per-diems to various participants of workshops and trainings using a flat rate of TZS 80,000 regardless of their job grades/groups with vexception to the drivers who were paid a rate of TZS 45,000. Consequently, I noted TZS 18,967,500 to have been overpaid to various staff. These costs are explicitly questioned because they were not program related and prohibited by the Financial Regulations of the LGRP II.

**(c) Payment of staff annual leave, extra duty, telecommunications and sitting allowances of TZS 31,762,360**

In the course of audit it came to my attention that the programme paid a total of TZS 31,762,360 as staff annual leave, telecommunication and sitting allowances. This expenditure is disallowed in the Programme Financial Management Manual. Therefore, I was unable to confirm validity and regularity of this expenditure to the programme.

**(d) Unbudgeted and unsupported payments of TZS 21,093,575**

The programme incurred expenditure of TZS 19,251,075, TZS 1,000,000 and TZS 842,500 for the training and workshops, air tickets and per diem, respectively. These expenditures were not budgeted for under the programme. Therefore, I was unable to confirm the validity and regularity of these expenditures as proper charge to the program funds.

Based on the audit results, there is a substantial risk of the programme failing to achieve its objectives due to financial indiscipline, unreliability of financial reporting, ineffectiveness and inefficiency of operations and non-compliance with applicable Laws andRegulations. Such risks could lead to an adverse impact on the implementation of the programme.

I advise the implementing partners in collaboration with development partners to conduct in-depth investigations of all deficiencies noted in order to take proper legal procedures and disciplinary measures.

As pointed out in my special audit it became evident that financial malpractice and ineligible expenditures were attributable to implementing institutions of the programme. I advise the programme management to refund unsupported and ineligible expenditure of TZS 988,133,904 to the Programme and hold accountable all concerned officers.

**12.2 Implementation of Foreign policy on Economic Diplomacy**

Tanzania's Foreign Policy, 2001 embraces the concept of Economic Diplomacy which is the process through which countries tackle the outside world to maximize their national gain in all fields including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage. Diplomatic missions are a critical component of foreign policy implementation.

Diplomatic missions are established to perform varying functions among which include; (a) representing the home country in the host country (b) monitoring and reporting on conditions and developments in the commercial, economic, cultural and scientific life of the host country and (c) developing commercial, economic, cultural, and scientific relations between the host country and the home country.

During the current year under audit, I reviewed the Missions' operations with regard to internal controls, accounting systems and procedures with the aim of assessing their compliance to legislations and directives so as to provide commentary on aspects of such operations. I also assessed the missions' capabilities to effectively deliver on the President's Directive which requires missions' to provide representation of government institutions on all activities abroad with the aim of reducing operational costs arising from travels.

It is evident that all missions visited have begun to implement the Presidential Directive, with varying results. There are definitely obvious challenges that missions face that curtail the effectiveness of delivery of the President's Directive.

My assessment revealed a number of challenges as highlighted below which the Government need to address so as to achieve efficiencies and effectiveness of missions' operations as well as compliance to all legislations and directives including those of the President.

### (a) Competency and capacity building of staff

While Tanzania has proposed to conduct both political and economic diplomacy since 2001, the diplomatic service still does not have adequately and appropriately skilled personnel to do this effectively. The Government has not significantly leveraged the availability of economic and commercial expertise in various departments and in the business sector in order to beef up its economic diplomacy capacity. There is a need for staff with competency in trade, investment and tourism promotion, technology transfers as well as global economic governance to explore advantages of diplomatic missions.

Also, some of the missions had inadequate number of staff when compared to the area of jurisdiction which poses a challenge to deliver the required service at the required level. For example, Tanzania Embassy in Berlin is accredited (on non - residence basis) to Poland, Hungary, Slovakia, Czech Republic, Austria, Switzerland, Romania, Bulgaria and The Vatican the coverage which is too wide for the existing number of staff at the mission. China too, is accredited to Vietnam, Democratic People's Republic of Korea and republic of Mongolia. The existing number home based staff is eight but requirement is seventeen in order to be able to cover the large area of jurisdiction.

**(b) Budget constraints**

Over the past years the Overseas Missions have not been allocated with sufficient budget to accomplish their objectives, targets and plans although they are required to attend diplomatic and economic events in capitals and other cities of Central and Eastern Europe which have historical connections with our country. Another example is the Tanzania Mission in the Russian Federation which is accredited to the following countries: Russia, Belarus, Georgia, Ukraine, Uzbekistan, Azerbaijan, Turkmenistan, Kyrgyzstan, Moldova, Armenia, Kazakhstan and Tajikistan.

In some instances, the Government had been delaying to remit funds in respect of operational costs such as salaries and utilities (house rents, electricity bills, fuel, etc.) which cause various inconveniences to Mission staff when carrying their duties. Additionally, there has been a challenge for some of the missions lacking a service car to manage day to day logistics of the office. For example; the Tanzania embassy of Moroni has only one car hence compelled to rent. Renting has proven to be too costly especially when they receive frequent official guests.

**(c) Lack of coordination and effective communication with sector Ministry**

The Missions abroad need to have first-hand information regarding various developments happening in the Country through 'one stop centre' which can be arranged within the Ministry of Foreign Affairs. The information can range from economic developments, tourism and advantages obtained so far through the missions. This will assist the missions to improve further their activities while delivering the expected benefits. It has been determined however, that there is no effective coordination between the Ministry of Foreign Affairs and other Sector Ministries to ensure availability of this information and taking appropriate actions including strategizing.

The absence of coordination and effective communication may derail smooth operations of various mission's activities. Also, many of the activities that constitute commercial diplomacy are predominantly in the sphere of the private sector and therefore require close cooperation between government and the business sector to achieve national-policy objectives.

(a) I recommend staff allocations in the missions to take into account the needed skills and knowledge in areas of trade, investment, tourism and economic governance to ensure that staff have the capacity to deliver the needed and expected services. This can also be done through tailored trainings necessary to build their capacity. Additionally, I recommend additional personnel in areas with shortages to meet the demand by filling in the vacant posts with qualified staff in a timely manner.

(b) I reiterate my recommendation made in the audit report forthe Central Government for the financial year 2013/14 that, the Government set adequate appropriations through special vote to dedicate the funds specific for the missions. Also, the Government to ensure that the budget funding provisions to Tanzania overseas missions are sufficient to meet their financial obligations. In addition, funds should be released timely without delays to enable the missions meet their bills on a time.

(c) I advise the Government to have an effective coordinating committee that will be fully responsible for coordinating and communicating various information regarding Tanzania to the missions as well those from the missions. The same committee should engage closely with the business community, building institutional capacities to engage more effectively in economic-diplomacy activities and paying attention to the potential economic gains available from the rest of the world.

# Chapter Thirteen

## GENERAL CONCLUSIONS AND RECOMMENDATIONS

### 13.0 General Overview

This chapter provides general conclusions and recommendations on matters that have been pointed out in this report and which require attention and action of the Government, Parliament and Management of the respective MDAs/RS. Most of the recommendations have been derived from audit results of individual management letters and audit reports which have been communicated separately to the respective Accounting Officers as well as other pertinent current issues which are of interest to the general public.

Generally all MDAs and other institutions are advised to establisha framework and procedures that can be applicable and shared by the Government as a whole in addressing issues of common interests and facilitate prudent public resources management in an effective and efficient manner without compromising the quality of the services offered by the Government.

I wish to make general conclusions and recommendations regarding the results of the audits of MDAs, RS, Special funds and Institutions as follows:

### 13.1 Follow upon Implementation of the Recommendations

The Governmentthrough the PMG and Accounting Officers are advised to exert more efforts in ensuring that the issued audit recommendations and PAC directives are attended accordingly. The Paymaster General is advised to keep on instructing Accounting Officers to take necessary measures to improve internal control systems, which is one of the main causes contributing to failure of implementing my recommendations timely. Most of the weaknesses noted are similar to previous years' findings, the situation which implies that my recommendations are not taken seriously by the Accounting Officers and Chief Executive Officers.

Accounting Officers lack clearly documented action plans to guide them on implementation of the CAGs recommendations. The action plan will specify when, who, and how the recommendations will be implemented.

**13.2 Public Finance Management**

The pace of internal revenue collections is promising that loads of challenges will be tackled starting next financial year such as avoiding budget cut, releasing funds at the end of the financial year and unreached revenue estimates/targets.As a result operational and strategic goals of the Nation at large will be achieved; domestic borrowing will be minimized significantly as well as expenditure arrears since funds will be released as per approved budgets.

By so doing, it is expected that planned activities will be implemented according to the approved timetable. In order for the Government to reduce reliance in the external assistance for implementation of the national development plans, the Government is urged to explore alternative internal sources of revenue. This will avoid delays in the implementation of budget and cost overruns resulting from the passage of time and inflation. The tax authority has to compel taxpayers to comply with tax law voluntarily. Details of findings are in chapter four of this report.

**13.3 TRA Revenue Collection Performance**

For the past period has been below the set target whereby during the year under audit the collections were below the target by 11 per cent. Also, the

Government granted exemptions amounting to TZS 1,627 billion equivalent to 2 per cent of the GDP. However, the level of exemptions is still above the target of 1 per cent of GDP that the Government intends to achieve. The under-collections have been associated with inefficiencies and effectiveness of various processes. The Government is determined to increase its collections to match the budget requirement. Among the strategies include curbing loopholes associated with VAT collection through introduction of the new VAT Act, 2014 which covers new exemption policies to tighten loopholes existed in the previous VAT Act, 1997. Also, the Government has introduced the Tax Administration Act, 2015 that administers other tax laws in the country and increases efficiency with regard to tax administration in general.

However, more efforts need to be done by the Government by instituting Strict enforcement measures on collection of outstanding tax liabilities with interest and penalties thereon, expedition on hearing of tax objection cases pending at the appellant machineries, strengthening of tax audit and examination units with the Authority, Tax Investigation Department to limit propensity for tax avoidance and evasion practices and to strengthen audit checks, control and monitoring mechanism over imported and transit goods and fuels so as to capture all taxes as per the existing tax laws, widen the tax base, improve compliance and revenue collections thereby increasing Government revenue.

### 13.4 Human Resource and Payroll Management

As pointed out in my previous report, MDAs, RSs, Special Funds and Institutions have continued to have weaknesses in human resource and payroll management, the common ones include; understaffing,salaries paid to employees who were no longer in Public Service,deductions made and remitted to various institutions in respect of the non-existing employees, lack of evidence of open staff performance reviews and appraisals, late remittance of statutory deductions and Government entities paid acting allowances without deducting PAYE as required by Income Tax Act, 2004 (revised in 2008).

I therefore, recommend the Government to ensure that human resource capital is sufficiently managed and provided with due guidance on minimizing shortcomings noted in my report toadequately protect the interests of both the employers and employees in order to achieve pre-set goals.

**13.5 Agencies, Other Institutions and Special Funds**

The agencies and other institutions audit results indicated continued non-compliance with laws and regulations on procurement and contracts management, I also noted different issues relating to revenue and expenditures such as uncollected dues from sale of Government houses and revenue not properly banked, Payments not supported by EFD, Payments without deducting withholding tax and loss from unsold Dairies and Calendars.

These issues have direct impact on the Government revenues and if well administered could help the Government recover revenues not collected and those not wisely spent.

Additionally, I noted under released of recurrent and development grants which impact the implementation of agencies operational and strategic objectives. Dependency on Government subvention is still a challenge since more than 90% of the agencies' operations are financed by Government grants.

I recommend the Agencies, Government institutions and Special funds to strictly comply with laws and regulations such as Public Finances Act and Regulations,Reg. 24 of EFD regulation of 2012,Income Tax Act 2006, Public procurement Act and its Regulations as well as contract terms and conditions.

### 13.5.1 Audit of Political Parties

Out of twenty two (22) political parties with permanent registration, only one political party submitted financial statements for six months period covering January to June, 2015, the rest twenty one (21) did not submit financial statements as per requirement of Political Parties Act and section of Public Finance Act, 2001

I urge Political Parties to comply with Political Parties Act and The Public Finance Act, 2001.

### 13.6 Procurement and Contracts Management

Despite theexistence of the revised procurement law, some MDAs and RSs are still not complying fullywith PPA, 2011 and its Regulations of 2013. It came to my attention that, there is little awareness of Ministries, Departments, Embassies Commissions and Regional secretariats on the requirements of theprocurement law and its Regulations.

Based on the issues reported in chapter nine, Procuring Entities (PEs) are advised to ensure that they fully observe the requirement of procurement laws specifically in the area of preparation and implementation of Annual Procurement Plans (APPs),approval of procurements by Tender Board, Inspection of goods and services, procurements made and making procurements from approved suppliers.

With regard to record keeping, I advise PMUs of MDAs/ Rs to ensure proper maintenance of procurement records. On the aspect of delay in completion of contracts, I advise management of MDAs/RS to observe terms and conditions in theirrespective contracts and strictly ensuring the liquidated damages are charged in case of failure to comply with the terms and conditions of the contracts.

### 13.7 Weaknesses in expenditure management

My review of expenditure management has revealed that, some MDAs have weak internal controls over expenditure management which leads to some of the payments being made without supporting documents, missing electronic fiscal device receipts, overpayment, nugatory expenditure, imprests not accounted for, expenditure out of approved budget and payments made not supported by acknowledgement receipts. This is indicative of deficiencies over internal control systems. The majority of the MDAs have not been able to redress this weakness and hence it keeps recurring, something which raises concern on the effectiveness of the management of the MDAs.The same issues are being reported yearly.

I encourage Accounting Officers of MDAs, RSs and Missions to continue strengthening the internal controls system of their organizations including capacity building. Apart from that, documentation should be improved and compliance with financial regulations enforced.

On the issue of Non-compliance to Regulation 24 of the Income Tax (EFD) Regulations, 2012, I recommend the Government to issue directives to all other Government institutions to stop dealing with suppliers who are not using the EFD machines. In addition, continue to provide awareness program so as to encourage voluntary compliance.

## 13.8 Weaknesses in Assets Management

Management of assets is paramount to the audited entities for their operations to ensure consistency in delivery of quality services to the public. Deficiencies in asset management lead to wastage of resources and may result into poor service delivery.

Common weaknesses observed in this report include 675 Grounded motor vehicles which have reached the end of their useful life and beyond repair; valuation of assets yet to be fully done,preparation of comprehensive asset registers not yet done, lack of strategies to develop land plots and maintenance of buildings at Tanzania missions abroad; lands and buildings lacking ownership documents.

Since the pace for valuation of asset, preparation of asset register, seems to have stagnated, I advise the PMG to develop and implement a monitoring mechanism to ensure that all MDAs/RS are complying with Ministry of Finance directives issued for full adoption of IPSAS Accrual. Additionally, I advise TheGovernment to ensure that MDAs/RS obtain ownership documents in order to safeguard Government assets. Apart from thatI do also advise the Government to take appropriate action with regard to disposal of grounded motor vehicles beyond repair in accordance with the laws and regulations in order to save salvage value which can be realised from disposal proceeds.

Strict measures should be put in place to reduce the long outstanding receivables/payables by adopting tighter credit/debtors policy and enhancing follow up procedures to ensure outstanding amounts are paid within the shortest time possible. The prepayments should also be made when it is certain that, goods and/or services will be received in the near future.

I noted accumulation of liabilities in 89 entities including 52 MDAs 25 RS and 14 Embassies had an outstanding accounts payable balance of TZS1,443,859,273,539 and when compared to the prior year payable balance of TZS 772,508,290,161 there is a notable drastic increase of TZS671,350,983,378 being 89 percent increase.

I noted expenditure arrears at the end of the year were not re-budgeted in the next budget cycles of MDAs. This leads to liabilities accumulation since current budget will be used to settle unbudgeted liabilities of prior years.

Included in the liabilities is the amount of TZS 27,800,677,740 being the arrears of medical bills for patients who have been treated in referral hospitals in India.

Also Financial Statements notes for nine (9) MDAs and two (2) RS disclosed 94 outstanding legal cases with the value of TZS870,866,104,235 pending decision against various companies and individuals.

On the case of outstanding liabilitiesI urge theGovernment to re-budget all overdue payables in the budget of the coming years in order to clear them and avoid dispute with suppliers and other stakeholders.

### 13.8.1 Contingent liabilities

I urge the Government to direct each entity to have appropriate risk management strategies in place to ensure that the entity's exposure to contingent liabilities is contained and minimized.

### 13.9 Results of special audits and other issues

On the aspect ofSpecial audit on the Financial Statements of the Local Government Reform

Programme Phase II (Decentralization by Devolution) (LGRP II D by D) I noted some expenditures lacking accountability statement, unbudgeted, unsupported, and ineligible expendituresamounting to TZS 988,133,904. Some expenditures did not qualify or satisfy programme conditionstherefore, threatened the achievement of the intended objectives of the programme.

I advise the implementing partners in collaboration with development partners to conduct in-depth investigations of all deficiencies noted.

With regard to special audit on funds transfer fromMinistry of Education and Vocational Training I found out that due to lack of monitoring and follow up procedures, transfer of funds TZS 476,820,735 to other Government institutions under the Ministry of Education and Vocational Training were not accounted for in books of accounts.

Though this was reported from the special audit conducted, I advisethe Governmentthrough Accounting Officers to ensure there is adequate controls on the funds transferred to institutions by the Parent Ministries and establish mechanism for monitoring and follow up for reconciliation purposes and financial reporting.

Implementation of Foreign policy on Economic Diplomacy, my assessment of Diplomatic missions revealed a number of challenges as highlighted in Chapter twelve that the Government need to address so as to achieve efficiencies and effectiveness of the missions' operations as well as compliance with all legislations and directives including those of the President. The diplomatic service does not have sufficient manpower required to execute the President's directives. Allocating more qualified staff as well as time to time capacity building is recommended in this area for improvement of services delivery. I also urge the Government to fund our embassies and commissions timely to facilitate their smooth operations

### 13.9.1Evaluation of internal control systems

My assessment of internal control systems focused on the performance of Audit Committees, performance of the Internal Audit Functions, IT General Controls, risk assessment process as well as fraud prevention and controls. I noted crosscutting weaknessesacross the MDAs over Internal controls systems as featured in chapter six.

The Accounting Officers are responsible for establishing strong internal control systems to monitor the operations and make changes/corrective actions when deviations are noted. This is a continuous process focusing on strengthening internal controls in order to improve service delivery to the public.

### 13.10 Treasury registrar

During the audit for the fiscal year 2013/14, I have noted dwindling government investments in other entities and at times, government shares were, either diluted or at risk of being diluted. This was due to government's failure to inject extra funds when need for recapitalization of those companies arose, as result government's shareholdings and voting powers in those companies  reduce the earning potentials of the government in terms of dividends.

The government through Ministry of Finance introduces the retention scheme for the OTR in order to set up the proposed investment fund. The scheme will also serve as performance measurement tool for the Treasury Registrar which will enable the

Government to assess the ability of the Registrar in mobilizing revenue from its investments.

### 13.11 Pre audit of pension papers

My review of pension paper files for the year under review noted that Terminal Benefit payments of some pension papers files which were submitted for pre-audit were wrongly computed. Out of 4,683 pension files which were examined for the year under audit 268 files were noted with overstatement of TZS 1,053,777,358.07 while 200 files were understated by a total amount of TZS 385,304,481.69.

My review noted inadequate review of the pension papers, lack of competence and sufficient experience of preparers on pension matters, non-compliance with pension laws, and inadequate documentation of personal files contribute to such misstatements.

Accounting Officers ensure processors of pension adhere to pension computation formulas and laws and ensure the submission of the pension files which are complete, timely with accurate information to avoid delays in the payment of terminal benefits. Training should be carried to the pension processors in order to enhance their understanding of the pension laws and other matters.

### 13.12 Public Debt and General Services

Tanzania's total public debt as at 30th June, 2015 stood at TZS 33,539.8 billion of which domestic debt stock worth TZS 7,990.0 billion and the External debt stock valued at TZS 25,549.8 billion.

My review of compliance with remittance of statutory deductions revealed that Treasury was delaying remittance of contributions to the pension funds for period ranging from two (2) to twelve (12) months that was against the requirement of the pension laws.

This practice attracted a total penalty amounting to TZS 52,826,519,506

Government adopt a prudent spending strategy including a cost cutting strategy, strategy of maximizing concessional loans and effective supervision mechanism over foreign operations in the country. The later when combined with export mobilization efforts will strengthen Tanzanian Shilling against strong currencies. Hence, reduce foreign exchange loss which accounts for a sharp increase of the Debt.

# Appendices

## Appendix 1.1:Entities issued with unqualified opinions

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 1 | 6 | Presidential Delivery Bureau | Unqualified |
| 2 | 9 | Remuneration Board | Unqualified |
| 3 | 10 | Joint Financial Commission | Unqualified |
| 4 | 12 | Judicial Service Commission | Unqualified |
| 5 | 13 | Financial Intelligence Unit | Unqualified |
| 6 | 15 | Commission for Mediation and Arbitration | Unqualified |
| 7 | 16 | Attorney General's Chamber | Unqualified |
| 8 | 20 | President's Office State House | Unqualified |
| 9 | 21 | Treasury | Unqualified |
| 10 | 23 | Accountant General's Department | Unqualified |
| 11 | 24 | Cooperative Development Commission | Unqualified |
| 12 | 25 | Prime Minister's Office - Private Office | Unqualified |
| 13 | 26 | Vice President | Unqualified |
| 14 | 27 | Registrar of Political Parties | Unqualified |
| 15 | 29 | Prisons Service Department | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 16 | 30 | President's Office Cabinet Secretariat | Unqualified |
| 17 | 31 | Vice President Office | Unqualified |
| 18 | 32 | President's Office Public Service Management (PO - PSM) | Unqualified |
| 19 | 33 | President's Office Ethic Secretariat | Unqualified |
| 20 | 34 | Ministry of Foreign Affairs | Unqualified |
| 21 | 35 | Director of Public Prosecution (DPP) | Unqualified |
| 22 | 36 | Katavi Regional Secretariat | Unqualified |
| 23 | 37 | Prime Minister's Office | Unqualified |
| 24 | 39 | National Service (JKT) | Unqualified |
| 25 | 40 | Judiciary of Tanzania | Unqualified |
| 26 | 41 | Ministry of Justice and Constitutional Affairs | Unqualified |
| 27 | 42 | National Assembly | Unqualified |
| 28 | 43 | Ministry of Agriculture Food Security and Cooperatives | Unqualified |
| 29 | 44 | Ministry of Industries and Trade | Unqualified |
| 30 | 46 | Ministry of Education and Vocational training | Unqualified |
| 31 | 49 | Ministry of Water & Irrigation | Unqualified |
| 32 | 53 | Ministry of Community Dev. Women and Children | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 33 | 54 | Njombe Regional Secretariat | Unqualified |
| 34 | 56 | Prime Minister's Office Regional Administration and Local Authorities (PMO - RALG) | Unqualified |
| 35 | 57 | Ministry of Defense and National Service | Unqualified |
| 36 | 59 | Law Reform Commission of Tanzania | Unqualified |
| 37 | 61 | National Electoral Commission (NEC) | Unqualified |
| 38 | 62 | Ministry of Transport | Unqualified |
| 39 | 63 | Geita Regional Secretariat | Unqualified |
| 40 | 65 | Ministry of Labour & Employment | Unqualified |
| 41 | 66 | President's Office Planning Commission | Unqualified |
| 42 | 67 | Public Service Recruitment Secretariat | Unqualified |
| 43 | 68 | Ministry of Communication Science and Tech | Unqualified |
| 44 | 69 | Ministry of Natural Resources and Tourism | Unqualified |
| 45 | 71 | Coast Regional Secretariat | Unqualified |
| 46 | 76 | Lindi Regional Secretariat | Unqualified |
| 47 | 77 | Mara Regional Secretariat | Unqualified |
| 48 | 78 | Mbeya Regional Secretariat | Unqualified |
| 49 | 79 | Morogoro Regional Secretariat | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 50 | 80 | Mtwara Regional Secretariat | Unqualified |
| 51 | 82 | Ruvuma Regional Secretariat | Unqualified |
| 52 | 83 | Shinyanga Regional Secretariat | Unqualified |
| 53 | 87 | Kagera Regional Secretariat | Unqualified |
| 54 | 88 | Dar es Salaam Regional Secretariat | Unqualified |
| 55 | 89 | Rukwa Regional Secretariat | Unqualified |
| 56 | 91 | Drugs Control Commission | Unqualified |
| 57 | 92 | Tanzania Commission for AIDS (TACAIDS) | Unqualified |
| 58 | 94 | PO - Public Service Commission | Unqualified |
| 59 | 96 | Ministry of Information, Youth, Culture and Sports | Unqualified |
| 60 | 97 | Ministry of East Africa | Unqualified |
| 61 | 98 | Ministry of Works | Unqualified |
| 62 | 2001 | Embassy of Tanzania - Addis Ababa, Ethiopia | Unqualified |
| 63 | 2002 | Embassy of Tanzania - Berlin, Germany | Unqualified |
| 64 | 2003 | Embassy of Tanzania - Cairo, Egypt | Unqualified |
| 65 | 2005 | High Commission of Tanzania - Abuja | Unqualified |
| 66 | 2007 | High Commission of Tanzania - Lusaka | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 67 | 2008 | High Commission of Tanzania - Maputo, Mozambique | Unqualified |
| 68 | 2009 | Embassy of Tanzania - Moscow, Russia | Unqualified |
| 69 | 2010 | High Commission of Tanzania - New Delhi | Unqualified |
| 70 | 2011 | High Commission of Tanzania - New York, USA | Unqualified |
| 71 | 2012 | High Commission of Tanzania - Ottawa | Unqualified |
| 72 | 2031 | Embassy of Tanzania - Brasilia | Unqualified |
| 73 | 2015 | Embassy of Tanzania - Rome, Italy | Unqualified |
| 74 | 2016 | Embassy of Tanzania - Stockholm, Sweden | Unqualified |
| 75 | 2017 | Embassy of Tanzania - Tokyo, Japan | Unqualified |
| 76 | 2019 | Embassy of Tanzania - Brussels, Belgium | Unqualified |
| 77 | 2020 | High Commission of Tanzania - Geneva, Swaziland | Unqualified |
| 78 | 2022 | High Commission of Tanzania - Harare, Zimbabwe | Unqualified |
| 79 | 2023 | High Commission of Tanzania - Nairobi, Kenya | Unqualified |
| 80 | 2024 | Embassy of Tanzania - Riyadh, Saudi Arabia | Unqualified |
| 81 | 2025 | High Commission of Tanzania - Pretoria, South Africa | Unqualified |
| 82 | 2026 | Embassy of Tanzania - Kigali, Rwanda | Unqualified |
| 83 | 2027 | Embassy of Tanzania - Abu-Dhabi | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 84 | 2028 | Embassy of Tanzania - Bujumbura, Burundi | Unqualified |
| 85 | 2029 | Embassy of Tanzania - Muscat, Oman | Unqualified |
| 86 | 2030 | High Commission of Tanzania - Lilongwe, Malawi | Unqualified |
| 87 | 2032 | High Commission of Tanzania - Kuala Lumpur Malaysia | Unqualified |
| 88 | 2033 | Embassy of Tanzania - Hague, Netherlands | Unqualified |
| 89 | 2013 | Embassy of Tanzania - Paris, France | Unqualified |
| 90 | 2034 | Embassy of Tanzania - Moroni, Comoro | Unqualified |
| 91 | - | Agriculture Seeds Agency | Unqualified |
| 92 | - | Drilling and Dam Construction Agency | Unqualified |
| 93 | - | Fisheries Education and Training Agency (FETA) | Unqualified |
| 94 | - | Livestock Institute Training Agency (LITA) | Unqualified |
| 95 | - | National Food Reserve Agency | Unqualified |
| 96 | - | Tanzania Meteorological Agency | Unqualified |
| 97 | - | Tanzania Mineral Audit Agency | Unqualified |
| 98 | - | Tanzania Veterinary Laboratory Agency (TVLA) | Unqualified |
| 99 | - | Weights and Measures Agency | Unqualified |
| 100 | - | Water Development and Management Institute | Unqualified |

Appendices

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 101 | - | E- Government Agency | Unqualified |
| 102 | - | Tanzania Forest Service Agency | Unqualified |
| 103 | - | Eastern Africa Statistical Training Centre | Unqualified |
| 104 | - | National College of Tourism | Unqualified |
| 105 | - | Tanzania Tree Seeds Agency | Unqualified |
| 106 | - | Tanzania Global Learning Centre | Unqualified |
| 107 | - | Dar Rapid Transit Agency | Unqualified |
| 108 | - | Agency for Development of Education Management | Unqualified |
| 109 | - | Occupational Safety and Health Agency | Unqualified |
| 110 | - | Tanzania Employment Service Agency | Unqualified |
| 111 | - | Institute of Arts and Culture - Bagamoyo | Unqualified |
| 112 | - | Government Procurement Services Agency (GPSA) | Unqualified |
| 113 | - | Tanzania Institute of Accountancy | Unqualified |
| 114 | - | Agriculture Input Trust Fund | Unqualified |
| 115 | - | Inspection and Supervision of Cooperative Fund | Unqualified |
| 116 | - | Livestock Development Fund (LDF) | Unqualified |
| 117 | - | Plant Breeders Right Development Fund | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 118 | - | Maji Store Revolving Fund | Unqualified |
| 119 | - | Mining Development Empowerment Fund | Unqualified |
| 120 | - | Rural Energy Fund & Agency | Unqualified |
| 121 | - | National Fund For Antiquities | Unqualified |
| 122 | - | Tanzania Forest Fund | Unqualified |
| 123 | - | Tanzania Wildlife Protection Fund | Unqualified |
| 124 | - | Women Development Fund | Unqualified |
| 125 | - | Treasury Advance Fund | Unqualified |
| 126 | - | Central Corrido Transit Transport Facilitation Agency | Unqualified |
| 127 | - | Registrar Veterinary Council of Tanzania | Unqualified |
| 128 | - | Tanzania Official Seed Certification Institute | Unqualified |
| 129 | - | Institute of Judicial Administration | Unqualified |
| 130 | - | Pasiansi Wildlife Training Institute | Unqualified |
| 131 | - | Uongozi Institute | Unqualified |
| 132 | - | MKURABITA | Unqualified |
| 133 | - | Constituent Assembly | Unqualified |
| 134 | - | Local Government Loans Board | Unqualified |

Appendices

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 135 | - | Tanzania Automotive Technology Centre (Nyumbu) | Unqualified |
| 136 | - | SUMA Guard (FY 2013/14-Qualified) | Unqualified |
| 137 | - | Nelson Mandela Institute of Science and Technology | Unqualified |
| 138 | - | Tanzania Nurses and Midwives Council | Unqualified |
| 139 | - | Tengeru College of Development Training Institute | Unqualified |
| 140 | - | Central Internal Drainage Basin Water Board | Unqualified |
| 141 | - | Rukwa Basin Water Board | Unqualified |
| 142 | - | Nyasa Basin Water Board | Unqualified |
| 143 | - | Rufiji Basin Water Board | Unqualified |
| 144 | - | Ruvuma Basin and Southern Coast Water Board | Unqualified |
| 145 | - | Victoria Basin Water Board | Unqualified |
| 146 | - | Tanganyika Basin Water Board | Unqualified |
| 147 | - | Pangani Basin Water Board | Unqualified |
| 148 | - | Wami/Ruvu Basin Water Board | Unqualified |
| 149 | - | TRA | Unqualified |
| 150 | - | Tanzania Government Flights Agency | Unqualified |
| 151 | 7 | Treasury Registrar | Unqualified |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 152 | 28 | Police Force Department | Unqualified |
| 153 | 50 | Ministry of Finance | Unqualified with emphasis of matters |
| 154 | 51 | Ministry of Home Affairs | Unqualified with emphasis of matters |
| 155 | 55 | Commission for Human Rights and Good Governance | Unqualified with emphasis of matters |
| 156 | 58 | Ministry of Energy & Minerals | Unqualified with emphasis of matters |
| 157 | 70 | Arusha Regional Secretariat | Unqualified with other matters |
| 158 | 75 | Kilimanjaro Regional Secretariat | Unqualified with other matters |
| 159 | 81 | Mwanza Regional Secretariat | Unqualified with emphasis of matters |
| 160 | 84 | Singida Regional Secretariat | Unqualified with other matters |
| 161 | 86 | Tanga Regional Secretariat | Unqualified with emphasis of matters |
| 162 | - | Geological survey of Tanzania | Unqualified |
| 163 | 95 | Manyara Regional Secretariat | Unqualified with other matters |
| 164 | 99 | Ministry of Livestock & Fisheries Development | Unqualified with emphasis of matters |
| 165 | 2004 | Embassy of Tanzania - Kinshasa, Democratic Republic of Congo | Unqualified with emphasis of matters |
| 166 | 2006 | High Commission of Tanzania - London | Unqualified with emphasis of matters |
| 167 | 2014 | Embassy of Tanzania - Beijing, China | Unqualified with emphasis of matters |
| 168 | 2018 | Embassy of Tanzania - Washington, D.C, United States | Unqualified with other matters |

| S/N | Vote | Audited Entity | Opinion issued |
|---|---|---|---|
| 169 | 2021 | High Commission of Tanzania - Kampala, Uganda | Unqualified with emphasis of matters |
| 170 | - | Tanzania Building  Agency | Unqualified with emphasis of matters |
| 171 | - | Tanzania National Road Agency (TANROAD) | Unqualified with emphasis of matters |
| 172 | - | National Housing and Building Research Agency | Unqualified with emphasis of matters |
| 173 | - | Prisons Cooperation Sole | Unqualified with emphasis of matters |
| 174 | - | Hombolo Local Government Training Institute | Unqualified with emphasis of matters |
| 175 | - | National Identification Authority (NIDA) | Unqualified with emphasis of matters |
| 176 | - | Tanzania Electrical, Mechanical and Services Agency (TEMESA) | Unqualified with emphasis of matters |
| 177 | - | SUMA - Corporation Sole (FY 2013/14 - Qualified) | Unqualified with emphasis of matters |
| 178 | - | African Peer Review Mechanism | Unqualified with other matters |
| 179 | - | Law School of Tanzania | Unqualified with other matters |
| 180 | -- | Registration Insolvency and Trusteeship Agency (RITA) | Unqualified with emphasis of matters |

## Appendix 1.2 (a):Entities issued with Qualified Opinionfor the year 2014/15

| S/N | Vote | Audited Entity |
|---|---|---|
| 1 | 5 | National Irrigation Commission |
| 2 | 14 | Fire and Rescue Forces |
| 3 | 22 | Public Debt |
| 4 | 38 | Tanzania People's Defense Force (TPDF) |
| 5 | 47 | Simiyu Regional Secretariat |
| 6 | 48 | Ministry of Land and Human Settlement |
| 7 | 52 | Ministry of Health and Social Welfare |
| 8 | 72 | Dodoma Regional Secretariat |
| 9 | 73 | Iringa Regional Secretariat |
| 10 | 74 | Kigoma Regional Secretariat |
| 11 | 85 | Tabora Regional Secretariat |
| 12 | | Consolidated Accounts |
| 13 | - | Tanzania Public Service College |
| 14 | - | SUMA - Agriculture and Industry |
| 15 | 93 | Immigration service Department |
| 16 | - | Government Chemistry Laboratory Agency |
| 17 | - | SUMA Construction (FY 2013/14 - Qualified) |
| 18 | - | Tanzania Pharmacy Council |

## Appendix 1.2(b): Entities with their basis of qualification

| Name of the entity and bases of qualification |
|---|
| **1. Ministry of Land and Human settlement** |
| **Payments lacking supporting documents**<br>Payments of TZS. **111,882,000** were made to various payees without being supported by relevant documents which is contrary to Regulation 95(4) of the Public Finance Regulations, 2001 (revised in 2004). In such circumstance, the authenticity and regularity of expenditure incurred could not be ascertained<br><br>**Missing payment vouchers TZS.56,190,000**<br>Payment vouchers aggregating to TZS.56,190,000were missing from the relevant batches hence we could not be able to ascertain the validity and authenticity the expenditure<br><br>**Deferred payment TZS.21,151,293.41**<br>Payments made in the financial year of 2014/2015 totaling to TZS. **21,151,293.41** belong to the financial year of 2013/2014, but the same were not disclosed in the respective financial year as payable<br><br>**Payments charged to wrong account codes TZS.33,406,000**<br>Expenditure totaling to TZS.33, 406,000 were charged to wrong expenditure codes without any reallocation application contrary to Regulation 51 (3) of Public Finance Act of 2001. |
| **2. Ministry of Health and Social Welfare** |
| **Unverified accounts payables TZS 20,428,726,162.01**<br>As at 30 June 2015, Ministry of Health and Social Welfare reported outstanding accounts payable of TZS 180,751,658,210.03 in the statement of financial position under note 64. However only TZS 160,322,932,048.71 were verified leaving TZS 20,428,726,162.01 not verified since there were no supporting documents.<br><br>**Missing payment vouchers and improperly vouched expenditures TZS.130,822,370.00**<br>Included in the Ministry's payments for the year is an amount of TZS.130,822,370, whereby, TZS.49,720,390 of this amount, its payment vouchers were not submitted for audit verification while TZS.81,101,980.00 of the amount, the payment vouchers submitted were not adequately supported as required by Regulation 86 of PFR. In the absence of these documents, I could not ascertain the authenticity of the related payment. |

| Name of the entity and bases of qualification |
|---|
| **3. Fire and Rescue force** |
| **Warrant of funds released but not received amounting to TZS 752,881,103.00**<br>Our visits to Regional Fire Offices in 6 regions noted that warrant of funds released by Fire and Rescue Force Headquarter to RFOs at 6 regions amounting to TZS 752,881,103 were not received by RFOs in the regions. For that matter, we could not ascertain the expenditure of the FRF to the tune of TZS 752,881,103.00<br><br>**Un reconciled figure of Property plant and equipment TZS. 54,741,895,498.10**<br>The statement of Financial Position in the financial year under review disclosed the value of PPE of TZS.8, 213,988,968.48, but the book value of assets reported in fixed Asset Register wasTZS.62,955,884,466.58 resulting into different of 54,741,895,498.10 |
| **4. Dodoma Regional Secretariat** |
| Overstatement of expenses due to incorrect inclusion payment to creditors for previous years as other expenses in the year 2014/2015- TZS.131,049,085<br><br>Assets in the financial statements were overstated by TZS. 209,809,780 and no adjustment were made<br><br>Inventories balance on drugs, fuel and other consumables were not recognized in the financial statements TZS.571,498,633 |
| **5. Iringa Regional Secretariat** |
| **Unsupported amount in the Statement of Changes in Net Assets**<br>Included in the Statement of Changes in Net Assets, is an amount of TZS 1,850,291,815.99 not supported by relevant documentation and explanatory note to the financial statements. This amount have been disclosed for the purpose of arriving at a desired balance, to match with the figure of Net Assets reported in the statement of financial position, resulting to excess of liabilities over assets. In the absence of supporting documentation and explanatory note to the financial statements for this difference, I could not satisfy myself as to the correctness of the Net Asset Amount reported in Iringa Regional Secretariat for financial statements was fairly stated. |

| Name of the entity and bases of qualification |
|---|
| 6. Simiyu Regional Secretariat |

**Tax payers fund adjustment not supported by detailed analysis TZS.1,031,664,357.07**

Note 90 to the financial statements as at 30th June 2015 disclosed TZS.1, 031,664,357 as Taxpayers' Funds adjustment without detailed analysis for the same. We could not confirm how the figure was arrived at. Also, Taxpayers' Funds adjustment reported in the Statement of Changes in Net Asset/Equity for the year ended 30th June, 2015 amounting to TZS.1, 038,642,525.07 differed from the Taxpayers' Funds Adjustment shown in Note 90 to the Financial Statements by TZS.6, 978,168.

**Improperly vouched expenditure TZS.44,758,098**

During the audit it was revealed that, expenditure of TZS.44, 758,098 were not supported by relevant supporting documents contrary to the requirement of Reg. 95(4) of Public Finance Regulations, 2001.

**7. Tabora Regional Secretariat**

**1. Overstatement of other expenses-TZS.74,953,850**

The review made in the statement of financial performance of the Tabora Regional Secretariat reflected TZS.143, 551,512.83 as a figure for other expenses. The figure was supported by Note 41 to the Financial Statements which included accrued other expenses of TZS.137,212,073out of this figure TZS.74,953,850 was for accrued expenditure related to construction of buildings, which was supposed to be capitalized and utilities of TZS. 62,258,223. This has therefore resulted to an overstatement of expenses and understatement of property, plant and equipment.

**2. Overstatement of liabilities TZS.206,949,993**

Audit of the statement of financial position of Tabora Regional Secretariat noted that TZS.313,317,154 was recognized as deposits in the liabilities as shown in Note 72 to the Financial Statements (page 44) . Further scrutiny of the deposits register and the related transactions noted that; the amount comprised of TZS.206,949,993 which were funds transferred to the deposit account from development account for activities not yet done and TZS.106,367,161.09 were for Miombo project, however, the Secretariat recognized the whole of TZS.313,317,154 instead of TZS.106,367,161 which qualify to be liability to the Secretariat resulting to an overstatement of liabilities by TZS.206,949,993.

| Name of the entity and bases of qualification |
|---|
| **3. Omission of transactions and balances in the Financial Statements TZS.563,169,779**<br>Audit of Financial Statements for Tabora Regional Secretariat for the year ended 30th June, 2015 revealed that; uncollected amount from NHIF of TZS.32,025,635, balances totalled to TZS.103,120,476 for six (6) bank accounts opened by the Secretariat, NHIF collections amounted to TZS.214,011,832 and expenditure of TZS.214,011,832 incurred for purchase of drugs and medical equipment were not reflected in the Financial Statements of the Secretariat resulting to an omission of transactions and balances of TZS.563,169,779 in aggregate.<br><br>**4. Overstatement of expenses resulted from deferred payments -TZS.226,974,739**<br>Para.7 of IPSAS 1 requires the transactions and events under accrual basis of accounting to be recorded in the accounting records and recognized in the Financial Statements of the periods to which they relate. To the contrary; payments to the tune of TZS.226,974,739 were made for settlement of previous liabilities, but were charged in the current year expenses instead of being charged in the previous years' as accrued expenses. This has resulted to an overstatement of reported figure of current year's expenses by TZS.226,974,739.<br><br>**5. Unconfirmed consumption of 43,139.16 liters of Diesel- TZS.94,906,152**<br>Audit conducted on a sample of procurement transactions for diesel noted that a balance of 43,139.16 liters worth TZS.94,906,152 of Diesel was recorded in stores' ledgers. However; audit team failed to confirm its existence or utilization of the balance since they were neither physically existed nor issue entries were recorded in ledger to enable audit team trace their consumption.<br><br>**6. Improperly vouched expenditure -TZS.61,910,111**<br>During the audit of Tabora Regional Secretariat accounts for the period ended on 30th June, 2015, payment amountin g to TZS.61,910,111 were made but were not adequately supported contrary to Public Finance Regulations 86 (1). The missing documents and other particulars expenditure limit the audit scope. |

| Name of the entity and bases of qualification |
|---|
| **8. Kigoma Regional Secretariat** |
| **Understatement of deposit balance TZS.TZS.157,272,596**<br>Regulation 130 of the Public Finance Regulations, 2001 describes how to maintain the Deposit account and related documentation. Review of the statement of Financial Position shows that the liability accrued from deposit account was TZS.117, 508,000. However, during review of deposit account it was noted that TZS.157, 272,596 were paid out of deposit account as loans to activities other than those primarily intended by depositors. The amount to be reported in the statement of financial position was therefore supposed to be TZS. 274,780,596 including loans issued, instead of TZS. 117,508,000 reported in page 21 and 51, Note 72 of financial statements and thus resulting to an understatement of the deposit liability by TZS.157,272,596<br><br>**Cash and Cash equivalent as reported in the statement of financial position and cash flow statement differ by TZS.5, 250,000.**<br>Review of the cash flow statement and statement of financial position revealed that there was a difference between amounts reported as cash and cash equivalent at the year end. The statement of financial position showed that cash and cash equivalent was TZS.275,888,959 (page 21) while that shown in the cash flow statement was TZS.270,638,959 (page 25) leading to a difference of TZS.5,250,000. This is contrary to IPSAS 2 paragraph 56 which requires the entity to disclose the components of cash and cash equivalents, and present a reconciliation of the amounts in its cash flow statements with the equivalent items reported in the statement of financial position.<br><br>**Exchequer issues reported in the Statement of Financial Performance and Cash Flow Statement differ by TZS.559,425,092**<br><br>Review of the Statement Of Financial Performance and Cash Flow Statement revealed that a reported figure for exchequer revenue for operating activities was different by TZS. 559,425,092. The Statement of Financial Performance (page 22 of financial statements) showed TZS.130, 819,397,387 while the cash flow statement (page 25) showed TZS.131, 378,822,479. |
| **9. Tanzania People's Defense Forces** |
| · Imprest balance not reported as Receivables, TZS 42,769,500<br>· Unsupported payments, TZS 4,157,034,609<br>· Payments made to suppliers of goods and services not supported by EFD Receipts, TZS 194,176,462<br>· Understatement of cash and cash equivalent, TZS 22,085,926,768<br>· Non remittance of unpaid salary to Treasury, TZS 2,233,475,668 |
| **10. Consolidated Accounts** |

| Name of the entity and bases of qualification |
|---|
| **Absence of actuarial valuation for provision of Government pension TZS 597.4 billion**<br><br>I noted that the Government recognized and disclosed in the consolidated financial statement TZS. 597.4 billion as provisions for pensioners. However, no actuarial valuation has been conducted to determine the actual liabilities due to the Government as required by IPSAS 25. In absence of an actuarial valuation to professionally determine the government pension obligations for its retirees, the reported figures in the consolidated financial statements may be misstated. Thus, lack of actuarial valuation also makes it difficult to determine the actuarial gains and losses that may accrue.<br><br>**Biological assets not properly classified - TZS 83.993Billion**<br>Biological assets valued at TZS 83.993 billion were not categorized and disclosed into consumable and bearer biological assets as required by Para 39 of IPSAS 27. Further, my review of controlled entities financial statements noted that, biological assets such as fish, poultry and livestock were classified under category of dairy cattle contrary to Para 6 of IPSAS 27. Also, I observed that the accounting procedure manual does not provide procedures for reporting biological assets to controlled entities. Lack of guideline raises my concerns on how to report and disclose biological assets in their respective categories as the reported figure for such assets may not be fairly stated.<br><br>**Non separation of Value of Land and Building in financial statements**<br>Para 74 of IPSAS 17 requires land and buildings owned by an entity to be accounted for as separate assets even when they are acquired together with an exception of quarries and sites used for landfill.<br><br>Consolidation of entities with different reporting dates without making adjustment. |
| **11. Public Debt** |
| A total of TZS. 421.32 billion included in the financial statements of 38 LGAs<br>**Understatement of payables held at CPO as at the reporting date TZS 348.5Billion**<br>The Public Debt financial statements reported payables TZS45,030,131,401 however this figure excluded TZS 348,453,639,660 which was payables held at Central Payment Office (CPO) as at 30th June 2015. In our view all payment vouchers pending for CPO processing were still part and parcel of payables at the year-end and called for adjustment to that effect. |

Appendices

| Name of the entity and bases of qualification |
|---|
| **Undisclosed liabilities amounting to TZS338.5Million**<br>Audit scrutiny in the payment vouchers revealed a claim from GEPF claiming a total of TZS4,095,282,51015 being 15% employer's contribution and penalty. However the payments were TZS3,756,796,637 leaving TZS. 338,485,874 unpaid. This amount was not disclosed in payables/liabilities in the financial statements.<br><br>**Lack of Actuarial Valuation for Provision of Government Pensions**<br>Review of financial statements noted that though it was disclosed in the votes financial statements that the Government operates defined benefit plan, however no actuarial valuation report was submitted to confirm that actuarial valuation of the pension provision amounting to TZS. 597,409,290,000 recognized and disclosed in the financial statements was conducted as required by IPSAS 25. Government has not conducted actuarial valuation to determine the actual liabilities due to the Government. |
| **12. Government chemistry laboratory agency** |
| **Unreconciled accounts receivable TZS 350,747,266.51**<br>As at 30 June 2015, Government Chemist Laboratory Agency (GCLA) had outstanding accounts receivable balance of TZS 1,476,299,927.51 owe to the Directorate of Criminal Investigation (DCI).<br>However, audit confirmation made to the Director of Criminal Investigation revealed that the outstanding balance as at 30th June 2015 was TZS 1,125,552,661.00 while the GCLA indicates TZS 1,476,299,927.51 resulted to Unreconciled difference of TZS 350,747,266.51 which overstated the accounts receivables. |
| **13. National Irrigation Commission** |
| We noted various irregularities such as understatements and overstatements of figures in the Financial Statement of National Irrigation Commission to the tune of TZS 8,720,059,591 and TZS.461,156,940 respectively. The errors were yet to be adjusted up to the time of writing this report. |

| Name of the entity and bases of qualification |
|---|
| **14. Tanzania Public Service College** |
| **Inadequately supported expenditure TZS.182,099,912**<br>Reg. 11 (4) (d) of the Public Finance regulation requires an Accounting Officer to produce all cash books, records or vouchers in his charge when required by the Controller and Auditor-General. Further according to reg. 95 a payment voucher which is incomplete because of missing supporting documents shall be regarded as a missing voucher. To the contrary, review of the payment vouchers related to Headquarter and Five branches of Tanga, Tabora, Singida and Mtwara revealed that payments amounting toTZS.138,988,912.68were made to various payees without relevant supporting documents and an amount of TZS.43,111,000 were missing payment vouchers. In the absence of these documents the authenticity of these payments made could not be confirmed.<br><br>**Deferred payments of TZS.96,861,424**<br>Reg.91 (2) of the Public Finance Regulation, 2001(Revised 2004) requires all liabilities including outstanding indents incurred but not paid in a financial year to be entered in the register for the following financial year. TPSC had payments worth TZS 96,861,424 to various suppliers of Goods and Services relating last year (2013/14) transactions but the amount paid was not recognized in the financial statements of the respective year hence it was recognized in the year 2014/15. This implies the amount recognized as expenses and liability in the Statement of Financial Performance and Financial Position for the year 2014/15 is overstated by 96,861,424. |
| **15. SUMA JKT Construction Department** |
| **For the financial year 2013/2014**<br><br>Inadequate maintenance of elementary books of accounts such as individual ledger accounts and general ledgers which provides a reliable source of information in the presentation of financial statements, hence most of the financial information lacked source document which reduces accuracy transparency and reliability of the information<br><br>Inadequate financial disclosure such as explanatory notes and supporting schedules<br><br>Absence of quality control measure in the preparation of the financial statements<br><br>None maintenance of assets register and Master Inventory file for assets controlled by SUMA (NSCD |

| Name of the entity and bases of qualification |
|---|
| **Payments made above the purchasing power authority of SUMA JKT TZS 87,309,359**<br>The review of sampled payments vouchers for financial year ending 30th June, 2014 have revealed that , the management of lake zonal offices made purchases of HDEP during the year in accumulation to TZS 87,309,359 above the threshold of TZS 30,000,000. We have however noted that even though some of purchases were above the prescribed threshold, our assessment concluded the existence of splited tenders so as to enable one or certain supplier to win the tender<br><br>**For the financial year 2014/2015**<br>Inadequate maintenance of elementary books of accounts such as individual ledger accounts and general ledgers which provides a reliable source of information in the presentation of financial statements, hence most of the financial information lacked source document which reduces accuracy transparency and reliability of the information<br><br>Inadequate financial disclosure such as explanatory notes and supporting schedules<br><br>Absence of quality control measure in the preparation of the financial statements<br><br>Adjustments from the Zonal offices and projects revised financial statement were not adequately reflected in the revised consolidated financial statement<br><br>Unverified utilization of fuel purchased and issued to Rungwa Project worth TZS. 11,681,335/=During the year under review, the Suma JKT Construction Southern Highlands Zone purchased fuel valued TZS 11,681,335/= from A.R.Manji Mbeya. However, utilization details of the purchased fuel could not be verified as the same were not furnished to us when called for |

| Name of the entity and bases of qualification |
|---|
| **16. Tanzania Pharmacy Council** |
| **Unsupported Upcountry Revenue TZS 517,161,432**<br>Review of Counterfoil register revealed that, 230 receipt books were issued to various Up country Stations for the purpose of Council Revenue collection. However, review of revenue from upcountry reported to financial statement Note 2 amounting to TZS 517,161,432 we noted that there was no any analysis showing reference of receipt number which used to collect the mentioned revenue. Moreover, no reconciliation between the receipts issued by the TPC and amount collected by the collector of revenue at the upcountry stations.<br><br>**Improperly expenditure amounting to TZS 500,490,404.84**<br>Test made on the various payment vouchers revealed that the amounting to TZS 500,490,404.84 paid to various payees were not supported by proper supporting documents such as acknowledgement receipts from respective recipient, unsupported expenditure shall be regarded as a missing vouches as per Regulation 95 (4) of Public Finance Regulations of 2001 (Revised 2004).<br><br>**Missing Payment Voucher TZS 181,478,440**<br>Examination made on the payment vouchers revealed that a total expenditure amounting to TZS 181,478,440 was incurred on various activities were missing from their respective batches. |
| **17. Immigration service Department** |
| • Undisclosed account receivable TZS 52,043,704<br>• The collected income or rental revenue was not disclosed in financial statements TZS 161,719,388<br>• Revenue not accounted for TZS 362,558,000<br>• Expenditure not supported by relevant documents TZS 432,130,103 |

Appendices

| Name of the entity and bases of qualification |
|---|
| 18. SUMA JKT Agricultural and Industrial Department |

**Submitted financial statements with errors, omissions and inadequate disclosure**
The submitted financial statements were misstated due to errors, omissions, and inadequate disclosures.

**Qualitative misstatement of financial statement of SUMA JKT Agricultural and Industrial Department**
We noted qualitative misstatement which materially affect the true and fair presentation of financial statements. For example mistreatment of opening inventory and closing inventory which affects cost of sales, profit, Statement of change in equity, cash flow and a statement of financial position

**None compliance with IAS 41 and IFRS 13 on the treatment of Biological assets under SUMA JKT Agricultural and Industrial Department**
During the review of financial statements we noted none compliance with IAS 41 and IFRS 13 on the treatment of Biological assets. This has led to misrepresentation of biological assets as current assets

**None disclosure of outstanding loan from SUMA headquarter for tractors worth TZS 127,307,967.00 by SUMA JKT Oljoro**
SUMA JKT Oljoro did not disclose outstanding liability of TZS 127,307,967.00 which has affected the consolidated financial statements to the tune of undisclosed loan

**Cash collected but not banked(Under banking) TZS 7,453,455**
Audit tests for revenue noted that TZS 7,453,455 was not banked which may create a room for misuse of revenue for SUMA JKT Agricultural and Industrial Department. Total revenue was therefore understated to the tune of the unbanked amount.

**Fixed Asset Register not updated regularly**
Regulation 265 (2) of the Public Finance Regulations, 2005 requires dates and other details of all movements of items and changes in the location of items to be recorded as they occur. This brought discrepancies of the values in the assets registers, individual ledgers, and the statement of financial position.

**Over statement of revenue by TZS 4,271,000 from SUMA JKT Agricultural and Industrial Department units**

The review of financial statement revealed overstatement of Revenue amounting to TZS 4,271,000.The revenue reported in the financial statement was 2,416,163,000 but the correct figure is TZS 2,411,892.

## Appendix 1.3: Entity issued with adverse audit opinion and the basis for the year 2014/2015

| Name of the entity and bases of qualification |
|---|
| 1. Mzinga |
| **Bank account with negative balances TZS 3,921,487,795**<br>Detailed examination of individual bank balances as per general ledger noted that Mzinga Corporation had five out of 12 bank accounts which had negative balances amounting to TZS 3,921,487,795.<br><br>**Understated balance of PPE TZS 3,738,251,550**<br>I reviewed the financial statements of Mzinga Corporation and noted that the entity disclosed a sum of TZS 5,009,071,892 for purchase of raw materials consumed and overheads. Out of this balance, a sum of TZS 3,738,251,550 was designing cost for a project in progress of construction of dual production line. This cost was supposed to be capitalized as part of cost of project and not a period expense, therefore raw materials consumed & overhead expense was overstated and Property Plant and Equipment was understated by TZS 3,738,251,550. Management revised the financial statements by adjusting only the balance of raw materials consumed & overhead expense only and did not adjust PPE balance to the same amount of TZS 3,738,251,550.<br><br>**Incorrect disclosure of trade creditors TZS 8,536,600,339.056**<br>Examination of foreign creditor's schedule and other stores records noted that during the previous year (2013/14) the entity received various materials amounting to TZS 8,536,600,339.06 A liability resulting from these materials was not recorded in the books though the materials were received and held at the entity's premises and the entity was the bearer of risks and rewards in relation to the goods. However, this liability was recorded for the first time in the financial year 2014/2015 without adjusting the prior period balance contrary to the requirements of IAS 8 requiring retrospective application in correcting errors. Management made revision of the financial statements to correct the matter but did not adjust the prior year balance as per the requirements of IAS 8.<br><br>**Incorrect computation of cost of sales TZS 9,690,381,708**<br>On review of financial statements I noted that the entity reported cost of sales (note number 8 to the financial statements) amounting to TZS 9,690,381,708. |

| Name of the entity and bases of qualification |
|---|
| **Overstated Administrative expenses TZS 478,657,619**<br>Note 11 (administration expenses) included depreciation expense of TZS 478,657,619 while note number 13 (depreciation expense) to the same financial statements shows a depreciation expense of the same amount hence leading to overstatement of expenses by TZS 478,657,619. Even though this matter was communicated to the management through audit query, the revised financial statements did not accommodate this anomaly.<br><br>**Inconsistent application of foreign currency translation policy TZS 1,741,854,087.19**<br><br>Examination of foreign currency transactions was done to test consistency in the application of exchange rates ruled at the transaction dates for the sampled ten months. We noted that Mzinga Corporation had not applied the exchange rates ruled during the transaction date, instead a month end exchange rates were used to translate the summation of all payments during the month which is inconsistent with the stated accounting policy. For the sampled ten months, we noted that the entity incurred transactions in foreign currencies amounting to USD 2,070,960.12; the same were translated into Tanzanian Shillings at closing month's exchange rates yielding a total of TZS 5,289,298,588.70 contrary to the accounting policy. A total of TZS 3,547,444,501.51 would have been translated into Tanzanian Shillings should the exchange rates ruled at the transaction dates been used. This resulted into overstatement of total expenses by TZS 1,741,854,087.19. |

# Appendix 3.1: Quantitative Outstanding Matters

| Vote/ Sub Vote | AUDITED ENTITY | TZS | FOREX |
|---|---|---|---|
| 57 | MINISTRY OF DEFENSE AND NATIONAL SERVICE | - | Euro 3,350,000.00 |
| 46 | MINISTRY OF EDUCATION AND VOCATIONAL TRAINING | 1,556,584,059.00 | - |
| 52 | MINISTRY OF HEALTH AND SOCIAL WELFARE | 77,229,754,684.00 | - |
| 72 | DODOMA RS | 1,522,247,430.00 | - |
| 81 | MWANZA | 288,155,965.00 | - |
| 21 | TREASURY | 178,967,244,345.00 | JPY 17,701,965,752.87 |
| 29 | PRISONS SERVICE DEPARTMENT | 403,319,590.00 | - |
| 74 | KIGOMA RS | 993,142,204.00 | - |
| 99 | MINISTRY OF LIVESTOCK & FISHERIES DEVELOPMENT | 11,017,877,857.00 | - |
| 38 | TANZANIA PEOPLE'S DEFENCE FORCE (TPDF) | 156,040,876.00 | - |
| 034-2015 | ROME | 4,934,013,984.00 | - |
| 73 | IRINGA RS | 227,667,361.00 | - |
| 43 | MINISTRY OF AGRICULTURE FOOD SECURITY AND COORPERATIVES | 3,155,376,848.76 | - |
| 034-2005 | ABUJA | 1,207,930,918.00 | - |
| 70 | ARUSHA | 1,207,704,907.00 | - |
| 85 | TABORA | 648,601,424.00 | - |
| 56 | PMO -RALG | 3,440,221,732.00 | - |
| 87 | KAGERA | **9,919,280,165.00** | - |
| 80 | MTWARA | 346,879,273.00 | - |
| 28 | POLICE FORCE DEPARTMENT | 38, 932,434.30 | - |
| 95 | MANYARA RS | 418,293,070.83 | - |
| 78 | MBEYA RS | 113, 282,884 | - |
| 76 | LINDI RS | 879,911,105.00 | - |
| 83 | SHINYANGA RS | 21,308,156.50 | - |
| 89 | RUKWA | 1,593,397,972.11 | - |
| 69 | MINISTRY OF NATURAL RESOURCES AND TOURISM | - | USD 566,437.81 |
| 63 | GEITA | 3,668,079.00 | - |
| 84 | SINGIDA RS | 3,717,889,980.00 | - |
| 96 | MINISTRY OF INFORMATION, YOUTH, CULTURE AND SPORTS | 1,254,487,774.00 | - |
| 034-2027 | ABU DHABI | 1,207,930,918.00 | - |
| 034-2025 | PRETORIA | 156,765,856.00 | - |
| 50 | MINISTRY OF FINANCE | 65,116,647,182.00 | - |
| 86 | TANGA | 44,837,145.00 | - |
| 36 | KATAVI RS | 179,191,481.00 | - |
| 79 | MOROGORO RS | 1,720,136.00 | - |
| 49 | MINISTRY OF WATER & IRRIGATION | 534,292,225.00 | - |
| 32 | PRESIDENT'S OFFICE PUBLIC SERVICE MANAGEMENT (PO - PSM) | 25,813,205.00 | - |
| 25 | PRIME MINISTER'S OFFICE - PRIVATE OFFICE | 7,149,397.00 | - |
| 034-2022 | HARARE | 30,433,242.00 | - |
| 034-2007 | LUSAKA | 316,717,098.00 | - |
| 88 | DAR ES SALAAM | 641,069,639.00 | - |
| 034-2021 | KAMPALA | - | USD 12,600 |
| 51 | MINISTRY OF HOME AFFAIRS | 696,432,804.00 | - |
| 93 | IMMIGRATION SERVICES DEPARTMENT | 89,560,050.00 | USD 75,580 |
| 92 | TANZANIA COMMISSION FOR AIDS (TACAIDS) | 5,427,970.00 | - |
| 40 | JUDICIARY OF TANZANIA | 6,932,895,403.43 | - |
| 92 | TANZANIA COMMISSION FOR AIDS (TACAIDS) | 5,427,970.00 | |
| 40 | JUDICIARY OF TANZANIA | 6,932,895,403.43 | |
| 98 | MINISTRY OF WORKS | 56,635,735.00 | - |
| 77 | MARA RS | 44,992,828.00 | - |
| 23 | ACCOUNTANT GENERAL'S DEPARTMENT | 1,885,441,234,595.00 | - |
| 47 | SIMIYU RS | 392,856,622.00 | - |
| 61 | NATIONAL ELECTORAL COMISSION (NEC) | 2,602,897,410.90 | - |
| 34 | MINISTRY OF FOREIGN AFFAIRS | 12,027,729,107.00 | - |
| 034-2023 | NAIROBI | 5,408,414.00 | - |
| 22 | PUBLIC DEBT AND GENERAL SERVICES | 3,022,945,524,966.09 | - |
| | TOTAL TZS | **5,014,002,709,919.50** | - |
| | | TOTAL JPY | 17,701,965,752.87 |
| | | TOTAL € | 3,350,000.00 |
| | | TOTAL USD | 648,617.81 |

Appendices

Appendices

## Appendix 3.2: Follow up on the implementation of the previous years' CAG's audit recommendation on individual audit reports for Votes and Embassies

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| Presidency Delivery Bureau | 10 | 5 | 4 | 1 | 0 | 0 |
| President office Public Service Remuneration Board | 4 | 4 | 0 | 0 | 0 | 0 |
| Joint Finance Commission | 7 | 3 | 4 | 0 | 0 | 0 |
| Judicial Service Commission | 5 | 3 | 2 | 0 | 0 | 0 |
| Finance Intelligent Unit | 11 | 2 | 9 | 0 | 0 | 0 |
| Fire And Rescue Force | 14 | 8 | 6 | 0 | 0 | 0 |
| Commission For Mediation And Arbitration | 2 | 0 | 0 | 2 | 0 | 0 |
| Attorney General Chambers | 7 | 4 | 3 | 0 | 0 | 0 |
| President office-State House | 4 | 2 | 2 | 0 | 0 | 0 |
| Treasury | 21 | 4 | 16 | 1 | 0 | 0 |
| Public Debt and General Services | 20 | 3 | 15 | 1 | 1 | 0 |
| Accountant General | 17 | 5 | 12 | 0 | 0 | 0 |
| Tanzania Cooperatives Development Commission | 8 | 2 | 3 | 3 | 0 | 0 |
| Prime Minister's Private Office | 2 | 1 | 0 | 1 | 0 | 0 |
| Vice President Private Office | 12 | 2 | 4 | 4 | 0 | 2 |

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| Registrar of Political Parties | 9 | 0 | 5 | 4 | 0 | 0 |
| Police Force Department | 39 | 26 | 10 | 3 | 0 | 0 |
| Prisons Service Department | 13 | 4 | 8 | 1 | 0 | 0 |
| President's Office Cabinet Secretariat | 6 | 4 | 2 | 0 | 0 | 0 |
| Vice President Office | 11 | 4 | 7 | 0 | 0 | 0 |
| President's Office Public Service Management | 10 | 8 | 0 | 2 | 0 | 0 |
| President Office-Ethics Secretariat | 13 | 5 | 7 | 1 | 0 | 0 |
| Katavi Regional Secretariat | 17 | 10 | 7 | 0 | 0 | 0 |
| Ministry of Foreign Affairs | 13 | 2 | 7 | 4 | 0 | 0 |
| Director of Public Prosecution | 17 | 6 | 10 | 1 | 0 | 0 |
| Prime Minister Office | 16 | 14 | 2 | 0 | 0 | 0 |
| Tanzania People's Defense Force (Ngome) | 20 | 2 | 14 | 0 | 4 | 0 |
| National Service | 12 | 2 | 3 | 2 | 0 | 5 |
| Judiciary of Tanzania | 24 | 11 | 12 | 1 | 0 | 0 |
| Ministry of Constitutional Affairs | 10 | 4 | 3 | 2 | 1 | 0 |
| National Assembly | 13 | 8 | 5 | 0 | 0 | 0 |
| Ministry of Agriculture, Food and Cooperatives | 22 | 7 | 10 | 5 | 0 | 0 |
| Ministry of Industry and Trade | 10 | 4 | 5 | 0 | 0 | 1 |
| Ministry of Education | 59 | 17 | 20 | 4 | 2 | 16 |
| Simiyu Regional Secretariat | 27 | 7 | 9 | 7 | 0 | 4 |

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| Ministry of Land And Human Settlement | 13 | 2 | 4 | 7 | 0 | 0 |
| Ministryof Water | 6 | 3 | 1 | 2 | 0 | 0 |
| Ministry of Finance | 26 | 10 | 16 | 0 | 0 | 0 |
| Ministry of Home Affairs | 15 | 11 | 4 | 0 | 0 | 0 |
| Ministry of Health | 31 | 0 | 27 | 4 | 0 | 0 |
| Ministry of Community Development Women and Children | 17 | 8 | 4 | 3 | 2 | 0 |
| Commission of Human Rights | 11 | 4 | 3 | 4 | 0 | 0 |
| Prime Ministers' Office Regional Administration And Local Authorities | 39 | 21 | 18 | 0 | 0 | 0 |
| Ministry of Defense | 35 | 15 | 14 | 1 | 5 | 0 |
| Ministry Of Energy And Mineral | 13 | 5 | 8 | 0 | 0 | 0 |
| Njombe Regional Secretariat | 15 | 6 | 6 | 3 | 0 | 0 |
| Law Reform Commission | 7 | 3 | 4 | 0 | 0 | 0 |
| National Electoral Commission | 9 | 3 | 4 | 2 | 0 | 0 |
| Ministry Of Transport | 5 | 1 | 4 | 0 | 0 | 0 |
| Geita Regional Secretariat | 27 | 16 | 7 | 4 | 0 | 0 |
| Ministry of Labour and Employment | 5 | 4 | 1 | 0 | 0 | 0 |

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| PO - Planning Commission | 9 | 3 | 3 | 3 | 0 | 0 |
| President Office-Public Service Recruitment Secretariat | 4 | 1 | 3 | 0 | 0 | 0 |
| Ministry of Communication Science and Technology | 13 | 4 | 6 | 0 | 3 | 0 |
| Ministry of Natural Resources | 40 | 35 | 5 | 0 | 0 | 0 |
| Regional Secretariat | 20 | 4 | 6 | 10 | 0 | 0 |
| Dodoma Regional Secretariat | 27 | 4 | 4 | 7 | 12 | 0 |
| Iringa Regional Secretariat | 33 | 16 | 3 | 5 | 9 | 0 |
| Kigoma Regional Secretariat | 39 | 9 | 7 | 16 | 7 | 0 |
| Kilimanjaro Regional Secretariat | 28 | 8 | 11 | 9 | 0 | 0 |
| Mbeya Regional Secretariat | 62 | 30 | 24 | 8 | 0 | 0 |
| Morogoro Regional Secretariat | 41 | 22 | 13 | 0 | 6 | 0 |
| Mwanza Regional Secretariat | 90 | 56 | 11 | 22 | 1 | 0 |
| Ruvuma Regional Secretariat | 57 | 23 | 11 | 23 | 0 | 0 |
| Shinyanga Regional Secretariat | 60 | 43 | 4 | 12 | 1 | 0 |
| Singida Regional Secretariat | 36 | 13 | 11 | 1 | 9 | 2 |
| Tabora Regional Secretariat | 39 | 5 | 17 | 7 | 5 | 5 |
| Tanga Regional Secretariat | 96 | 9 | 20 | 61 | 6 | 0 |
| Dares Salaam Regional Secretariat | 9 | 6 | 3 | 0 | 0 | 0 |

Appendices

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| Rukwa Regional Secretariat | 50 | 11 | 13 | 25 | 1 | 0 |
| Coast Regional Secretariat | 12 | 3 | 0 | 9 | 0 | 0 |
| Kagera Regional Secretariat | 42 | 21 | 4 | 13 | 4 | 0 |
| Lindi Regional Secretariat | 23 | 0 | 0 | 23 | 0 | 0 |
| Mara Regional Secretariat | 9 | 5 | 3 | 1 | 0 | 0 |
| Drugs Control Commission | 8 | 6 | 2 | 0 | 0 | 0 |
| TACAIDS | 9 | 6 | 1 | 1 | 1 | 0 |
| Immigration Service Department | 23 | 1 | 2 | 5 | 3 | 12 |
| Ministry Of Information ,Youth And Culture | 19 | 4 | 14 | 1 | 0 | 0 |
| Manyara Regional Secretariat | 25 | 9 | 6 | 10 | 0 | 0 |
| Ministry Of East Africa | 10 | 6 | 1 | 0 | 3 | 0 |
| Ministry Of Work | 7 | 3 | 3 | 1 | 0 | 0 |
| Ministry Of Livestock and FisheriesDevelopment | 13 | 8 | 5 | 0 | 0 | 0 |
| Tanzanian Embassy in AddisAbaba | 6 | 4 | 0 | 2 | 0 | 0 |
| TanzanianEmbassy In Berlin | 24 | 10 | 1 | 4 | 9 | 0 |
| Tanzanian Embassy In Brussels,Belgium | 8 | 1 | 3 | 4 | 0 | 0 |
| Tanzanian Embassy Kinshasa | 9 | 1 | 1 | 3 | 4 | 0 |
| Tanzanian Embassy Abuja | 9 | 8 | 0 | 1 | 0 | 0 |
| Tanzanian Embassy In Maputo | 28 | 5 | 5 | 10 | 6 | 2 |

| Name of the audited entity | Total | Implemented | Under implementation | Not implemented | Over taken by event | Reiterated |
|---|---|---|---|---|---|---|
| Tanzanian Embassy In Moscow | 22 | 5 | 6 | 0 | 11 | 0 |
| Tanzanian Embassy In Beijing,China | 21 | 7 | 8 | 6 | 0 | 0 |
| Tanzania Embassy In Rome | 41 | 32 | 5 | 4 | 0 | 0 |
| Tanzanian Embassy In Nairobi | 13 | 4 | 7 | 2 | 0 | 0 |
| Permanent Mission To The UN-Geneva | 5 | 1 | 4 | 0 | 0 | 0 |
| Tanzanian Embassy In Kampala | 16 | 1 | 1 | 7 | 1 | 6 |
| Tanzanian Embassy In Harare | 7 | 2 | 2 | 2 | 0 | 1 |
| Tanzanian Embassy In Pretoria | 25 | 13 | 5 | 4 | 1 | 2 |
| Tanzania Embassy In Kigali | 7 | 0 | 6 | 1 | 0 | 0 |
| Tanzania Embassy In Bujumbura | 9 | 3 | 3 | 3 | 0 | 0 |
| Tanzanian Embassy In Lilongwe | 34 | 9 | 7 | 18 | 0 | 0 |
| Tanzanian Embassy In Hague | 2 | 0 | 2 | 0 | 0 | 0 |
| Tanzanian Embassy In Moron | 19 | 4 | 7 | 6 | 0 | 2 |
| Tanzanian High Commission In Lusaka | 23 | 1 | 6 | 14 | 0 | 2 |
| Mtwara Regional Secretariat | 34 | 13 | 20 | 0 | 1 | 0 |
| | 2094 | 803 | 666 | 444 | 119 | 62 |

## Appendix 3.3: Follow up on the implementation of the previous years' CAG's audit recommendation on individual audit reports for Agencies

| S/N | Name of Agency | Total | Implemented | Under implementation | Not implemented | Overtaken by event | Reiterated |
|---|---|---|---|---|---|---|---|
| 1 | Registration Insolvency and Trusteeship Agency(RITA) | 28 | 11 | 16 | 0 | 1 | 0 |
| 2 | Tanzania Forestry Service Agency | 12 | 9 | 3 | 0 | 0 | 0 |
| 3 | Tanzania Global Learning Agency | 7 | 3 | 3 | 0 | 1 | 0 |
| 4 | Tanzania Public Service College | 14 | 9 | 3 | 1 | 1 | 0 |
| 5 | Agriculture Seeds Agency (ASA) | 21 | 5 | 7 | 9 | 0 | 0 |
| 6 | Drilling and Dam Construction Agency | 11 | 1 | 5 | 5 | 0 | 0 |
| 7 | Fisheries Education and Training Agency(FETA) | 4 | 4 | 0 | 0 | 0 | 0 |
| 8 | Geological Survey of Tanzania | 11 | 6 | 2 | 3 | 0 | 0 |
| 9 | National Food Reserve Agency | 24 | 8 | 12 | 2 | 0 | 2 |
| 10 | Tanzania Building Agency | 31 | 1 | 21 | 9 | 0 | 0 |
| 11 | Tanzania Electrical, Mechanical and Services Agency(TEMESA) | 17 | 8 | 9 | 0 | 0 | 0 |
| 12 | Tanzania Government Flights Agency(TGFA) | 4 | 1 | 2 | 1 | 0 | 0 |
| 13 | Tanzania Meteorological Agency | 9 | 5 | 4 | 0 | 0 | 0 |
| 14 | Water Development and Management Institute(WDMI) | 6 | 3 | 1 | 2 | 0 | 0 |
| 15 | Weights and Measures Agency | 24 | 6 | 10 | 2 | 0 | 6 |
| 16 | National Housing and Building Research Agency | 13 | 1 | 5 | 7 | 0 | 0 |
| 17 | Agency for Development of Education Management (ADEM) | 9 | 0 | 9 | 0 | 0 | 0 |
| 18 | Government Chemistry Laboratory Agency | 11 | 5 | 4 | 2 | 0 | 0 |
| 19 | Institute of Arts and Culture-Bagamoyo | 9 | 0 | 6 | 3 | 0 | 0 |
| 20 | Occupational Safety and Health Agency(OSHA) | 5 | 1 | 4 | 0 | 0 | 0 |
| 21 | Tanzania Employment Service Agency | 17 | 5 | 0 | 12 | 0 | 0 |
| 22 | Dar es Salaam Rapid Transit Agency(DART) | 22 | 8 | 14 | 0 | 0 | 0 |
| 23 | Government Procurement Service Agency(GIPSA) | 26 | 11 | 15 | 0 | 0 | 0 |
| 24 | Tanzania Institute of Accountancy(TIA) | 25 | 18 | 5 | 2 | 0 | 0 |
| 25 | Rural Energy Agency(REA) | 3 | 1 | 1 | 1 | 0 | 0 |
| 26 | National College of Tourism | 4 | 2 | 1 | 1 | 0 | 0 |
| **Total** | | **367** | **132** | **162** | **62** | **3** | **8** |

## Appendix 3.4: Follow up on the implementation of the previous years' CAG's audit recommendation on individual audit reports for Other Institutions and Special funds

| S/N | Name of Agency | Total | Implemented | Under implementation | Not implemented | Overtaken by event | Reiterated |
|---|---|---|---|---|---|---|---|
| 1 | Property and Business Formalization Program (MKURABITA) | 21 | 16 | 4 | 1 | 0 | 0 |
| 2 | Institute of Judicial Administration | 13 | 5 | 8 | 0 | 0 | 0 |
| 3 | Law School of Tanzania | 17 | 12 | 4 | 0 | 1 | 0 |
| 4 | Pasiansi Wildlife Training Institute | 3 | 3 | 0 | 0 | 0 | 0 |
| 5 | Uongozi Institute | 6 | 4 | 1 | 1 | 0 | 0 |
| 6 | African Peer Review Mechanism | 6 | 0 | 4 | 2 | 0 | 0 |
| 7 | Office of the Constituent Assembly | 6 | 4 | 0 | 2 | 0 | 0 |
| 8 | Tengeru College of Development Training Institute | 5 | 1 | 3 | 0 | 0 | 1 |
| 9 | National Fund For Antiquities | 4 | 4 | 0 | 0 | 0 | 0 |
| 10 | Tanzania Forest Fund | 7 | 4 | 3 | 0 | 0 | 0 |
| 11 | Agriculture Input Trust Fund | 9 | 5 | 3 | 1 | 0 | 0 |
| 12 | Inspection and Supervision of Cooperative Fund | 2 | 1 | 1 | 0 | 0 | 0 |
| 13 | Women Development Fund | 6 | 2 | 1 | 3 | 0 | 0 |
| 14 | Plant Breeders Right Development Fund | 5 | 3 | 0 | 2 | 0 | 0 |
| 15 | Maji Central Revolving Fund | 6 | 2 | 2 | 2 | 0 | 0 |
| 16 | Wami/Ruvu Water Basin Board | 9 | 4 | 2 | 3 | 0 | 0 |
| 17 | Treasury Advance Fund | 6 | 2 | 4 | 0 | 0 | 0 |
| 18 | SUMA Corporation Sole | 7 | 1 | 0 | 6 | 0 | 0 |
| 19 | Rural Energy Agency | 3 | 1 | 1 | 1 | 0 | 0 |
| 20 | Rufiji Water Basin Board | 8 | 3 | 3 | 1 | 1 | 0 |
| 21 | Pangani Basin Water Board | 9 | 5 | 4 | 0 | 0 | 0 |
| 22 | Nelson Mandela African Institution in Science and Technology | 18 | 7 | 7 | 2 | 2 | 0 |
| 23 | Local Government Loan Board | 1 | 1 | 0 | 0 | 0 | 0 |
| 24 | Lake Victoria Water Basin Board | 6 | 3 | 2 | 1 | 0 | 0 |
| **Total** | | **183** | **93** | **57** | **28** | **4** | **1** |

## Appendix 3.5: Follow up of the implementation of the previous years' CAGs General Report

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| | | **Financial Year 2006/2007** | |
| 1 | **Weakness in managing government guarantees**<br><br>The Ministry **is** advised to go through the Act and Regulations by making amendment on the guarantee Acts and Regulations to suit the current conditions | Amendment has been made to Debt policy and the government Loans, Guarantees and Grants act No.30 of 1974.All these will be tabled in the parliament for approval soon. The debt strategy has been amended | The amended Government loans, Guarantees and Grants Act No.30 of 1974 and review of<br><br>National Debt Strategy (NDS) are still awaited |
| 2 | **Outstanding Commodity Import Support**<br><br>We still insist the Ministry to exert more effort in collaboration with the debt collector to enforce recovery of the outstanding amount of JPY 16,699,499,858 and communicate the progress reached so far for audit review. | PAC stopped the Government from taking further action on outstanding commodity Import Support until they issue Directives on the matter. The government is still waiting for the PAC Directives | The government is advised to make close follow up with PAC to clear the matter |
| | | **Financial Year 2008/2009** | |
| 3 | **Misclassification of direct loan issued by Government as guarantees**<br><br>PMG has to submit approved restructuring agreement entered between Flowering Companies and Government of Tanzania and Loan repayment schedule plus any evidence showing that the repayment of the loans by these companies has started. | Approved restructuring Agreement is available for verification. Moreover, repayments of the loans by these companies started and the evidence will be availed for audit verification | Approved restructuring Agreement are still awaited |
| | | **2010/2011** | |
| 4 | **Outstanding liabilities and commitment**<br><br>TRA need to increase revenue collection and Treasury should be releasing funds on time to facilitate implementation of budgeted activities. | The Government will make more effort to enhance revenue collection strategies to facilitate implementation of budgeted activities, through; Continuation of formalization of the informal sector in order to incorporate it in the tax base. | Government responses will be assesses continuously in my next audits |
| 5 | **Assets not recorded in the fixed assets register**<br><br>PMG has to provide schedule showing phases for implementing this recommendation. Assets register need to be in full use before fully adoption of IPSAS Accrual in year 2016/2017. | The office of Accountant general is working on the preparation of the government Assets Register that will accommodate the entire Government Assets. | The ACGEN is advised to speed up the preparation of government assets register so as to meet the deadline for full adoption of IPSAS Accrual in the year 2016/2017 |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| **Financial Year 2011/2012** | | | |
| 6 | **ATCL debt**<br><br>I recommend disciplinary action be taken against officials who were involved in committing the government to such unfruitful deal which has resulted to the Government being exposed to pay for the accumulated debt of USD 41,466,177.16 established on 26/10/2012; and<br><br>• Since 26/10/2012 the outstanding debt had accumulated to USD 41,466,177.16 from USD 39,000,000 on 26/10/2011, the Government should negotiate this debt with Wallis Trading Company for a possibility of cancellation on the grounds that the government receives no value from the deal. | The matter is under PCCB Investigation. Management will communicate with Auditors on action taken after completion of PCCB investigation. The statement showing operational costs when the aircrafts was operation and when it was grounded is ready and will be availed to Auditors for verification. The cabinet paper for approval in relation to ATCL debts is under preparation. Currently, subcommittee of IMTC is negotiating with ATCL creditors on reducing the debt before seeking approval of the cabinet | The matter is still under PCCB investigation; However follow up by PMG on the negotiations with Wallis Trading Company is highly insisted. |
| 7 | **Unsupported payments for medical treatments abroad TZS 488,144,343**<br><br>The Accounting Officer of the Ministry of Health and Social Welfare should improve internal control over the Ministry's expenditure and ensure that all requested relevant supporting documents for treatment abroad are submitted for audit verification. | These expenditure were related to payments made to various Embassies for treatments of presidential leaders, Bills, list of patients treated abroad and acknowledgement receipts from each respective Embassy were received from Ministry of Foreign Affairs and International Cooperation and submitted to auditors for audit verification. Also team of auditors will visit respective Embassies for physical verification | Waiting for supporting documents |
| **Financial Year 2012/2013** | | | |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 8 | **Procurement Management**<br><br>**Audit noted recurrence of weaknesses in procurement function. Hence recommended:**<br><br>• Government through PPRA has to conduct several seminars with the aim of building capacity of PMUs, Tender Boards, Accounting Officers and User Departments on the importance of complying with the Public Procurement Act and its Regulations.<br>• Also it is important to have Procurement Information Management Systems (PIMS) in effective operation. This system is hosted by PPRA. PPRA has to make sure that this system is user friendly to end users so that MDAs/RS can easily use this system to improve procurement activities. | The Public Procurement Act, 2011 mandates PPRA to build capacity of PMU. Tender Boards, Accounting officers and User department on the compliance to the Act. PPRA has reviewed the procurement Management Information System and will start rolling out the improved system in June,2015 to stakeholders | Continuous assessment of the implementation will be done in future audits. |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 9 | **Unattended Shortage of Workforce in MDAs and RS**<br><br>Audit noted huge shortage of staff as compared to the establishment levels within MDAs/RSs. Hence recommended:<br><br>• The PO-PSM should revisit the establishment levels of MDA and RS and come up with the ideal required level.<br>• Accounting Officers of MDAs and RS should work hard to ensure that they are equipped with sufficient and qualified number of staff. Shortage of staff should be communicated to the respective authorities including PO-PSM. | Government through PO-PSM issued Personnel Emoluments guidelines to employers for the financial year 2014/2015 kept on insisting employers to request workforce basing on the workload. The intention is to ensure proper utilization of human resources in Public Service. For the period between financial year2008/09 and 2013/15 new vacancies issued to MDA's RS's and LGA's were 373,280.The distribution of these vacancies by sector is as follows, Education(183,299),Health(54,370), Agriculture (11,288), Livestock 7,926) and others (116,397).<br><br>However, It is not easy to accommodate all the requests for new vacancies due to the limited Budget and the Government will keep in employing in phases as the budget allows | Under implementation |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 10 | **Salaries paid to non - Exiting Employees**<br><br>• After noted existence of salaries being paid to non-existing employees. Hence recommended:<br><br>• To avoid such losses in future, Accounting Officers of the respective MDAs/RS should check their payrolls periodically to confirm validity of all entries. Communication should also be enhanced to ensure that names of retirees, absconders or terminated employees are deleted from payrolls once they cease to be in employment,<br><br>• Apart from that, Accounting Officers should ensure unclaimed salaries in respect of employees who are no longer in public service for one reason or another are surrendered timely to Treasury as per given instructions,<br>• Furthermore, Accounting Officers should ensure that Human Capital Management Information System (LAWSON) is fully utilized in order to obtain the anticipated value for money in installing the software package. | The government has established Human Capital Information System(HCMS).This has enabled total numbers of employees of 61,136 employee have been deleted from the payroll due to various reasons including death retirement, | U n d e r implementation<br><br>The deletion must be a continuous task |
| 11 | **Expenditure Management**<br><br>After observing various weaknesses in expenditure management I recommend that:<br><br>Accounting Officers of MDAs/ RS/Missions should ensure all payments are authenticated by proper authorities and proper supporting documents in line with the requirement of Regulation 95(4) of the Public Finance Regulations of 2001. Internal checks need to be strengthened including strengthening the pre-audit functions. | Circular No.4 of 2014/2015 was issued to insist on all procedures to be taken to ensure that all transactions and other issues regarding closure of financial year are adhered to | Implemented |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 12 | **Operation of Embassies**<br><br>Various weaknesses were pointed out in operations of overseas Missions. Hence recommended that:<br><br>• The respective Embassies/ High Commissions, in collaboration with MFAIC should cease paying Foreign Service allowances to the retired officers who were in the missions and make arrangement for immediate repatriation to their place of domicile. I also recommend that management/relevant authority should consider recovery of the amount paid to this staff,<br><br>• Embassies/High Commission's management should communicate with the MFAIC for the need of replacement of home based staff who overstayed in one station. This will have positive effects in the services delivery of the respect embassy/missions,<br><br>• MFAIC management should consider a possibility of setting aside funds in the budget for carrying out economic diplomacy and promoting tourism attraction, taking into consideration that this is an important task to the Country's economy. | The management in collaboration with Ministry of Foreign Affairs is assessing the possibility of setting funds in the budget for carrying out economic diplomacy and promoting tourism attraction which will depend on the availability of resources | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 13 | **Designated Referral Hospitals and Designated Voluntary Agency Hospitals**<br><br>While conducting special audit, I noted weaknesses on operations of designated hospitals hence recommended:<br><br>• The MoHSW should ensure that all funds transferred to hospitals are itemized according to their nature of expenditure instead of being transferred in block amount as noted during the audit.<br><br>• The MoHSW in collaboration with the Treasury should improve communication with the Hospital managements to ensure immediate deletion of ghost workers who are still in the Government Computer Payrolls.<br><br>• I urge the District Designated and Voluntary Agency Hospitals to adhere to the contract agreement signed between MoHSW and the respective Hospitals on adherence to the terms and conditions of Board members appointment.<br><br>• I recommend to the MoHSW in collaboration with the managements of the Hospitals to ensure that in future separate bank accounts are maintained in respect of Government funds instead of the current situation of mixing up these funds with other hospital funds. Furthermore, hospital managements should be made to be accountable on the public funds by preparing periodic accounts/reports to the Ministry. Alternatively the MoHSW together with MoF could work out accordingly a system which will allow the use of bank account but clearly capturing the transaction related to the government funds received by the hospitals. | Ministry has communicated with all Referral; DDH; and VAH Hospitals vide our letter reference No. HC.209/320/01 dated 30 October, 2013, requesting them ensure that all ineligible salaries paid are refunded back to the Ministry of Finance. | The evidence of salaries paid back from respective DDH and VAH are to be submitted for audit verification |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 14 | **National Agricultural Inputs Vouchers Scheme (NAIVS)**<br><br>Various challenges noted in the operation of NAIVS. Hence recommended;<br><br>• Involve Agricultural Extension Officers, Agriculture Seeds Agency and Agriculture Research Institutions in reviewing and assessing seeds and fertilizers issued in the country who should also monitor on counterfeit seeds and fertilizers.<br><br>• Make sure that procurement and distribution of vouchers are done timely. Adequate soil analysis is done in various parts of the country and fertilizer vouchers are issued strictly in accordance with the type of soil.<br><br>• To come up with a simplified version (preferably Swahili version) of an operational manual clearly illustrating how the basic records should be kept and maintained, reconciliations to be done and the periodical reports to be prepared from the village to district and regional level. Farmers should be made aware and provided with information on the voucher system on how it operates and the benefits to be derived from the use of quality seeds and fertilizers and the operation of the NAIVS. | Various stakeholders including Agriculture Extension Officers, Tanzania Fertilizer Regulatory Authority , Agricultural Seed Agency, Tanzania Official Seed Certification Institute and Agriculture Research Institutions have been involved fully in reviewing, planning assessing recommending on seeds and fertilizer use and availability of quality agricultural inputs including seeds and fertilizers for the future. | Implemented |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 15 | **Procurement of MV Misungwi**<br><br>Various weaknesses noted in the procurement of MV Misungwi. I recommend;<br><br>• Appropriate action should be taken against the public officers who failed to supervise and manage the execution of the Procurement contract of MV Misungwi and Legal action should be taken against M/S Sinnautic International who failed to implement all works and deliver spare parts of MV Misungwi as per contracts despite of being paid. | Actions have been taken against public officers who failed to supervise and manage the execution of the procurement contract of MV Misungwi.<br><br>The Ministry, with the assistance of the Attorney General is considering further legal actions to take against the contractor. | Undelivered essential spares for the ferry are still not delivered. Legal actions should be enforced |
| 16 | **Mkomaindo Nursing Training Centre**<br><br>In respect of special audit conducted on Mkomaindo Nursing Training Centre, the Accounting Officer is urged to strengthen internal control system including improvement of record keeping. | Government through MoHSW has continued strengthening its internal control to all its Health Institutions by establishing a guideline for supplies of goods & services, payments and fee collections.<br><br>The guideline directs that all supplies once delivered should be taken in stores and all issues kept properly .Also, all receipt books will be taken from Sub-Treasury. The guideline will be made available to Auditors for verification | Implemented |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 17 | Government preparedness for IPSAS accrual basis<br><br>• Establish IPSAS National Coordination Committee made up of professional accountants/auditors and other professions who will be overseers of the five years roadmap to make sure each step is taken seriously and on time. So far one year has lapsed remaining with four years. The committee should be chaired by the Accountant General,<br><br>• DGAM should work closely with stakeholders so as to enhance the implementation of the action plan for smooth compliance with IPSAS 17, and make necessary adjustments in the financial statements by separating land and building into two distinct asset categories,<br><br>• To properly configure the IFMS Epicor and the government's budget systems for these systems to process transactions and generate financial statements according to IPSAS accrual requirements.<br><br>• The government is advised to initiate the process of consolidating the financial statements of LGAs, RSs and controlled entities in the financial statements of URT,<br><br>• I advised PMG to ensure that amended Public Finance Act is in place,<br><br>• The government should ensure that title deeds to confirm that land and buildings are owned by their respective MDAs/RS are processed immediately and held as evidence of ownership of the assets, | • Valuation of assets in Local Government Authorities await review of Public Finance Act (PFA) that will provide legal mandate to GAMD on Management of Assets in LGAs including valuation,<br><br>• Ministry of Finance is in the process of organizing Joint efforts with Ministry of Lands, Housing & Human Settlement Development and Ministry of Works (TBA) that will ensure preparation of title deeds for MDAs and RS,<br><br>• It is the government intention to ensure that all IFMS modules are activated and full utilized.<br><br>• Currently the government is finalizing the customization of the IFMS/Epicor system to accommodate the IPSAs Accrual Accounting. Also it is the government plan to activate the rest of the modules in the system, such as inventory and Asset Modules<br><br>• Training of new version (version 9.05 has been conducted to the Chief Accountants, Regional Accountants, Heads of Sub-Treasuries, Data entries staff and the preparer of the financial statements of the MDAs and RSs' Moreover, the training is a continuous exercise.<br><br>• Training on the use of EPICOR 9.05 is expected to be conducted by the Office of Accountant General in the financial year 2014/2015 on the use of EPICOR (Asset Management Module),<br><br>• The government continues with various financial reforms which prompted the review the Public Finance Act 2001(revised 2004) to accommodate the challenges which resulted from such reforms.<br><br>• Currently the second draft of the new Act has been issued to high authority for review and recommendations. | U n d e r implementation<br><br>The progress is slow compared to time remained. |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| | • It is recommended that, Management of MDAs/RS in collaboration with Treasury ensures that all modules of IFMS are properly customized and the accounting system is fully utilized. Training should also be conducted whenever the need arises such as the release of new version and newly recruited staff.<br><br>• Government to provide training on the use of EPICOR 9.05 and IPSAS accrual basis of accounting,<br><br>• Adoption of IPSAS accrual basis of accounting prior to amendment of the existin g legislation e.g. Public Finance Act No. 6 of 2001 (amended 2004) contradicts with the IPSAS accrual basis of Accounting philosophy,<br><br>• Plan for Government retiree Pension for the public service retirees are paid from the consolidated fund and the arrangement is recognized by the Government as Defined Benefit Plan. The government through SSRA to fully comply with IPSAS 25 (Employee benefits) over accounting for Defined Benefit Plans in order to determine its initial liability for defined benefit plans due to IPSAS accrual first year adoption. | | |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 18 | **Monitoring and evaluation of projects financed through debt proceeds**<br><br>As borrowings for development projects is increasing by becoming a nation's priority,<br><br>• I advise the government to consider establishing a mechanism for monitoring and evaluation of projects for which funds raised through loans are. This will help in the continuous evaluation of the impact of funded projects and also minimize the expectation gap between stakeholders and the government. | Budget department in the MoF has established a Section for Expenditure Tracking which is mainly making follow up of the utilization of government monies to various project to ensure value for money (VFM) | Implemented |
| 19 | **Lack of Unified Debt Management Office(DMO)**<br><br>The need for a unified Debt Management Office is one of the key issues that were addressed during the financial year 2010/2011. I advise the government to fasten the establishment of a unified DMO in order to effectively and efficiently execute the government's debt management functions. | • The President of the United Republic of Tanzania issued notice No. 494 dated 17th December 2010. In the instrument the President created the Ministry of Finance which among other things was mandated for loans and credit policies and their implementations. The Ministry of Finance used the instrument to start the move towards the establishment of the Debt Management Division. | Implemented |
| 20 | **Converted Liquidity Papers into financing papers**<br><br>I advise the government to refrain from converting liquidity papers in order to avoid likelihood of future debt stock stress. Proactive and bold measures need to be taken by the government including but not limited to improvement on government revenue collection through TRA's Revenue Gateway System, fiscal discipline and effective budget estimates. | The Government agreed with the Auditors' recommendation s in the future the Government will refrain from converting Liquidity Papers into financing papers unless there is a strong need for it. For control purposes , the conversion must be approved by the high level Government Authorities. | Not implemented |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 21 | **Release of funds towards the end of the financial year**<br><br>In order to tackle the challenge of late release of approved funds, the government is advised to align Exchequer Issues with budget and revenue collections to avoid the release of funds close to end of the financial period. By so doing, it is expected that planned activities will be implemented according to the approved action plan. | The release of funds towards the end of the financial year is due to challenges in implementing budgets | U n d e r implementation |
| 22 | **Management of Customs and Bonded Warehouses**<br><br>The noted various weaknesses in management of Customs and Bonded Warehouses. Hence advised the government to ensure adequate controls over the operation of Customs and Bonded Warehouses in order to collect respective custom dues. In addition, TRA is urged to comply and enforce existing legislations. | Government through TRA has strengthened controls over the operation of Customs and Bonded Warehouse. | Implemented |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 23 | **Government Agency Appraisal**<br><br>The audit noted various weaknesses in operation of Government Agencies. Hence recommended that:<br><br>• All executive agencies which were established with the aim of providing service to the public and gain revenue from their service, it is time for them to compete in the commercial world by being more innovative and increasing the quality and level of service. This will improve their revenue collections and will minimize their dependence on the central government in funding matter,<br><br>• Agencies which were established with the aim of taking service to a large number of customers should maximize on taking advantage of the big customer base to maximize their revenue collection potentials,<br><br>• In order to provide quality service it is important to have qualified staff and working tools. Parent Ministries in collaboration with the Public Service Commission have to make sure that their agencies are well equipped with competent staff and necessary working tools that will enable them to increase the level of service and to improve their service delivery to the public,<br><br>• Due to the current serious government fund constraint of the agencies the government should for the time being stop creating additional agencies until when the government financial position improves. | The Government has given Agencies through the Executive Agencies Act Cap. 245 and a Circular letter C/ AC.45 /257 /01/Temp ./ 13 of 06 October , 2009 a room to advertise their positions in order to attract the best brains and competences from the market in order to manage Agencies business. | Implemented |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 24 | **Payment of Rent Charges by MDAs TZS.7,895,872,337**<br><br>Audit noted MDAs paying rent for office accommodation. Hence recommended that:<br><br>• Government through the Ministry of Land and TBA to find areas for Ministries buildings of all ministries that do not have their own buildings,<br><br>• Government to make arrangements with social security funds to secure loans for construction of these office buildings,<br><br>• Government can also make arrangement with development partners like Africa Development Bank, World Bank, etc. to get loans/grants for the construction of its office buildings,<br><br>• The spirit of constructing government buildings should be extended to our Embassies/Missions where it is very costly to rent offices or staff houses. | The Government through the Ministry of Lands, Housing and Human Settlement Development (MLHHS) and Capital Development Authority (CDA) has started allocating plots/areas for the construction of government buildings in Dodoma, | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 25 | **Challenges facing Tanzania Prison Services:**<br><br>After observing various challenges facing operations of Tanzania Prison Services, The following were recommended:<br><br>• The Judicial system of Tanzania will have to speed up the ruling of pending cases. There is a large number of inmates in prisons who are waiting for their cases to heard and justice to be given by courts of law by speeding concluding cases facing inmates will help reduce the number of inmates in prisons.<br><br>• Government has to opt to use other methods of punishing inmates after being found guilty. Government can choose to use alternative methods of punishments like extra mural labour, community service and parole. This will significantly reduce the number of inmates and prisoners in prisons.<br><br>• For minor offenders and defaulters it is better to use fines and if they fail to pay the fine, they should be handled to their township leadership, or district and given communal based labour.<br><br>• Maintaining inmates and prisoners imposes a great cost to the government. To feed, dress and medical treatment to inmates is a very expensive undertaking on the part of the government. The management of prison Service is advised to improve quality of their productive activities like carpentry, agricultural activities, tailoring, construction of houses and mechanics. | The Government has to put in place the Community Service Act, Parole Act and the Prisons (Extra Mural Penal Employment) Regulation and all these Laws are in operation but the number of prisoners who are eligible are very few due to condition attached there to .<br><br>Efforts are being made so that the Laws mentioned be amended so as many prisoners could be eligible.<br><br>Up to April, 2015 a total number of 4, 402 inmates have been enrolled in the parole services<br><br>PAC members will be invited to visit Prisons and see the actual situations so that they can continue to advice on improvement of Prisons Department. | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| | • Prison Service is encourage to write up several development proposals and find various donors like Africa Development Bank (ADB), USAID, etc that will be willing and ready to finance their proposal of expanding and improving the prisons.<br><br>• Management of Prison Service Department is advised to call for a visit to members of PAC and other leaders of Government to visit Prisons and see the actual situations in the prisons.<br><br>This will help them to make informed decisions concerning resources allocations to the vital organ of the state. | | |

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| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 26 | **PPP arrangements**<br><br>Audit noted various risks associated with PPP arrangement. Hence, the following were recommended:<br><br>• The government should design a thorough procurement and appraisal process which assesses the dependability and probity of potential partners. Such appraisal should focus on choosing a viable partner with proven track record in project development through a competitive bidding process,<br><br>• Recognizing the importance of feasibility studies so that interests of both parties are served and optimal achievement is attained, the government should create a PPP Facilitation Fund to finance feasibility studies on key projects implementation. In addition, the government is urged to launch a full scale sensitization program in order to fully engage the private sectors to identifiable national priority projects. The continuous absence of state financed feasibility studies could become a very costly affair,<br><br>• The government should ensure that issues of profit sharing (including possible future gains from property sales or refinancing) are addressed as clearly as possible in the partnership agreement. It should also ensure that the state's interests are protected if contributed assets are disposed off by the partnership (e.g. guaranteeing the state a share of the proceeds). The government should also be able to verify the total costs being capitalized in the project which are subject | • We concur with the auditor's recommendations. We elaborate as follows: Risk in the Public Private Partnerships are dealt with using two important tools:<br>1) Appraisal process where feasibility studies are analysed to ensure technical, legal, economical environmental, commercial and financial viability and<br>2) Approval process, where all phases in the PPP life cycle are determined. These include approval of the feasibility study by the Minister for Finance, Approval of the Request for Proposal, Approval of the PPP Financial Structure and the PPP Contract.<br><br>Already these tools are employed in the new structure of PPP implementation.<br><br>Issues of profit sharing are an important one in PPPs especially in Joint Venture. For the projects implemented after the enacting of the PPP Act (2010), all contracts have to expressly state the treatment of partnership profit and losses in Joint ventures | Implemented |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| | for recovery during the lifetime of the project,<br><br>• It is advised that the government should consider whether assets of national importance can be • It is advised that the government should consider whether assets of national importance can be • It is advised that the government should consider whether assets of national importance can be leased to the private sector rather than transferred outright. The partnership agreement could give the public sector ―step-in‖ rights in the event of a major failure in the delivery of services or the bankruptcy of the partner,<br><br>• The government should therefore determine whether the greater costs and risks involved are justifiable. Careful and thoughtful analysis should be tailored to address appropriate allocation of project risks between the public and private sector part ies affected by the project. In all the PPP arrangements, the public entity should look for the optimum transfer of risks by ensuring that the individual risks are allocated to those best placed to manage them,<br><br>• The government should be keen in contract design and negotiation in order to ensure that any risk resultin g from unforeseeable events are fairly shared between the two parties and according to the predetermined and agreed sharing risk levels, | | |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 27 | **The Public Private Partnership Act does not provide for CAG's access to all PPP records and information.**<br><br>• The Act should ensure that all PPP contracts and Production Sharing Agreements (PSAs) provide for the Controller and Auditor General to have access to financial records and other information of the private partner or company in all the PPP arrangements.<br><br>• In addition, the government should avail and provide to CAG all the relevant PPP information throughout the project life from the tendering phase, contract awards and the operational phase. Guideline 3 of ISSAI 5220 provides that, examining a project by a Supreme Audit Institution throughout these stages has the advantage that any weaknesses identified can be corrected before the contract is signed and so more serious difficulties avoided at later stages,<br><br>• The government should also provide regular information on project performance clearly showing whether the private partner is meeting its obligations to the public sector partner so that any risk of loss is identified as early as possible, enabling the government/public sector partner to consider how best to protect its interests. | | Implemented |

Appendices

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 28 | **Audit of Political Parties' accounts**<br><br>After observing various challenges facing Political Parties' accounts, The following were recommended:<br><br>• To enhance disclosure, presentation and comparability of Political Parties' performance, parties should prepare their financial statements in accordance with International Accounting Standards. The adoption of common reporting framework of accounting will also lead to consistency and uniformity of recording transactions and preparation of the financial statements of the political parties. This is where the Registrar of Political Parties in conjunction with the Accountant General should come in giving guidance on the type of reporting framework to be adopted and format of financial statements to be prepared by the Political Parties.<br><br>• I recommend to the government to revise the Political Parties Act No. 5 1992 (amended 2009) in order to resolve the challenges. | The Office of the Accountant General in collaboration with the Registrar of Political Parties is working on this issue by looking on the way of revising the Political Parties Act No. 5 1992 (amended 2009) and issuing the guideline that will accommodate the preparation of the Political Parties Financial Statements | Stakeholders are still on making discussion on how to obtain financial reporting framework. |
| **Financial Year 2013/2014** | | | |

Appendices

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 29 | **Inadequate tax exemption monitoring mechanisms**<br><br>I recommend that the government;<br><br>• Establish a tax exemption monitoring Unit which will be responsible for controlling and ensuring compliance with legislations requirements and making follow ups over the utilization of tax exemptions while liaising with other authorities responsible for granting exemptions, and<br><br>• Review its tax exemption laws with a view to reducing loopholes in exemptions. In addition, government ensures that tax exemptions do not exceed 1% of the GDP or 5% of the tax revenue collected. | The Government will continue to review various laws on tax exemptions. Aspart of implementation of the above, in 2014 the Government revised fuel levy and excise duty by ceasing exemptions which were granted by Ministry of Finance to investors through Tanzania Investment Centre. This step has been taken to reduce the loopholes avoidance through tax exemptions | U n d e r implementation |
| 30 | **Delay in handling tax appeals**<br><br>I recommend the Government to expedite handling of tax appeals given the importance of taxes in the economy. | Budget constraint to the Board and Council is a reason on the delay of hearing and ruling of the appealed cases. The Government will allocate adequate funds to the Board and Council so as to facilitate timely hearing and subsequent ruling of the appealed cased submitted. | The cases are at hearing stage of which the outcome cannot be ascertained. Therefore follow up will be made in next audits |
| 31 | **Weakness on revenue management**<br><br>I recommend TRA to conduct a thorough investigation to all Oil and Gas companies including Mining companies to determine the extent of the unpaid Customs processing Fees and take recovery measures and, in future, ensure Customs processing Fees are paid by all eligible companies without amiss. | Government through TRA has conducted a thorough investigation to Gas and Gas companies as advised by Auditors. | U n d e r Implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 32 | **Consolidation of Entities with Different Reporting Date and Accounting Framework**<br><br>The government ensures that;<br><br>• The accounting frameworks of the controlled entities are harmonized to be compatible with IPSAS Accrual.<br><br>• All its controlled entities are consolidated in order to give a true and fair view of its financial position. | Ministry of Finance through ACGEN has taken some initiatives to implement the recommendations | Implemented |
| 33 | **Uneven Maturity Structure of the Government debt stock.**<br><br>I am recommending the government to enhance domestic market and create appetite on securities with longer maturities. | Fromtime to time, the Government has put in place measures to improve the procedures for participating in the Government stocks market by convincing investors to invest in long term maturity Government stock together with providing tax exemptions to interest from two year maturity Government stock | Under implementation |
| 34 | **Inadequate Management of Government Investments and Other Interests**<br><br>I recommend the government to set up a standby investment funds from dividends and miscellaneous revenue in order to safeguard government investments, and also participate in investment avenues that the Government may deem necessary. Furthermore, I am advising the government to regularly review investment performance and strategies of the companies in which it has minority shareholdings in order to determine the performance of such investments | The Government is taking various initiatives to implement the Auditors recommendationsasfollows:<br><br>EnactmentofNew Treasury Registrar Act is at the final stage. At present the Cabinet Paper proposing enactment of Treasury Registrar Act is waiting to be discussed at Cabinet Meeting. The paper has incorporated all IMTC recommendations. | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 35 | **Delay in release of Funds and under releases**<br><br>In order to tackle the challenge of late release of approved funds, the government is advised to align Exchequer Issues with budget and revenue collections to avoid release of funds close to the end of the financial year.<br><br>By so doing, it is expected that planned activities will be implemented according to the approved timetable. In order for the Government to reduce reliance in the external assistance for implementation of the national development plans, the government is encouraged to explore alternative internal sources of revenue. Details of findings are in chapter four of this report | Delay in release of funds and under release is due to various reasons such as<br>• Challengesin implementing budgets;<br>• Revenue collection targets are not met ·<br>• Delay of funds from the Development Partners,<br>• And Long or complicatedprocess in obtaining non - concessional loans<br>However the government is intending to reduce dependency by 9%,Ephasize use of EFD and Early negotiations of concessional loans | Under implementation |
| 36 | **Weaknesses in Human resources and payroll management**<br><br>• Given the shortfall reported in human resource management, Accounting Officers are advised to effectively use Lawson system and ensure that personnel records are properly maintained at the same time names of retired officers timely deleted from the payroll, outstanding loans are cleared before they apply for new loans.<br><br>• I also advise the management of MFAIC to cease immediately the payments of Foreign Service allowances and rent to the retired officers and make arrangement for immediate return of the respective officers to their place of domicile. | In 2012 the government introduced HCMIS to ensure that payroll is managed through HR business rules and complimented with official documents attached to the transactions in the system for approval.<br><br>Also government has continued to pay the retired employees in the embassies and facilitate their home return in which for FY 2014/15 sixteen offices were returned home | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 37 | **Weaknesses in Assets Management Since the pace for valuation of asset, preparation of Asset Register, and codification of asset seems to have stagnated,**<br><br>• I advise the PMG to expedite the process and ensure that all of the above mentioned crucial activities are completed before year 2016/17 which is the deadline for full adoption of IPSAS Accrual.<br><br>• In addition to the trainings which also have to be conducted I advise the PMG to issue guidelines on how properly Asset Registers should be maintained and updated, emphasis should be made on how valuation should be done, depreciation basis, codification and regular updating of Fixed Assets Registers.<br><br>• Furthermore, I advise the government to consider the use of computerized systems which are compatible and have a direct link with the prevailing IFMS (i.e. EPICOR) for asset management to avoid multiple reporting and risks of transferring data from one system to another. | The Government has noted and is working on the Auditors recommendations to ensure that there is strong assetmanagement. The following has been done:<br><br>The Consultant hired by the MOF through DGAM is working closely with Ministry of Lands, Housing and Human Settlement Development for thesake of ensuring all Government owned land is issued with ownership documents not necessarily title deeds.<br><br>Moreover initiatives are being taken to separate the Government Asset Register is an ongoing process andonce completed it will accommodate the entire Government Assets.<br><br>The focus is to ensure that the register is completed and operational by the time the Government is on full adoption of IPSAS Accrual in the year2016/2017 | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| | • The Government is advised to ensure that Accounting officers account separately Land and buildings so as to ascertain the value of land and to easily apply the depreciation only to depreciable asset. In addition, the government is advised to ensure all MDAs/ RS obtain ownership documents in order to safeguard government assets.<br><br>• I do also advise th e government to take appropriate action with regard to disposal of grounded assets beyond repair in accordance with the Laws and Regulations in order to save salvage value which can be realised from disposal proceeds. | | |
| 38 | **Accumulation of liabilities**<br><br>I advise the government to increase revenue collections, minimize government spending and subsequently the saving should be budgeted to pay outstanding debts. The government has to pay special attention on timely settlement of medical bills from abroad hospital. | Treasury Circular No. 4 of 2014 /15 directed each accounting officer to take serious measures/precautions of not creating new debts. Directives from Chief Secretary (Ref. SAB / 485/ 0/23) of 24 October, 2013 also required each accounting officer to take serious measures/precautions of not creating new debts.<br><br>For the outstanding liabilities, Accounting Officers were directed to re-budget their outstanding liabilities in their next years' budgets so that funds could be set aside for their repayments. | U n d e r implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 39 | **Contingent liabilities (Outstanding legal cases) With regard to the outstanding legal cases**<br><br>I recommend that, Accounting Officers of respective MDAs/RS in collaboration with Attorney General Chambers make close follow up to ensure early settlement of pending legal proceedings in order to avoid and/or minimize associated costs of losing the cases. | The Government is finalizing guideline to all Accounting Officers in respect of procedures for handling legal cases to help them to work in collaboration with the office of AG especially in providing timely and correct information to help the AG to prepare plaint or the written statement of defence as the case may be and filed the same in the respective court/ tribunal. | Under implementation |
| 40 | Special audit of the SUMA JKT Project on purchase of Tractors and Agricultural Implements for the period starting from July, 2010 to 30th April, 2014.<br><br>• The government should assess the financial capacity of the project, human resource capacity, and technical capacity to find out any weaknesses and subsequently provide assistance accordingly.<br><br>• Management of the tractors' project under SUMA JKT should strictly enforce compliance with the relevant procurement Laws and Regulations to ensure that contractual obligations of both parties are implemented accordingly, all identified unimplemented contractual obligations should be implemented or else associated costs should be reimbursed to the employer. | The Government has started taking various actions to ensure that tractors' project under SUMA JKT is implemented in compliance with the relevant procurement Laws and Regulations to ensure that contractual obligations of both parties are implemented accordingly, all identified unimplemented contractual obligations are implemented or else associated costs are reimbursed to the employer. Moreover, the Government through its various organs like PPRA, IAG, and PPP will continue to conduct Audit of procurement and contract management of SUMA JKT for the purpose of ensuring that all contractual obligations are implemented as agreed .<br><br>The Government through management of SUMA JKT agrees that the finance issues should be assessed especially the effect of dollar devaluation on the project so as to ascertain associated loss due to devaluation. | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 41 | Special audit of the entire system of procurement processes of agricultural inputs for tobacco industry under Western Tobacco Cooperative Union - Tabora (WETCO)<br><br>• The government through the Ministry of Agriculture is advised to strengthen its supervision function by ensuring existence of good governance in operation of Cooperative Unions.<br><br>• I advise the Government to set minimum qualifications for the management of the Agriculture Marketing Co-operative Societies (AMCOS) as the current situation revealed that, most of the AMCOS management have low educational levels which cast doubt of the level of management of the funds and loans and AMCOS in general. Also, compliance with procurement legislations is recommended. | In making sure that Cooperative Societies leaders are thoroughly implementing their duties, the Cooperative Societies Act No. 6 of 2013 has stipulated that every elected board member of the society trained on leadershipand management skills of Cooperative Societiesespecially in good governance and code of conduct. This training should be done before implementing their specified duties.<br><br>The Cooperative Societies Act directs Board members and Management of Cooperative Societies to fill forms that discloses their level of education and Cooperative education they have acquired (second schedule of Cooperative Societies Act sect. 9(d)(e). Also the Registrar's circular.<br><br>Getting rid of conflict of interestamong board members in Leadership of Cooperative societies, section 132 of the Act has removed politicians and government officers in the Leadership posts for the sake of strengthening these societies. | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 42 | **Special audit on the implementation of the contracts for construction of Chalinze Water Supply - Phase Two**<br><br>• Contractors should be awarded construction assignments which are equivalent to their capacity prescribed by the Contractors Registration Board (CRB).<br><br>• Architectural designs for projects like Chalinze WaterSupply to be reviewed by competent professionals before inviting bids from contractors.<br><br>• Procuring entities should strengthen follow-up to ensure consultants are being monitored and they are implementing their responsibilities as per the signed agreements. Procuring entities need to have assurance of funds flow before entering into construction contracts to avoid unnecessary extra costs of the project such as penalty for late payment | The government though the Ministry of Water accepts the recommendation made bytheAuditorsregarding consideration ofContractors capacity during the evaluation of the tender submitted by the contractors as prescribed by the Contractors Registration Board(CRB)<br><br>For the issue of design to be reviewed by competent professional, the Ministry of Water agrees that it is important to engage professional consultants to review the Architectural design.The Ministry of Water has been forming special task force to evaluate the design before advertising the Tender.<br><br>Moreover, the Ministry is ensuring that the construction of distribution line is supervised and monitored by consultants for each contract. Further to that,the management has been forming special task force to supervise and monitor the implementation of all contracts. | Under implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 43 | Special audit of the Ministry of Works on the validity of the approved funds of TZS.252,975,000,000 for special road construction projects<br><br>• Budget is prepared by considering actual activities to be implemented.<br><br>• The Government only continue signing new contracts of road construction after careful consideration of the available ability to pay existing debt to the contractors to avoid the growth of these debts in the future. | The Auditors recommendations in respect of ensuring that the budgets are prepared by considering actual activities to be implemented.<br><br>The government through Ministry of works will budget and starts new roads projects based on financial ability of the government so as to avoid growth of debts in the future | U n d e r implementation |
| 44 | **Special audit on the financial statements of the Global 2013 SMART Partnership Dialogue (SPD) for the period of nineteen months from July, 2012 to January, 2014**<br><br>I recommend that, procuring entities recognize their involvement in a major function of national Interest in which a large amount of government money is spent through procuring of goods, works and service. Hence, include respective Procurements in the procurement plan. | The government accepts the Auditors recommendations and through PPRA it has kept on directing procuring entities in major functions of national interest in which a large amount of government money is spent procuring of goods, works and services to be prudent and apply the PPA and PPR. The directives also require such procurement to be included in the procurement plan of the respective entities.<br><br>Moreover, PPRA has been conducting training on PPA and PPR so as to enhance the capacity of various stakeholders.<br><br>Also PPRA conducts audits I procuring entities and among other things, Annual Procurement plan is evaluated | U n d e r implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 45 | **Inadequate Budget Management**<br>• Budget ceiling should be realistic and subject to regular reviews. Measures are taken to minimize delays in disbursement of funds from Ministry of Finance.<br>• Ongoing projects are considered prior to new projects in disbursement of funds.<br>• Boost Government revenue by increasing tax compliance so that revenue will grow and capture uncollected tax revenues and expand the current potential tax bases.<br>• I advise the Government to use IFMS EPICOR generated LPOs to avoid awarding contracts to suppliers/consultants/contractors in the absence of budget and accord first priority on implementation of ongoing projects and ensure availability of funds before signing the contracts.<br>• The Government institute mechanism of capturing expenditure arrears at the year end and ensure that those arrears are re-budgeted in the next budget cycle of MDAs. This approach will minimize the magnitude of liabilities accumulation. | In order to curb for this issue The Accountant General issues circulars regarding proper treatment and documentation of transactions passed into these MDAs'. Moreover circular n0.14 0f 2014/2015 was issued to insist on all procedures to be taken to ensure that all transactions and other issues regarding closure of financial year are adhered to.<br><br>The Accountant General conducted workshops held in November, 2014 which involved all Chief accountants and emphasise on compliance of Public Finance Act in the payments processes was made. On top of that there were Accounting officers meeting in Janury,2015 where the same were discussed among the agenda | Under Implementation |

| S/N | Audit Recommendation | Response by PMG | Audit Comments on the PMG's Response |
|---|---|---|---|
| 46 | **Electronic Fiscal Device not in use**<br><br>**On the issue of Non-compliance to Regulation 24 of the Income Tax (EFD) Regulations, 2012,B** I recommend the government to issue directives to all other government institutions to stop dealing with suppliers who are not using the EFD machines. In addition, continue to provide awareness program so as to spearhead voluntary compliance. | The Government through the MOF has issued directives to all other government institutions to stop dealing with suppliers not using EFD machines.<br><br>The government through the TRA department of Taxpayers Education will continue to provide awareness programs and tax payers education to spearhead voluntary compliance | **Under implementation.**<br><br>Even though the government is insisting on usage of EFD machine, Still the level of compliance is not up to the desired standards |

Appendices

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## Appendix 3.6: Implementation status of the PAC Recommendations

| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| **Financial Year 2011/2012** | | | |
| 1 | **Handling Tax claims Court Cases.**<br>· Consider imposing disciplinary measures to all staff who are the cause of these cases.<br>· Office of the Attorney General to function with integrity and focused on defending the Government with the aim of winning the case. | Tax Revenue Appeals Board (TRAB) and Tax Revenue Appeals Tribunal (TRAT) are unified tax appeal machinery with the primary mission of ensuring a speedy, efficient, effective and impartial resolution of tax disputes. Their operating motto is therefore to resolve tax disputes diligently and efficiently between concerned parties timely.<br><br>Budget constraint to the Board and Council is a reason on the delay of hearing and ruling of the appealed cases. The Government will allocate adequate funds to the Board and Council so as to facilitate timely hearing and subsequent ruling of the appealed cased submitted. | Not implemented. Further follow up will be made during next year audit<br><br>The cases are at hearing stage of which the outcome cannot be ascertained. |
| 2 | **Management of contract on production of Driving Licenses**<br>· TRA has to make sure that It reviews the entire contract and do analysis of all the weakness of the contract for amendments. CAG to do special Audit and then submit its Report to the Committee;<br>· All contracts which involve the provision of tax exemptions should bereviewed by Attorney General be foresigning. In addition, the TRA alsoshould beinvolved in order to provide professional advice by ensuring that tax relief does not affect revenue collection. | The contract time has elapsed and the whole amount of license fees is now Public money, there is no more sharing of collected License fees.<br><br>Special audit report on driving licenses has been issued by CAG and was tabled Public Accounts Committee (PAC). | Implemented |

| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| 3 | **Disbursement of Adequate funding to the Rural Electrification Agency(REA)**<br><br>PAC recommended that in the financial year 2014/2015 Government should provide REA with enough funds from its own sources to facilitate Rural electrification | During the FY 2014/15 a total of TZS. 269, 200,000,000 was allocated to REA of which TZS.172,099,000,000 has been released as at May, 2015 | U n d e r implementation.<br><br>The Government is advised to be released funds as per the approved budget |
| 4 | **Repayment of Government debt to PSPF**<br><br>· The Government should continue to set aside and pay every year TZS.71 billion to PSPF to enable the fund to continue to provide pensions for retirees without restrictions;<br><br>· PSPF should invest and issue loans to various institutions by considering its financial capacity to avoid danger off ailing to sustain the fund.<br>· Social Security Regulatory Authority (SSRA) has to be proactive in managing the level of investment and loans offered by the Social Security Funds not to exceed the capacity of such funds. | The Government has continued to pay PSPF loan as follows:<br><br>· May, 2015 TZS 66.3 billion<br><br>· April, 2015 TZS 44,5 billion<br><br>· March, 2015 TZS 22.0 billion<br><br>Therefore a total of TZS 182.8 billion had been paid to date as at the end of May, 2015. | The government is advised to clear out the outstanding debt |

| S/N | PAC Recommendation | Response by Government | Audit comments |
| --- | --- | --- | --- |
| 5 | **Delays in fundingand the budget deficit for our embassies/ missions abroad.**<br>· Through the Ministry of Foreign Affairs and International Cooperation and the Ministry of Finance all Embassies/ Missions have to impose an effective strategy to ensure Visa Sticker Machine are working.<br>· Ensure that the IFMS is working well in our embassies to create value for the cost involved in the purchase and installation of the system and also avoid losses to the Government that can be caused by not using the system.<br>· In addition, the Ministry of Foreign Affairs and International Cooperation in collaboration with the Ministry of Finance should find a way to reduce operating costs of the IFMS in embassies. | In order to make sure Embassies/Missions perform their duties, the Government always disburses 100°/o of approved budget each year without any budget cut. However, the Government is aware that budget release cannot accommodate all requirements of the missions, therefore the budgetceilings will be increasing gradually as revenue collections is improved | Improvements on the release of funds will be assessed accordingly. |

| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| 6 | **Strengthening revenue collection of the Ministry of Lands, Housing and Human Settlements Development.**<br><br>· Ministry of Lands, Housing and Human Settlements Development should strengthen the internal control systems over revenue collection<br><br>· In order to increase controls over revenue collection, the Ministry despite using its system of Land Rent Management System (LRMS) should also start using the Electronic Fiscal Devise (EFD) in collecting government revenues.<br><br>· LRMS to be linked to the Taxpayer's identification number (TIN) to determine the actual number of taxpayers with the aim of reducing current existing land disputes.<br><br>· The Ministry should find specific mechanisms that would ensure taxes that are outstanding in different plots are recovered as soon as possible. | Ministry is on the process of introducing Integrated Land Management Information System (ILMIS) which is expected to be linked with information from institution like TRA, BRELA and TIC. | The Ministry of Lands, Housing and Human Settlement is advised to speed up the implementation of PAC recommendation |
| **Financial Year 2012/2013** | | | |

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| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| 7 | **Tax exemptions**<br><br>• Tanzania Revenue Authority(TRA) to establish tax exemption management unit that will have the responsibility to follow up the use of tax exemptions and submit to other authorities with responsibility for providing tax exemptions,<br><br>• TRA should regularly inspect and monitor Companies enjoying tax exemptions to ensure compliance with tax law and avoid losses arising from abuse of tax exemptions,<br><br>• TRA to claim tax amounting to TZS 22,325,178,728 together with penalties from Geita Gold mine which were not collected due to inadequate internal controls and lack of proper management of tax exemptions,<br><br>• TRA should exert more control over motor vehicles tax exemptions and register motor vehicles in the name of the importers,<br><br>• TRA to ensure that Kiliwarrior Expeditions Ltd and Kilimakyaro Mountain Lodge settle unpaid tax amounting to TZS 392,701,602 and 53,399,565 respectively due to fraud in the importation of motor vehicles and stop the companies from enjoying tax exemption, | TRA has already taken several measures in dealing with tax exemptions. Audit conducted in some mining companies noted that some of these companies, including Geita Gold Mine issued tax exempted fuel to contractors. TRA estimated taxes and claim TZS.5.1 billion from Geita Gold Mine. However Geita Gold Mine appealed to the Board of Tax Appeals (case 5 in 2012),where the Board ordered taxes collection from mining companies on 3/10/2012. Finally, the Board suspended ban on 22 July, 2014.<br><br>• TRA continues to collect taxes from exempted mining companies which in the financial year 2011/12 and 2012/2013 TRA already collected TZS 16.7 billion from Geita Gold Mine and Resolute where they issue a tax exempted fuel to contractors. These contractors include ausdiril, AECL, Capital drill, falcon, hilcon, ako, CASCCO, Moolman, Orica, Panaf, Mantra, SGS, Rhino, Caspian Construction, Mansons Mines Log Ltd, CSI, Epson and Police. TRA continues to reconcile statistical data of tax exempted fuel consumption issued to mining companies every month and collect applicable tax, | More efforts are to be exerted to mitigate the existing misuse of tax exemptions |

| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| | • TRA management to conduct investigations and claim funds from companies suspected to misuse tax exemptions, management to take legal and disciplinary action against TRA officers who participated in the fraud<br><br>• TRA to ensure that exempted traders and companies submit tax exemptions returns.<br><br>• In addition, TRA to undertake investigation related to the use of tax exemptions granted to M/S Conti-Africa Ltd before and after closing his business and ensure that the company settle s unpaid tax amounted to TZS.3,824,547,526.<br><br>• TRA to ensure that exempted companies submit tax exemption returns before issuing another tax exemption<br><br>• TRA to reject tax exemption request in absence of all required documents<br><br>• Tanzania Investment Centre (TIC) to initiate a process to revise Investment Act of 1997 in order to remove exemptions for renovations or expansion projects granted to exempted companies | • In respect of motor vehicle registration system, TRA continues to open criminal cases against parties involved with this crime in conjunction with other government organs. TRA investigated Kilemakyaro Mountain Lodge Ltd which was granted tax exemption on motor vehicles importation. TRA reconciled data and took appropriate action against the parties involved,<br><br>• Government through the Tanzania Investment Act, chapter 38, offers tax exemptions for investors in specific sectors including the renovation and expansion of their projects. Government's commitment to provide these incentives is to foster and promote investment in the country. Attraction of investors through tax exemption i n the expansion and renovation projects has been causing significant loss of revenue. the government has removed this exemption, refer section 48(d) of the Finance Act, 2014,<br><br>• The government recognizes the importance of adhering to Laws andr Regulations in the provision of tax exemptions. | |

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| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| | | TRA has taken several measures to strengthen the management of tax exemptions to ensure that Laws andr Regulations are adhered to before granting tax exemptions as directed by PAC. | |
| 8 | **Construction of VIP lounge at Julius Nyerere International Airport (JNIA) in the financial year 2006/2007 - 2011/2012**<br><br>PAC directed the government through its organs like PCCB to undertake criminal investigation in respect of individuals alleged to be involved in causing loss of more than TZS 9.0billion to the government and take appropriate legal action | Accordingto the special Audit Report conducted by PAC<br><br>· The Government through TAA spent TZS 869,484,184 to finance outstanding Activities not funded by China Sonangol International Limited (CSIL) who was the sponsor of the Project as a donor.<br><br>· The Government therefore did not contribute 3.0 billion as mentioned in the ToR.<br><br>· There was no tax exemption in relation to the goods imported for the Project as the Government through TAA paid TZS. 164,802,727.00 as tax to equipment and furniture installed in the Project .<br><br>· TheGovernment of Tanzania therefore, paid a total of TZS 1,042,286 ,911 only in the whole project and;<br><br>· In that view the Government did not get a loss of 9.0 billion as indicated by PAC. | Not implemented. Criminal investigation are yet to be undertaken as directed by PAC |

| S/N | PAC Recommendation | Response by Government | Audit comments |
|---|---|---|---|
| 9 | **Funds Used to Publicise Various Ministry's Budgets on News Papers after being Approved by the National Assembly in the financial year 2011/2012 and 2012/2013.**<br><br>PAC recommends that from next financial year the Controller and Auditor-General to give special attention to audit these expenditures and directs Accounting Officers to reduce unnecessary advertisement costs before disciplinary action is taken against them. | No response | Not implemented |

Appendices

**Appendix4.1 Approved estimates, actual release and actual expenditure for supply votes**

| Vote | Ministries | Approved Estimate (TZS.) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 31 | Vice President's Office | 56,132,736,901 | 51,007,201,419 | 51,001,554,666 |
| 34 | Foreign Affairs & Inter. Cooperation | 227,020,280,549 | 216,572,407,462 | 214,752,185,660 |
| 37 | Prime Minister's Office | 37,952,139,744 | 23,392,399,714 | 24,329,705,511 |
| 41 | Constitutional and Legal Affairs | 19,572,746,745 | 16,355,395,652 | 16,355,035,639 |
| 43 | Agriculture, Food Security & Cooperative | 291,737,288,096 | 243,193,706,968 | 241,985,815,874 |
| 44 | Industry and Trade | 38,681,787,594 | 36,734,167,366 | 36,712,703,624 |
| 46 | Education and Vocational Training | 373,190,025,218 | 356,165,414,503 | 354,900,157,255 |
| 48 | Lands and Human Settlement | 52,404,172,249 | 35,671,081,989 | 31,513,101,060 |
| 49 | Water and Irrigation | 31,244,434,255 | 21,767,698,862 | 21,722,295,061 |
| 50 | Finance | 73,194,667,185 | 66,141,285,135 | 65,430,693,052 |
| 51 | Home Affairs | 16,159,284,287 | 9,655,550,747 | 9,655,470,223 |
| 52 | Health and Social Welfare | 356,206,871,203 | 337,661,220,794 | 336,180,961,094 |
| 53 | Community Development, Gender & Children | 21,436,040,600 | 16,179,222,951 | 16,150,568,325 |
| 56 | Regional Administration & Local Government | 67,021,549,600 | 60,327,683,693 | 60,325,036,601 |
| 57 | Defence and National Service | 20,254,999,956 | 16,524,152,439 | 16,524,147,827 |
| 58 | Energy and Mineral | 122,185,087,549 | 77,690,241,370 | 75,339,863,006 |
| 62 | Transport | 99,091,655,814 | 97,202,693,786 | 97,201,644,001 |

| Vote | Ministries | Approved Estimate (TZS.) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 65 | Labour, Employment &Youth Development | 15,447,828,300 | 10,363,139,970 | 10,288,585,937 |
| 68 | Communication, Science And Technology | 37,550,709,000 | 33,468,302,489 | 33,344,922,171 |
| 69 | Natural Resources And Tourism | 70,870,488,832 | 50,886,230,164 | 50,885,399,164 |
| 96 | Information ,Culture And Sports | 20,450,611,000 | 18,713,060,683 | 16,547,911,334 |
| 97 | East Africa Cooperation | 24,952,428,679 | 21,743,480,458 | 21,743,480,458 |
| 98 | Works | 37,867,803,091 | 33,907,765,174 | 33,907,738,912 |
| 99 | Livestock Development And Fisheries | 42,259,292,072 | 37,291,677,320 | 37,291,677,320 |
| **REGIONS** | | | | |
| 36 | Katavi | 4,361,961,000 | 2,862,247,866 | 2,786,301,161 |
| 47 | Simiyu | 5,347,277,900 | 4,298,732,174 | 4,292,482,223 |
| 54 | Njombe | 6,955,972,500 | 4,448,880,156 | 4,448,712,841 |
| 63 | Geita | 5,734,710,300 | 3,957,042,694 | 3,957,042,694 |
| 70 | Arusha | 11,658,875,477 | 10,766,074,384 | 10,766,074,384 |
| 71 | Coast | 5,741,386,476 | 4,562,289,787 | 4,562,289,787 |
| 72 | Dodoma | 10,615,498,000 | 9,078,602,469 | 9,743,633,585 |
| 73 | Iringa | 9,494,436,000 | 8,490,446,020 | 8,489,506,094 |
| 74 | Kigoma | 7,980,937,470 | 6,266,548,741 | 6,266,548,741 |
| 75 | Kilimanjaro | 11,382,802,800 | 10,835,382,200 | 10,767,008,283 |

| Vote | Ministries | Approved Estimate (TZS.) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 76 | Lindi | 7,535,832,780 | 6,495,801,984 | 6,516,779,587 |
| 77 | Mara | 8,751,186,000 | 6,976,806,713 | 6,962,323,864 |
| 78 | Mbeya | 8,995,959,543 | 7,505,794,126 | 7,209,234,183 |
| 79 | Morogoro | 13,687,213,000 | 11,889,394,997 | 11,893,362,651 |
| 80 | Mtwara | 6,521,258,685 | 6,521,258,685 | 6,525,417,814 |
| 81 | Mwanza | 10,683,065,600 | 9,089,531,942 | 9,085,055,511 |
| 82 | Ruvuma | 11,519,280,000 | 10,258,670,271 | 10,256,752,303 |
| 83 | Shinyanga | 7,960,470,000 | 6,613,844,971 | 6,273,688,183 |
| 84 | Singida | 8,154,072,000 | 7,088,901,588 | 7,088,901,588 |
| 85 | Tabora | 7,871,515,000 | 7,562,879,968 | 7,557,403,782 |
| 86 | Tanga | 10,958,689,000 | 9,556,546,815 | 9,556,546,815 |
| 87 | Kagera | 10,462,639,000 | 8,311,984,923 | 8,258,882,112 |
| 88 | Dar es Salaam | 5,078,906,812 | 3,977,654,404 | 3,975,674,556 |
| 89 | Rukwa | 7,404,181,234 | 6,115,743,582 | 6,109,585,822 |
| 95 | Manyara | 6,267,084,000 | 4,726,618,214 | 4,749,589,938 |
| **VOTE** | **COMMISSIONS** | | | |
| 5 | National Irrigation Commission | 575,000,000 | 218,195,613 | 209,510,348 |
| 6 | Presidential Delivery Bureau | 6,137,964,000 | 1,958,500,084 | 1,958,500,084 |
| 7 | Treasury Registrar | 299,364,162,887 | 298,071,162,887 | 298,070,038,777 |

| Vote | Ministries | Approved Estimate (TZS.) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 9 | Secretariat of Public Remuneration Board | 3,084,661,314 | 1,974,798,052 | 1,974,798,052 |
| 10 | Joint Finance Commission | 2,629,247,745 | 1,279,633,019 | 1,279,633,019 |
| 12 | Judiciary Commission Service | 4,367,911,000 | 1,835,001,660 | 1,830,144,464 |
| 13 | Financial Intelligent Unit | 1,900,000,000 | 1,462,513,104 | 1,462,513,104 |
| 15 | Mediation and Arbitration | 4,541,337,000 | 2,751,566,198 | 2,737,955,677 |
| 24 | Cooperative Development Commission | 6,200,022,500 | 3,801,893,361 | 3,800,549,188 |
| 55 | Human Rights & Governance | 6,597,605,000 | 3,909,127,115 | 3,907,216,092 |
| 59 | Law Reform Commission | 3,827,506,750 | 2,540,147,244 | 2,525,974,457 |
| 61 | Electoral Commission | 226,055,184,188 | 224,522,270,164 | 223,235,284,966 |
| 66 | President's Office-Planning | 8,459,280,000 | 5,650,288,182 | 5,638,404,217 |
| 91 | Drugs Control Commission | 4,165,862,918 | 2,202,573,557 | 2,192,656,262 |
| 92 | Tanzania Commission for AIDS (TACAIDS) | 4,737,784,000 | 2,665,203,109 | 2,665,203,109 |
| 94 | Public Service Commission | 13,886,016,998 | 9,938,109,820 | 9,937,696,491 |
| **VOTE** | **DEPARTMENTS WITHIN RESPECTIVE MINISTRIES** | | | |
| 14 | Fire and Rescue Force | 30,837,972,449 | 23,184,294,717 | 23,169,594,433 |
| 16 | Attorney General | 13,724,848,266 | 8,751,678,768 | 9,155,109,539 |
| 20 | President's Office-State House | 9,446,179,000 | 9,446,179,000 | 9,446,019,911 |
| 21 | The Treasury | 263,629,490,308 | 256,830,688,463 | 256,276,983,611 |

| Vote | Ministries | Approved Estimate (TZS.) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 22 | Public Debt and General Services | 5,604,189,262,023 | 5,603,462,259,355 | 5,601,404,007,643 |
| 23 | Accountant General's Office | 76,148,359,132 | 66,969,117,185 | 66,815,277,368 |
| 25 | Prime Ministers' Office | 6,161,510,840 | 6,143,170,940 | 6,130,804,744 |
| 26 | Vice President's Office | 5,662,547,700 | 5,076,621,120 | 5,071,548,078 |
| 27 | Registrar of Political Parties | 20,983,573,863 | 19,739,849,468 | 19,724,323,750 |
| 28 | Home Affairs | 544,954,057,937 | 535,746,646,950 | 535,759,510,925 |
| 29 | Prisons (Ministry of Home Affairs) | 200,058,589,053 | 189,159,539,087 | 174,154,403,452 |
| 30 | President Office and Cabinet Secretariat | 318,421,853,981 | 318,419,932,473 | 318,419,867,738 |
| 32 | President's Office - Public Service Management | 36,998,288,666 | 35,139,069,188 | 35,136,799,887 |
| 33 | President's office Ethics Secretariat | 6,689,538,000 | 5,065,549,759 | 5,065,426,592 |
| 35 | Public Prosecution Division | 20,625,434,400 | 12,731,602,538 | 12,720,964,295 |
| 38 | Defence | 895,364,504,705 | 879,132,795,175 | 879,132,795,175 |
| 39 | The National Service | 262,873,098,238 | 251,701,698,889 | 251,701,698,889 |
| 40 | Judiciary | 125,644,439,394 | 107,608,002,040 | 107,483,808,245 |
| 42 | National Assembly | 162,820,243,496 | 162,729,855,456 | 162,726,128,397 |
| 67 | Public Service Recruitment Secretariat | 5,071,975,526 | 2,789,576,665 | 2,787,981,845 |
| 93 | Immigration Department | 75,351,153,089 | 58,632,469,460 | 58,533,451,683 |
| **TOTAL** | | **11,646,196,605,462** | **11,190,114,440,646** | **11,156,432,036,782** |

## Appendix 4.2: Approved estimates, actual release and actual expenditure for Development votes

| Vote | Ministries | Approved Estimate (TZS) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 31 | Vice President's Office | 6,054,746,000 | 2,133,108,188 | 2,133,006,524 |
| 34 | Foreign Affairs & Inter. Cooperation | 30,000,000,000 | 16,655,504,000 | 16,655,504,000 |
| 37 | Prime Minister's Office | 69,021,571,356 | 65,584,111,388 | 43,083,053,433 |
| 41 | Constitutional and Legal Affairs | 5,048,621,000 | 338,187,100 | 338,187,100 |
| 43 | Agriculture, Food Security & Cooperative | 62,317,866,700 | 40,241,338,943 | 34,610,032,365 |
| 44 | Industry and Trade | 78,601,711,000 | 66,444,936,687 | 66,406,273,222 |
| 46 | Education and Vocational Training | 432,033,033,000 | 379,630,053,133 | 377,015,785,274 |
| 48 | Lands and Human Settlement | 33,709,333,752 | 1,000,000,000 | 999,943,528 |
| 49 | Water and Irrigation | 409,124,227,300 | 147,458,514,440 | 147,092,054,679 |
| 50 | Finance | 19,803,232,000 | 14,953,231,761 | 11,889,175,932 |
| 51 | Home affairs | 2,573,346,733 | 1,041,160,082 | 1,041,160,082 |
| 52 | Health and Social Welfare | 305,669,492,000 | 263,717,824,479 | 263,673,181,997 |
| 53 | Community Development, Gender & Children | 7,837,544,000 | 2,034,918,400 | 2,034,918,356 |
| 56 | Regional Administration & Local Government | 350,769,935,650 | 286,597,930,914 | 286,595,310,872 |
| 57 | Ministry Defense and National Service | 230,000,000,000 | 70,500,000,000 | 70,500,000,000 |
| 58 | Energy and Mineral | 486,591,727,117 | 406,775,156,463 | 406,775,156,463 |
| 62 | Transport | 113,245,333,840 | 86,657,000,000 | 86,654,061,705 |
| 68 | Communication, Science And Technology | 30,211,333,000 | 9,089,944,762 | 9,089,943,759 |
| 69 | Natural Resources And Tourism | 13,949,870,000 | 3,198,668,859 | 3,198,668,859 |

| Vote | Ministries | Approved Estimate (TZS) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 96 | Information ,Culture And Sports | 16,850,000,000 | 9,000,000,000 | 9,000,000,000 |
| 98 | Works | 1,041,552,017,000 | 771,093,695,011 | 771,093,245,628 |
| 99 | Livestock Development And Fisheries | 24,804,405,000 | 4,742,447,682 | 4,734,334,878 |
| **REGIONS** | | | | |
| 36 | Katavi | 6,893,122,684 | 1,315,233,684 | 1,293,277,078 |
| 47 | Simiyu | 4,008,969,000 | 1,481,398,034 | 885,747,209 |
| 54 | Njombe | 7,805,632,000 | 3,118,750,151 | 3,117,790,145 |
| 63 | Geita | 11,480,710,000 | 1,382,917,823 | 1,382,917,823 |
| 70 | Arusha | 1,533,620,000 | 616,485,495 | 603,935,401 |
| 71 | Coast | 1,520,976,124 | 950,890,695 | 950,890,695 |
| 72 | Dodoma | 5,103,282,000 | 1,565,328,696 | 1,803,310,521 |
| 73 | Iringa | 1,046,863,000 | 887,585,417 | 891,799,856 |
| 74 | Kigoma | 6,805,875,000 | 1,003,298,363 | 1,348,515,599 |
| 75 | Kilimanjaro | 13,621,511,000 | 1,954,305,968 | 1,936,692,025 |
| 76 | Lindi | 8,435,329,000 | 501,795,770 | 542,870,837 |
| 77 | Mara | 4,577,115,000 | 1,368,125,364 | 1,255,824,808 |
| 78 | Mbeya | 21,636,708,000 | 785,839,497 | 876,203,183 |
| 79 | Morogoro | 8,408,312,000 | 171,137,200 | 446,924,696 |
| 80 | Mtwara | 882,906,000 | 882,906,000 | 877,530,677 |
| 81 | Mwanza | 1,827,956,000 | 787,871,000 | 787,863,837 |
| 82 | Ruvuma | 1,850,132,000 | 789,099,524 | 789,099,524 |

| Vote | Ministries | Approved Estimate (TZS) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 83 | Shinyanga | 1,655,818,000 | 904,129,024 | 904,129,024 |
| 84 | Singida | 5,405,422,000 | 1,449,903,024 | 1,449,903,024 |
| 85 | Tabora | 2,721,157,000 | 401,293,364 | 398,557,420 |
| 86 | Tanga | 1,955,860,000 | 572,778,376 | 564,447,319 |
| 87 | Kagera | 1,551,526,000 | 506,518,364 | 478,296,577 |
| 88 | Dar es Salaam | 1,569,077,000 | 566,213,387 | 565,939,175 |
| 89 | Rukwa | 1,430,666,000 | 910,002,679 | 909,541,503 |
| 95 | Manyara | 2,529,672,000 | 1,258,640,024 | 1,255,453,743 |
| **VOTE** | **COMMISSIONS** | | | |
| 5 | National Irrigation Commission | 39,673,719,705 | 10,659,134,113 | 8,564,886,691 |
| 6 | Presidential Delivery Bureau | 35,935,038,424 | 35,935,038,424 | 35,935,038,424 |
| 13 | Financial Intelligent Unit | 195,000,000 | 116,779,055 | 86,019,600 |
| 55 | Human Rights & Governance Commission | 900,753,000 | 643,140,726 | 643,120,726 |
| 61 | National Electoral Commission | 2,699,410,000 | 198,239,108 | 198,239,108 |
| 66 | President's Office-Planning | 4,889,889,000 | 146,370,000 | 146,369,659 |
| 91 | Drugs Control Commission | 3,430,000,000 | 2,364,117,301 | 2,364,086,274 |
| 92 | Tanzania Commission for AIDS (TACAIDS) | 5,341,286,000 | 3,688,716,064 | 3,697,520,949 |
| **VOTE** | **DEPARTMENTS WITHIN RESPECTIVE MINISTRIES** | | | |
| 16 | Attorney General | 1,957,149,000 | 248,080,000 | 248,080,000 |
| 21 | The Treasury | 41,204,447,482 | 35,068,528,305 | 33,658,784,511 |
| 23 | Accountant General's Office | 5,950,000,000 | 3,150,000,000 | 2,906,961,636 |

| Vote | Ministries | Approved Estimate (TZS) | Exchequer Issue Received (TZS) | Actual Expenditure (TZS) |
|---|---|---|---|---|
| 28 | Home Affairs | 6,745,643,248 | 1,245,643,348 | 1,245,643,348 |
| 29 | Prisons (Ministry of Home Affairs) | 1,612,748,800 | - | - |
| 30 | President Office and Cabinet Secretariat | 159,124,964,000 | 112,126,214,873 | 112,125,214,873 |
| 32 | President's Office - Public Service Management | 7,996,250,000 | 3,561,783,944 | 3,561,783,944 |
| 33 | Ethics Secretariat | 2,455,858,000 | 374,223,079 | 374,223,079 |
| 35 | Public Prosecution Division | 468,299,000 | 467,116,218 | 334,911,387 |
| 38 | Defense | 12,000,000,000 | 1,500,000,000 | 1,500,000,000 |
| 39 | The National Service | 7,000,000,000 | 1,500,000,000 | 1,500,000,000 |
| 40 | Judiciary | 41,687,748,000 | 3,000,000,000 | 3,000,000,000 |
| 42 | National Assembly | 6,655,439,000 | 3,000,000,000 | 2,973,987,375 |
| 93 | Immigration Department | 105,071,980,000 | 60,182,000,000 | 60,182,000,000 |
| **TOTAL** | | **4,389,023,185,915** | **2,954,195,303,772** | **2,916,177,331,940** |

## Appendix5.1: Controlled entities whose reporting dates differ with the controlling entity

| S/N | Name of the controlled entity | Reporting date of the controlled entity | Reporting date of the controlling entity |
|---|---|---|---|
| 1 | Tanzania Investment Bank (TIB) - Corporate Bank | 31st December | 30th June |
| 2 | Tanzania Investment Bank (TIB) - Development Bank | 31st December | 30th June |
| 3 | Tanzania Postal Bank (TPB) | 31st December | 30th June |
| 4 | Tanzania Women's Bank Limited (TWB) | 31st December | 30th June |
| 5 | Twiga Bancorp | 31st December | 30th June |
| 6 | National Housing Corporation (NHC) | 31st December | 30th June |
| 7 | Kilimanjaro Airport Development Company Limited | 31st December | 30th June |
| 8 | Tanzania Railway Limited | 31st December | 30th June |
| 9 | National Housing Corporation | 31st December | 30th June |
| 10 | Tanzania Telecommunication Company Limited | 31st December | 30th June |
| 11 | Architects and Quantity Surveyors Registration Board | 31st December | 30th June |
| 12 | Contractors Registration Board | 31st December | 30th June |

## Appendix 5.2: List of loss making Government investments

| S/N | Corporation / Company | SC/CF | Paid up Shares | Share Holders Funds | Total Equity |
|---|---|---|---|---|---|
| 1 | Air Tanzania Company Ltd | SC | 16,252,940,000 | (29,652,624,000) | (13,399,684,000) |
| 2 | Copy Right Society of Tanzania | CF | 28,954,000 | (180,007,000) | (151,053,000) |
| 3 | DAWASCO | CF | 2,000,000,000 | (64,494,365,000) | (62,494,365,000) |
| 4 | Tanzania Broadcasting Company (TBC) | AF | 0 | (1,777,016,092) | (1,777,016,092) |
| 5 | Tanzania Commission for Universities | CF | 785,700,000 | (997,754,561) | (212,054,561) |
| 6 | Tanzania Dairy Board | CG | 49,217,736 | (144,741,919) | (95,524,183) |
| 7 | Tanzania Fertilizer Company | SC | 553,778,437 | (8,616,282,508) | (8,062,504,071) |
| 8 | Tanzania National Road Agency (TANROADS) | AF | 8,304,877,179 | (58,814,285,025) | (50,509,407,846) |
| 9 | Tanzania Railways Limited | SC | 20,000,000,000 | (111,602,003,000) | (91,602,003,000) |
| 10 | Tanzania Sisal Board | GG | 74,733,338 | (451,038,080) | (376,304,742) |
| 11 | Tanzania Tourist Board (TTB) | CF | 323,880,000 | (917,379,000) | (593,499,000) |
| 12 | Twiga Bank Corp | SC | 7,800,000,000 | (28,399,338,000) | (20,599,338,000) |
| 13 | Tanzania Telecommunication Company Ltd (TTCL) | SC | 191,012,250,000 | (248,144,650,000) | (57,132,400,000) |
| 14 | Friendship Textile Co. | SC | 5,035,632,000 | (11,150,558,580) | (6,114,926,580) |
| 15 | TANSCAN TIMBER COMPANY LTD | SC | 49,000,000 | (133,607,788) | (84,607,788) |
| 16 | Airtel Tanzania LTD | SC | 16,400,000,000 | (128,622,000,000) | (112,222,000,000) |
| 17 | Datel Tanzania Limited | SC | 5,164,832,000 | (5,400,334,000) | (235,502,000) |
| 18 | Tanzania Development Finance Ltd | SC | 1,060,263,000 | (8,737,841,000) | (7,677,578,000) |
| 19 | Williamson Diamond Limited | SC | 20,203,485 | (67,091,732,988) | (67,071,529,503) |

**Note:** **SC-Share Capital**
**CF-Capital Fund**
**AF-Accumulated Fund**
**CG Capital Grant**
**GG-Government Grant**

## Appendix 5.3: TRA Tax exemptions for the year 2014/2015

| S/N | Institution category | Total in TZS | Total in TZS | Increase (decrease) (TZS) | % of increase /(decrease) | Share of category over total exemption % |
|---|---|---|---|---|---|---|
| | | 2014/15 | 2013/14 | 2014/15 | 2014/15 | 2014/15 |
| 1 | Government Institutions | 10,907,901,968 | 10,464,177,448 | 443,724,521 | 0.04 | 0.67% |
| 2 | Parastatal Organizations | 200,013,292,660 | 151,320,063,168 | 48,693,229,492 | 0.32 | 12.29% |
| 3 | Religious Institutions | 157,703,067 | 409,131,392 | -251,428,325 | -0.61 | 0.01% |
| 4 | Non-Government Organizations (NGO)s | 507,715,653 | 365,924,795 | 141,790,858 | 0.39 | 0.03% |
| 5 | Foreign Embassies/UN | 15,979,987,089 | 15,125,464,070 | 854,523,019 | 0.06 | 0.98% |
| 6 | Military duty free shop | 1,701,546,597 | 12,245,651,978 | -10,544,105,381 | -0.86 | 0.10% |
| 7 | Donor Funded Projects (DFP) | 118,969,312,689 | 124,305,103,132 | -5,335,790,443 | -0.04 | 7.31% |
| 8 | Private Companies & Individuals | 243,401,384,649 | 371,216,680,897 | -127,815,296,248 | -0.34 | 14.96% |
| 9 | Mining Sector | 30,727,191,173 | 30,827,470,628 | -100,279,455 | 0 | 1.89% |
| 10 | Oil/Gas Exploration | 117,838,127,034 | 103,195,828,832 | 14,642,298,202 | 0.14 | 7.24% |
| 11 | Tanzania Investment Centre (TIC) | 251,198,253,514 | 330,141,360,717 | -78,943,107,203 | -0.24 | 15.44% |
| 12 | VAT relief granted under 3rd Schedule-VAT Act Cap 148 | 635,609,504,822 | 684,480,503,300 | -48,870,998,478 | -0.07 | 39.07% |
| | **Total** | **1,627,011,920,914** | **1,834,097,360,356** | **-207,085,439,441** | **-0.11** | **100%** |

## Appendix 6.1: Analysis of MDAs with internal control deficiencies

Definition

✓ *Internal Control Deficiencies existed*
☒ *Internal Control Deficiencies didn't exist*

| S/N | MDAs | Internal audit | | Audit committee | | ICT | | Risks | | Fraud | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years |
| **VOTES** | | | | | | | | | | | |
| 1 | National Irrigation Commission | ✓ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 2 | Treasury | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 3 | Registrar of Political Parties | ✓ | ☒ | ☒ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ |
| 4 | Prisons Service Department | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 5 | Ministry of Foreign Affairs | ☒ | ✓ | ☒ | ☒ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 6 | Director of Public Prosecution (DPP) | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 7 | Prime Minister's Office | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ |
| 8 | Tanzania People's Defense Force (TPDF) | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 9 | National Assembly | ☒ | ✓ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 10 | Ministry of Agriculture Food Security and Cooperatives | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ✓ | ☒ |
| 11 | Ministry of Water & Irrigation | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 12 | Ministry of Home Affairs | | | ✓ | · | | | ✓ | · | | |
| 13 | Ministry of Health and Social Welfare | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 14 | Commission For Human Rights and Good Governance | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 15 | Prime Minister's Office Regional Administration and Local Authorities (PMO - RALG) | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 16 | Ministry of Defense and National Service | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |

| S/N | MDAs | Internal audit | | Audit committee | | ICT | | Risks | | Fraud | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years |
| 17 | National Electoral Commission (NEC) | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 18 | Ministry of Communication Science and Technology | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 19 | Tanzania Commission For Aids (TACAIDS) | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 20 | Immigration Services Department | ☒ | ☒ | ✓ | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 21 | Tanzania Cooperatives Development Commission | ✓ | ☒ | ✓ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ |
| **AGENCIES** | | | | | | | | | | | |
| **1** | Agency For Development of Educational Management (ADEM) | ✓ | ✓ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ |
| **2** | Agricultural Seed Agency | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ✓ | ☒ | ☒ |
| **3** | Drilling and Dam Construction Agency (DDCA) | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| **4** | Tanzania Government Flight Agency | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **5** | Government Chemistry Agency | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **6** | Livestock Training Agency | ✓ | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ |
| **7** | National Food Reserve Agency (NFRA) | ✓ | ☒ | ☒ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ☒ |
| **8** | National Housing and Building ResearchAgency | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **9** | Occupational Safety Health Authority (OSHA) | ☒ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **10** | RITA | ☒ | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| **11** | Tanzania Building Agencies | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| **12** | Tanzania Forest Services Agency | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **13** | Tanzania Institute of Accountancy | ☒ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |

| S/N | MDAs | Internal audit | | Audit committee | | ICT | | Risks | | Fraud | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years |
| **14** | Tanzania Tree Seeds Agency (TTSA) | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **15** | Tanzania Veterinary Laboratory Agency (TVLA) | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ☒ | ✓ | ☒ | ☒ |
| **OTHER INSTITUTIONS** | | | | | | | | | | | |
| **1** | Geological Survey of Tanzania | ☒ | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| **2** | Pasiansi Wildlife Training Institute | ✓ | | | | ✓ | | | | | |
| **3** | Tanzania Official Seed Certification Institute | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **4** | Nelson Mandela African Institution of Science and Technology | ☒ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **5** | Tanzania Nursing and Midwives Council | ☒ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **FUNDS** | | | | | | | | | | | |
| **1** | Agricultural Input Trust Fund | ☒ | ✓ | ☒ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ |
| **2** | Tanzania Forest Fund | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| **RAS** | | | | | | | | | | | |
| 1 | Mwanza Regional Administrative Secretariat | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ✓ |
| 2 | Singida Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ☒ |
| 3 | Tabora Regional Administrative Secretariat | ☒ | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 4 | Tanga Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ |
| 5 | Dar es Salaam Regional Administrative Secretariat | ☒ | ☒ | | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 6 | Arusha Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |

| S/N | MDAs | Internal audit | | Audit committee | | ICT | | Risks | | Fraud | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years |
| 7 | Dodoma Regional Administrative Secretariat | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ☒ | ✓ | ✓ | ✓ |
| 8 | Iringa Regional Administrative Secretariat | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 9 | Kigoma Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 10 | Kilimanjaro Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ☒ |
| 11 | Lindi Regional Administrative Secretariat | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ✓ | ☒ |
| 12 | Mara Regional Administrative Secretariat | ✓ | ✓ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ✓ | ☒ |
| 13 | Mbeya Regional Administrative Secretariat | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ☒ | ☒ |
| 14 | Morogoro Regional Administrative Secretariat | ✓ | ✓ | ☒ | ✓ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 15 | Geita Regional Administrative Secretariat | ✓ | ✓ | ☒ | ✓ | ✓ | ✓ | ☒ | ✓ | ✓ | ✓ |
| 16 | Katavi Regional Administrative Secretariat | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ✓ | ✓ | ☒ | ☒ |
| 17 | Manyara Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ | ☒ |
| 18 | Simiyu Regional Administrative Secretariat | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ☒ | ✓ | ☒ |
| **EMBASSIES/MISSIONS** | | | | | | | | | | | |
| 1 | Tanzanian Embassy in Addis Ababa, Ethiopia | ☒ | ☒ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 2 | Tanzanian Embassy in Cairo, Egypt | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 3 | High Commission of Tanzania - Abuja | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |

| S/N | MDAs | Internal audit | | Audit committee | | ICT | | Risks | | Fraud | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years | Current Year (2014-15) | Previous Years |
| 4 | Tanzanian Embassy in Tokyo, Japan | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 5 | Tanzanian Embassy in Brussels, Belgium | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 6 | Permanent Mission to the UN - Geneva | ☒ | ☒ | ☒ | ☒ | | ☒ | ☒ | ☒ | ☒ | ☒ |
| 7 | High Commission of Tanzania - Harare | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 8 | Tanzanian Embassy in Nairobi, Kenya | ✓ | ☒ | ☒ | ☒ | | ☒ | ☒ | ☒ | ☒ | ☒ |
| 9 | Tanzanian Embassy in Pretoria, South Africa | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 10 | Tanzanian Embassy in Kigali, Rwanda | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 11 | Tanzanian Embassy in Abu Dhabi | ☒ | ☒ | ☒ | ☒ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |
| 12 | Tanzanian Embassy in Bujumbura | ☒ | ✓ | ☒ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ |
| 13 | Tanzanian Embassy in Ottawa | ☒ | ✓ | ☒ | ✓ | ✓ | ☒ | ☒ | ☒ | ☒ | ☒ |

Appendix 7.1: Inadequate number of staff

| SN | Vote | Entity | Approved Structure | Filled | Staffing Shortages |
|---|---|---|---|---|---|
| 1 | 37 | Prime Minister's office | 491 | 459 | 32 |
| 2 | 92 | Tanzania Commission for Aids | 125 | 96 | 29 |
| 3 | 77 | Mara Regional Secretariat | 808 | 520 | 288 |
| 4 | 70 | Arusha Regional Secretariat | 1,040 | 760 | 280 |
| 5 | 72 | Dodoma Regional Secretariat | 1,151 | 701 | 450 |
| 6 | 75 | Kilimanjaro Regional Secretariat | 897 | 768 | 129 |
| 7 | 47 | Simiyu Regional Secretariat | 738 | 265 | 473 |
| 8 | 84 | Singida Regional Secretariat | 797 | 565 | 232 |
| 9 | 73 | Iringa Regional Secretariat | 502 | 261 | 241 |
| 10 | 36 | Katavi Regional Secretariat | 146 | 99 | 47 |
| 11 | 78 | Mbeya Regional Secretariat | 693 | 556 | 137 |
| 12 | 63 | Geita Regional Secretariat | 324 | 177 | 147 |
| 13 | 82 | Ruvuma Regional Secretariat | 1,017 | 804 | 213 |
| 14 | 85 | Tabora Regional Secretariat | 1,102 | 543 | 559 |
| 15 | 93 | Immigration Service Department | 4,288 | 2,487 | 1,801 |
| 16 | 51 | Ministry of Home Affairs | 156 | 42 | 114 |
| 17 | 52 | Ministry of Health and Social Welfare | 8,345 | 8,019 | 326 |
| 18 | 53 | Ministry of Community Development, Gender and Children | 4,372 | 1,407 | 2,965 |
| 19 | 69 | Ministry of Natural Resources and Tourism | 5,786 | 3,204 | 2,582 |
| 20 | 13 | Financial Intelligence Unit | 39 | 17 | 22 |
| 21 | 21 | Treasury | 345 | 244 | 101 |
| 22 | 14 | Fire and Rescue Force | 5,383 | 1,231 | 4,152 |
| 23 | 71 | Coast Regional Secretariat | 689 | 301 | 388 |
| 24 | 88 | Dar es Salaam Regional Secretariat | 177 | 152 | 25 |
| 25 | 76 | Lindi Regional Secretariat | 970 | 418 | 552 |
| 26 | 79 | Morogoro Regional Secretariat | 1,079 | 840 | 239 |
| 27 | 83 | Shinyanga Regional Secretariat | 552 | 483 | 69 |
| 28 | 2019 | Tanzania Embassy in Brussels | 9 | 4 | 5 |
| 29 | 2020 | Permanent Mission to the UN-Geneva | 7 | 2 | 5 |
| 30 | 2028 | Tanzania Embassy in Bujumbura | 7 | 5 | 2 |
| 31 | 2005 | Tanzania High Commission in Abuja | 6 | 4 | 2 |
| 32 | 2009 | Tanzania Embassy in Moscow | 4 | 2 | 2 |
| 33 | 2001 | Tanzania Embassy in | 7 | 4 | 3 |
| 34 | 10 | Joint Finance Commission | 15 | 4 | 11 |
| 35 | 2006 | Tanzania High Commission in London | 11 | 7 | 4 |
| 36 | 2013 | Embassy of Tanzania in Paris | 9 | 6 | 3 |
| 37 | 2012 | Tanzania High Commission in Ottawa | 6 | 5 | 1 |
| 38 | 2018 | Tanzania Embassy IN Washington DC | 11 | 8 | 3 |
| 39 | 2004 | Tanzania Embassy in Kinshasa | 9 | 5 | 4 |
| 40 | 2021 | Tanzania Embassy in Kampala | 10 | 5 | 5 |
| | | | **42,123** | **25,480** | **16,643** |

*Source: Individual Management letters for the year ended 30th June 2015*

Appendices

## Appendix 8.1: Grounded motor vehicles and Obsolete Assets

| S/N | Agency | Registration number | Make | Current Location |
|---|---|---|---|---|
| 1 | DDCA | STJ 5113 | Mistubishi D/Cabin | Dar es Salaam |
| 2 | DDCA | STJ 5112 | Mistubishi D/Cabin | Dar es Salaam |
| 3 | DDCA | T 990 ACH | Toyota Hilux D/Cabin | Dar es Salaam |
| 4 | DDCA | STJ 5116 | CATIC 3Tons | Dar es Salaam |
| 5 | DDCA | STH 6100 | Rig | Dar es Salaam |
| 6 | DDCA | STJ 7471 | Leyland Comet 7tons | Dar es Salaam |
| 7 | DDCA | STJ 5111 | MISTUBISHI D/Cabin | Dar es Salaam |
| 8 | DDCA | STJ 5114 | Nissan Fatro | Dar es Salaam |
| 9 | DDCA | STJ 5110 | Layland Comment | Dar es Salaam |
| 10 | DDCA | ST 8451 | International | Dar es Salaam |
| 11 | DDCA | STG 9215 | Isuzu | Dar es Salaam |
| 12 | DDCA | STG 8410 | Isuzu | Kigoma |
| 13 | DDCA | STJ 5657 | TX55 Isuzu LWB | Dar es Salaam |
| 14 | DDCA | STJ 5116 | Catic | Dar es Salaam |
| 15 | DDCA | STJ 7352 | C/Carrier | Dar es Salaam |
| 16 | DDCA | ST 7731 | R/Carrier | Dar es Salaam |
| 17 | DDCA | STJ 5108 | Hino water tank | Dar es Salaam |
| 18 | DDCA | STG 1440 | Sisu Supporting truck | Dar es Salaam |
| 19 | DDCA | STH 434 | TXD 50 Isuzu | Dar es Salaam |
| 20 | DDCA | ST 7732 | Volvo Rig carrier No. 45 | Rukwa |
| 21 | DDCA | STD 81 | Isuzu LWB 10 ton | Mbeya |
| 22 | DDCA | ST 1837 | L/Land Rig/carrier No. 2 | Mbeya |
| 23 | DDCA | ST 8383 | Bed Ford com carrier No | Iringa |
| 24 | DDCA | STB 404 | M/Benz | Masasi |
| 25 | DDCA | STG 3955 | Isuzu (TXD-50) | Arusha |
| 26 | DDCA | STH 2326 | CA81 TATA | Dodoma |
| 27 | DDCA | STJ 5115 | YUEJIN-3 1/4 ton | Dodoma |
| 28 | DDCA | CW 3459 | SCEPER 6218 | Tabora |
| 29 | NFRA | STK 371 | | Dar es Salaam |
| 30 | TEMESA | STJ 2727 | Toyota L/C | |
| 31 | TEMESA | STJ 8384 | Isuzu Double Cabin | |
| | | **Obsolete Assets** | | |
| **S/N** | **Description** | **Qty** | **Rate** | **Total Price** |
| 1 | Photocopier | 1 | 2,200,000 | 2,200,000 |
| 2 | Desk | 1 | 275,000 | 275,000 |
| 3 | Computer Table | 11 | 380,000 | 4,180,000 |
| 4 | Wood chair | 1 | 420,000 | 420,000 |
| 5 | Student table | 1 | 23,000 | 23,000 |
| 6 | Executive chair high back | 4 | 140,000 | 560,000 |
| 7 | Visitors chairs | 3 | 140,000 | 420,000 |
| 8 | Soffer set(3 seat and 2 sing | 1 | 600,000 | 600,000 |
| 9 | Mattress (3*6) 4 inch | 100 | 55,000 | 5,500,000 |
| 10 | Simtanks (5000 litres) | 2 | 1,400,000 | 2,800,000 |
| 11 | Fax machine | 1 | 500,000 | 500,000 |
| 12 | Tyres | 2 | 360,000 | 720,000 |
| 13 | Printer | 1 | 50,000 | 50,000 |
| 14 | Wood table | 1 | 140,000 | 140,000 |
| 15 | Ceiling fans | 30 | 10,000 | 300,000 |
| 16 | Motors (water pump) | 3 | 500,000 | 1,500,000 |
| 17 | Secretarial chair | 2 | 140,000 | 280,000 |
| 18 | CPU | 48 | 650,000 | 31,200,000 |
| 19 | UPS | 18 | 300,000 | 5,400,000 |
| 20 | KEYBOARD | 40 | 70,000 | 2,800,000 |
| 21 | MONITOR | 19 | 350,000 | 6,650,000 |
| 22 | Double decker | 2 | 370,000 | 740,000 |
| 23 | Visitors Chairs | 2 | 45,000 | 90,000 |
| 24 | Printer Laserjet | 2 | 250,000 | 500,000 |
| 25 | Screen Monitor | 25 | 450,000 | 11,280,000 |
| 26 | Keyboard | 24 | 15,000 | 360,000 |
| 27 | Mouse | 6 | 10,500 | 63,000 |
| 28 | Cpu | 15 | 250,000 | 3,750,000 |
| | **TOTAL** | | | **83,301,000** |

**Source:** *Individual Management Letters for the FY 2014/15*

## Appendix 9.1: Irregularities in the implementation of the contracts/ projects

| S/N | Vote | Name of MDA/RS | Observation |
|---|---|---|---|
| 1 | 6 | President's delivery bureau | Consultancy reports not submitted on time |
| 2 | 5 | The National Irrigation commission (NIC) | Delay in completing the Itete Irrigation Scheme. |
| 3 | 5 | The National Irrigation Commission (NIC) | Delay in constructing the Warehouses for paddy producing schemes |
| 4 | 5 | The National Irrigation Commission (NIC) | Delayed rehabilitation of Dakawa Irrigation Scheme. |
| 5 | 77 | Mara Regional Secretariat | Renovation of Satellite Blood Transfusion Centre Building Regional Hospital not completed |
| 6 | 36 | Katavi Regional Secretariat | Delay in Construction of Litapunga, Misunkumilo and Mwese Division offices |
| 7 | 54 | Njombe Regional Secretariat | Construction of Six (6) Government Leaders houses not yet completed |
| 8 | 54 | Njombe Regional Secretariat | Construction of District Commissioner's Office (Phase I) not completed |
| 9 | 72 | Dodoma Regional Secretariat | Uncompleted contractsfor construction works |
| 10 | 87 | Kagera Regional Secretariat | Irregularities noted on uncompleted projects |
| 11 | 74 | Kigoma Regional Secretariat | Inadequate funding for rehabilitation of pharmacy store at Kigoma Regional Referral Hospital |
| 12 | 47 | Simiyu Regional Secretariat | Construction of the Regional Hospital not implemented |
| 13 | 84 | Singida Regional Secretariat | Construction of proposed Centre for Research Counselling and Treatment of Non-Communicable Diseases at Singida Regional Referral Hospital at Mandewa ward<br><br>Construction of Government Leaders Houses in new Districts of Ikungi and Mkalama |

| S/N | Vote | Name of MDA/RS | Observation |
|---|---|---|---|
| 14 | 89 | Rukwa Regional Secretariat | Uncompleted contract for construction of Government Leaders Residence houses |
| 15 | 63 | Geita Regional Secretariat | Delay in completion of construction of Division Office at Siloka, Bwelwa and inadequate Management of Contract. |
| 16 | 99 | Ministry of Livestock and Fisheries Development | Delay in handing over of Mvuvi House to the Ministry by M/s CATIC International Engineer<br><br>Delayed completion of Development Projects<br><br>Contract for Rehabilitation of Electrical Installation for TALIRI West Kilimanjaro not completed |
| 17 | 34 | Ministry of Foreign Affairs and International Cooperation. | Delays in completing the rehabilitation of Embassies buildings at Maputo and New York |
| 18 | 46 | Ministry of Education and Vocational Training | Unconfirmed Construction and Rehabilitation of Colleges |
| 19 | 46 | Ministry of Education and Vocational Training | Missing certificate of work completion |
| 20 | 93 | Immigration Service Department | Delay in Construction of Lindi, Mtwara and Manyara Regional Immigration Offices |
| 21 | 28 | Police Force Department | Irregularities on procurement |
| 22 | 50 | Ministry of Finance | Weakness in the Management of Contract |
| 23 | 79 | Morogoro Regional Secretariat | Delay in the completion of Staff houses |
| 24 | 83 | Shinyanga Regional Secretariat | Delay in completion of the Referral Hospital's administration block |

Source: *Individual CAG's management letters for the year 2014/15*

## Appendix 9.2: Entities audited by Stock verifier

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| 40 | Un transferredbalances of stores | Judiciary | 10,560,750.00 |
| 43 | | Ministry of Agriculture Food Security and Cooperatives | 11,446,600.00 |
| 59 | | Law Reform Commission | 3,971,500.00 |
| 70 | | Arusha Regional Secretariat | 19,535,400.00 |
| 71 | | Coast Regional Secretariat | 2,093,650.10 |
| 84 | | Singida Regional Secretariat | 11,622,765.00 |
| 94 | | President's Office - Public Service Commission | 3,180,000.00 |
| | | **Sub Total** | **62,410,665.10** |
| 28 | Unsupportedreceipt of stores | Ministry of Home Affairs: Police Force | 160,953,465.00 |
| 29 | | Ministry of Home Affairs: Prison Services | 357,839,524.07 |
| 40 | | Judiciary | 53,756,265.00 |
| 43 | | Ministry of Agriculture, Food security and Cooperatives | 42,258,551.00 |
| 46 | | Ministry of Education and VocationalTraining | 9,070,345.46 |
| 48 | | Ministry of Lands, Housing and Human Settlements Development | 2,497,200.00 |
| 52 | | Ministry of Health and Social welfare | 123,626,450.00 |
| 53 | | Ministry of Community Development,Gender and Children | 22,631,450.00 |
| 59 | | Law Reform Commission | 3,152,000.00 |
| 62 | | Ministry of Transport | 1,800,000.00 |
| 69 | | Ministry of Natural Resources and Tourism | 110,324,700.00 |
| 75 | | Regional Secretariat Kilimanjaro | 14,533,348.00 |
| 84 | | Regional Secretariat secretary Singida | 2,925,000.00 |
| 95 | | Regional Secretariat Manyara | 1,308,300.00 |
| 98 | | Ministry of Works | 12,722,120.00 |
| | | **Sub - total** | **919,398,718.53** |

Appendices

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| | | | |
| 14 | Unsupportedissues of stores | Fire and Rescue | 5,582,536.00 |
| 16 | | Attorney General's Chambers | 1,966,500.00 |
| 28 | | Ministry of Home Affairs: Police Force | 260,249,448.00 |
| 29 | | Ministry of Home Affairs: Prison Services | 1,653,000.00 |
| 40 | | Judiciary | 39,875,538.00 |
| 43 | | Ministry of Agriculture, Food Security and Cooperatives | 350,012,002.00 |
| 46 | | Ministry of Education and VocationalTraining | 9,502,330.00 |
| 48 | | Ministry of Lands, Housing and Human Settlements Development | 3,932,650.00 |
| 52 | | Ministry of Health and Social Welfare | 12,706,352.00 |
| 53 | | Ministry of Community Development,Gender and Children | 11,743,500.00 |
| 58 | | Ministry of Energy and Minerals | 4,740,259.00 |
| 61 | | National Electoral Commission | 520,000.00 |
| 62 | | Ministry of Transport | 6,597,228.00 |
| 69 | | Ministry of Natural Resources and Tourism | 178,241,108.59 |
| 75 | | Regional Secretariat - Kilimanjaro | 1,639,000.00 |
| 78 | | Regional Secretariat - Mbeya | 15,364,240.00 |
| 83 | | Regional Secretariat- Shinyanga | 41,010,105.00 |
| 88 | | Regional Secretariat- Dar Es Salaam | 720,000.00 |
| 93 | | Tanzania ImmigrationServices | 1,467,500.00 |
| 94 | | President's Office - Public Service Commission | 5,700,000.00 |
| 95 | | Regional Secretariat - Manyara | 783,850.00 |
| 98 | | Ministry of Works | 6,093,500.00 |
| | | **Sub - Total** | **960,100,646.59** |
| | | | |
| 40 | Unaccountability of furniture & equipment in master inventory register and inventory sheets | Judiciary of Tanzania | 459,708,500.00 |
| 43 | | Ministry of AgricultureFood Security and Cooperatives | 8,988,000.00 |
| 48 | | Ministry of Lands, Housing and Human Settlements Development | 57,511,000.00 |
| 49 | | Ministry of Water | 29,690,000.00 |
| 52 | | Ministry of Health and Social Welfare | 287,106,500.00 |
| 62 | | Ministry of Transport | 9,921,000.00 |
| 65 | | Ministry of Labour and Employment | 6,466,700.00 |
| 93 | | Tanzania ImmigrationServices | 237,617,500.00 |
| 94 | | President's Office - Public Service Commission | 2,860,000.00 |
| | | **Sub - Total** | **1,099,869,200.00** |
| | | | |

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| 43 | OutstandingStores On Loan | Ministry of Agriculture, Food Security and Cooperatives | 14,979,500.00 |
| 46 | | Ministry of Education and VocationalTraining | 2,824,700.00 |
| 48 | | Ministry of Lands, Housing and Human Settlements Development | 15,587,500.00 |
| 54 | | Regional AdministrativeSecretary – Njombe | 3,580,000.00 |
| 59 | | Law Reform Commission | 4,620,000.00 |
| 58 | | Ministry of Energy and Minerals | 5,550,000.00 |
| 69 | | Ministry of Natural Resources and Tourism | 3,000,000.00 |
| 73 | | Regional Secretariat – Iringa | 3,580,000.00 |
| 98 | | Ministry of Works | 56,009,585.00 |
| | | **Sub -Total** | **109,731,285** |
| 28 | UnaccountedReceipts of Stores | Ministry of Home Affairs: Police Force | 13,230,483.00 |
| 37 | | Prime Minister's Office | 7,175,000.00 |
| 43 | | Ministry of Agriculture,Food Security and Cooperatives | 289,521,550.00 |
| 46 | | Ministry of Education and VocationalTraining | 1,043,100.00 |
| 52 | | Ministry of Health and Social Welfare | 38,134,607.00 |
| 54 | | Regional Secretariat – Njombe | 1,112,000.00 |
| 59 | | Law Reform Commission | 27,770,340.00 |
| 70 | | Regional Secretariat – Arusha | 9,230,000.00 |
| 72 | | Regional Secretariat- Dodoma | 4,138,563.10 |
| 73 | | Regional Secretariat – Iringa | 1,112,000.00 |
| 75 | | Regional Secretariat – Kilimanjaro | 3,034,735.00 |
| 98 | | Ministry of Works | 3,166,000.00 |
| | | | **398,668,378.1** |
| | | | |
| 14 | UnaccountedFuel | Fire and Rescue | 166,126,405.00 |
| 40 | | Judiciary | 2,383,600.00 |
| 44 | | Ministry of Industry and Trade | 5,988,400.00 |
| 48 | | Ministry of Lands, Housing and Human Settlements Development | 49,558,320.00 |
| 51 | | Ministry of Home Affairs | 20,655,000.00 |
| 65 | | Ministry of Labour and EmploymentWelfare | 5,949,550.00 |
| 68 | | Ministry of Communication, Science and Technology | 16,985,600.00 |
| 69 | | Ministry of Natural Resources and Tourism | 79,732,197.20 |
| 71 | | Regional Secretariat- Pwani | 101,917,118.24 |
| 84 | | Regional Secretariat - Singida | 20,734,408.00 |
| 88 | | Regional Secretariat - Dar Es Salaam | 58,858,523.00 |
| 94 | | President's Office - Public Service Commission | 3,998,400.00 |
| 95 | | Regional Secretariat– Manyara | 1,876,041.50 |
| 98 | | Ministry of Works | 2,824,500.00 |
| | | **Sub - Total** | **537,588,062.94** |
| | | | |

Appendices

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| 37 | Unposted Issues of Stores | PrimeMinister'sOffice | 21,288,000.00 |
| 40 | | Judiciary | 25,374,940.00 |
| 43 | | MinistryofAgriculture,FoodSecurityandCooperatives | 136,222,160.00 |
| 51 | | MinistryofHomeAffairs | 3,472,000.00 |
| 52 | | MinistryofHealthandSocialWelfare | 40,414,370.00 |
| 53 | | MinistryofCommunityDevelopment,GenderandChildren | 1,018,500.00 |
| 59 | | LawReformCommission | 6,045,800.00 |
| 61 | | NationalElectoralCommission | 2,680,000.00 |
| 69 | | MinistryofNaturalResourcesandTourism | 11,448,000.00 |
| 72 | | RegionalSecretariat-Dodoma | 662,300.00 |
| | | **Sub-Total** | **248,626,070** |
| | | | |
| 14 | Deficient Stores | Fire and Rescue | 4,971,618.00 |
| 28 | | Ministry of Home Affairs:Police Force | 29,736,500.00 |
| 29 | | Ministry of Home Affairs: Prison Services | 1,694,912.00 |
| 37 | | Prime Minister's Office | 76,410,000.00 |
| 40 | | Judiciary | 29,875,456.00 |
| 43 | | Ministry of Agriculture,Food Security and Cooperatives | 114,440,089.00 |
| 46 | | Vote 46 Ministry of Education and VocationalTraining | 20,484,550.00 |
| 51 | | Ministry of Home Affairs | 18,050,000.00 |
| 52 | | Ministry of Health and Social Welfare | 1,053,500.00 |
| 69 | | Ministry of Natural Resources and Tourism | 9,698,476.00 |
| 71 | | Regional Secretariat - Pwani | 3,217,035.00 |
| 78 | | Regional Secretariat - Mbeya | 31,779,069.00 |
| 93 | | Tanzania ImmigrationServices | 20,524,400.00 |
| | | **Sub-Total** | **361,935,605** |
| | | | |
| 40 | UncompetitiveProcurement | Judiciary | 5,290,000.00 |
| 43 | | Ministry of Agriculture,Food Security and Cooperatives | 121,257,236.12 |
| 48 | | Ministry of Lands and Human Settlements | 55,264,124.00 |
| 52 | | Ministry of Health and Social Welfare | 8,233,450.00 |
| 58 | | Ministry of Energy and Minerals | 22,519,270.00 |
| 62 | | Ministry of Transport | 1,510,000.00 |
| 69 | | Ministry of Natural Resources and Tourism | 8,110,000.00 |
| 84 | | Regional Secretariat - Singida | 33,598,560.00 |
| 94 | | President's Office - Public Service Commission | 20,654,927.00 |
| | | **Sub-Total** | **276,437,567.12** |
| | | | |
| 40 | UndeliveredPurchaseofStores | Judiciary | 23,013,760.00 |
| 43 | | MinistryofAgriculture,FoodSecurityandCooperatives | 6,216,000.00 |
| 48 | | MinistryofLands,HousingandHumanSettlementsDevelopment | 77,546,700.00 |
| 52 | | MinistryofHealthandSocialWelfare | 45,707,397.00 |
| 58 | | MinistryofEnergyandMinerals | 2,360,000.00 |
| 68 | | MinistryofCommunication,ScienceandTechnology | 13,980,000.00 |
| 73 | | RegionalSecretariat-Iringa | 11,804,896.70 |
| 94 | | President'sOffice-PublicServiceCommission | 11,734,247.80 |
| | | **Sub-Total** | **192,363,001.5** |
| | | | |

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| 14 | UnaccountedPurchasesofStores | FireandRescue | 74,029,073.00 |
| 16 | | AttorneyGeneral'sChambers | 10,016,866.98 |
| 27 | | RegistrarofPoliticalParties | 749,880.00 |
| 28 | | MinistryofHomeAffairs:PoliceForce | 40,356,229.00 |
| 29 | | MinistryofHomeAffairs: PrisonServices | 162,241,000.00 |
| 37 | | PrimeMinister'sOffice | 58,858,001.00 |
| 40 | | Judiciary | 307,668,488.00 |
| 43 | | MinistryofAgriculture,FoodSecurityandCooperatives | 607,441,137.80 |
| 44 | | MinistryofIndustryandTrade | 25,585,560.00 |
| 46 | | MinistryofEducationandVocationalTraining | 139,372,429.61 |
| 48 | | MinistryofLands,HousingandHumanSettlementsDevelopment | 111,984,450.00 |
| 49 | | MinistryofWater | 15,805,500.00 |
| 52 | | MinistryofHealthandSocialWelfare | 108,152,284.00 |
| 53 | | MinistryofCommunityDevelopment,GenderandChildren | 15,628,000.00 |
| 54 | | RegionalSecretariat-Njombe | 11,804,896.70 |
| 59 | | LawReformCommission | 22,195,840.00 |
| 58 | | MinistryofEnergyandMinerals | 19,907,405.00 |
| 61 | | NationalElectoralCommission | 16,123,758.00 |
| 62 | | MinistryofTransport | 7,808,900.00 |
| 65 | | MinistryofLabourandEmployment | 58,960,398.40 |
| 68 | | MinistryofCommunication,ScienceandTechnology | 3,216,500.00 |
| 69 | | MinistryofNaturalResourcesandTourism | 133,054,125.00 |
| 70 | | RegionalSecretariat-Arusha | 18,141,400.00 |
| 71 | | RegionalSecretariat-Pwani | 42,851,556.00 |
| 72 | | RegionalSecretariat-Dodoma | 2,975,004.41 |
| 75 | | RegionalSecretariat-Kilimanjaro | 11,188,792.00 |
| 78 | | RegionalSecretariat-Mbeya | 15,475,700.00 |
| 83 | | RegionalSecretariat-Shinyanga | 50,739,956.00 |
| 84 | | RegionalSecretariat-Singida | 41,145,367.00 |
| 88 | | RegionalSecretariat-DarEsSalaam | 34,716,380.00 |
| 93 | | TanzaniaImmigrationServices | 23,978,688.00 |
| 94 | | President'sOffice-PublicServiceCommission | 8,545,975.00 |
| 98 | | MinistryofWorks | 31,530,282.00 |
| 99 | | MinistryofLivestockandFisheriesDevelopment | 9,158,500.00 |
| | | **Sub-Total** | **2,241,408,322.9** |

Appendices

| Vote | Observation | MDA/RS | Amount(TZS) |
|---|---|---|---|
| 28 | FuelNotAccountedForInLogBooks | MinistryofHomeAffairs:PoliceForce | 89,837,272.00 |
| 29 | | MinistryofHomeAffairs:PrisonServices | 1,068,100.00 |
| 43 | | MinistryofAgriculture,FoodSecurityandCooperatives | 356,289,100.00 |
| 48 | | MinistryofLands,HousingandHumanSettlementsDevelopment | 3,890,216.00 |
| 52 | | MinistryofHealthandSocialWelfare | 11,577,120.00 |
| 56 | | PrimeMinister'sOffice-RegionalAdministrationandLocalAuthority | 16,369,600.00 |
| 58 | | MinistryofEnergyandMinerals | 1,140,000.00 |
| 61 | | NationalElectoralCommission | 7,546,330.00 |
| 69 | | MinistryofNaturalResourcesandTourism | 2,914,000.00 |
| 75 | | Regional Secretariat-Kilimanjaro | 5,489,000.00 |
| 78 | | RegionalSecretariat-Mbeya | 3,376,782.00 |
| 84 | | RegionalSecretariat-Singida | 6,211,986.00 |
| 88 | | RegionalSecretariat-DarEsSalaam | 30,626,516.00 |
| 93 | | TanzaniaImmigrationServices | 7,420,597.00 |
| 98 | | MinistryofWorks | 1,944,270.00 |
| | | **Sub-Total** | **545,700,889** |
| 40 | Maintenance andRepairof Government Vehicles To Private Garages Without TEMESA's Pre and Post Inspection | Judiciary | 2,185,000.00 |
| 43 | | MinistryofAgriculture,FoodSecurityandCooperatives | 5,249,071.00 |
| 44 | | MinistryofIndustryandTrade | 36,047,040.00 |
| 48 | | MinistryofLands,HousingandHumanSettlementsDevelopment | 13,351,969.00 |
| 58 | | MinistryofEnergyandMinerals | 1,642,760.00 |
| 61 | | NationalElectoralCommission | 1,502,000.00 |
| 68 | | MinistryofCommunication,ScienceandTechnology | 24,449,087.50 |
| 69 | | MinistryofNaturalResourcesandTourism | 4,410,250.00 |
| 83 | | RegionalSecretariat-Shinyanga | 5,900,000.00 |
| 98 | | MinistryofWorks | 9,962,232.14 |
| | | **Sub-Total** | **104,699,409.64** |
| | | | |
| 44 | **Bulk issues of stores** | MinistryofIndustryandTrade | **21,713,600.00** |
| 58 | **Goods received without inspection** | Ministryofenergyandminerals | **5,424,428.10** |
| 29 | **Procurement without Tender Board approval** | MinistryofHomeAffairs: PrisonServices | **41,946,600.00** |
| | | **Grand-Total** | **8,137,549,491.52** |

## Appendix 10.1: Inadequate supporting documents

| S/N | Vote No. | Name | Amount (TZS) |
|---|---|---|---|
| 1. | 5 | National Irrigation Commission | 11,433,327 |
| 2. | 12 | Judicial Service Commission | 45,000,000 |
| 3. | 26 | Vice President | 18,657,498 |
| 4. | 28 | Police Force Department | 3,749,166,980 |
| 5. | 29 | Prisons Service Department | 388,327,314 |
| 6. | 33 | President's Office Ethic Secretariat | 8,278,187 |
| 7. | 34 | Ministry of Foreign Affairs | 14,699,583 |
| 8. | 38 | Tanzania People's Defence Force (TPDF) | 4,157,034,609 |
| 9. | 39 | National Service (JKT) | 562,414,511 |
| 10. | 42 | National Assembly | 102,473,008 |
| 11. | 47 | Simiyu Regional Administrative Secretary | 44,758,098 |
| 12. | 48 | Ministry of Land and Human Settlement | 111,882,000 |
| 13. | 52 | Ministry of Health and Social Welfare | 81,101,980 |
| 14. | 56 | Prime Minister's Office Regional Administration and Local Authorities (PMO - RALG) | 248,739,708 |
| 15. | 57 | Ministry of Defence and National Service | 863,842,113 |
| 16. | 70 | Arusha Regional Administrative Secretary | 3,570,691 |
| 17. | 71 | Coast Regional Administrative Secretary | 13,880,000 |
| 18. | 74 | Kigoma Regional Administrative Secretary | 46,594,770 |
| 19. | 75 | Kilimanjaro Regional Administrative Secretary | 21,780,189 |
| 20. | 76 | Lindi Regional Administrative Secretary | 21,660,750 |
| 21. | 80 | Mtwara Regional Administrative Secretary | 19, 843,100 |
| 22. | 81 | Mwanza Regional Administrative Secretary | 2,500,000 |
| 23. | 83 | Shinyanga Regional Administrative Secretary | 16,812,592 |
| 24. | 85 | Tabora Regional Administrative Secretary | 61,910,111 |
| 25. | 86 | Tanga Regional Administrative Secretary | 19,869,000 |
| 26. | 92 | Tanzania Commission for AIDS (TACAIDS) | 8,902,500 |
| 27. | 93 | Immigration Services Department | 383,812,974 |
| 28. | 94 | Public Service Commission | 42,209,280 |
| 29. | 2025 | Tanzanian Embassy in Pretoria, South Africa | 157,355,951 |
| 30. | 2034 | Tanzanian Embassy in Moroni, Comoro | 105,840,000 |
| | **Total** | | **11,314,507,724** |

## Appendix 10.2: Entities with missing EFD receipts

| S/N | Vote No. | Description | Amount (TZS) |
|---|---|---|---|
| 31. | 6 | Presidential Delivery Bureau | 31,102,000 |
| 32. | 12 | Judicial Service Commission | 3,497,000 |
| 33. | 14 | Fire and Rescue Forces | 222,547,904.00 |
| 34. | 26 | Vice President | 36,888,003 |
| 35. | 28 | Police Force Department | 1,217,420,290 |
| 36. | 31 | Vice President Office | 74,606,656 |
| 37. | 36 | Katavi Regional Secretariat | 28,200,892 |
| 38. | 38 | Tanzania People's Defence Force (TPDF) | 194,176,462 |
| 39. | 39 | National Service (JKT) | 481,715,996 |
| 40. | 40 | Judiciary of Tanzania | 21,192,338 |
| 41. | 42 | National Assembly | 9,830,508 |
| 42. | 43 | Ministry of Agriculture Food Security and Cooperatives | 12,000,000 |
| 43. | 51 | Ministry of Home Affairs | 241,510,885 |
| 44. | 52 | Ministry of Health and Social Welfare | 145,236,606 |
| 45. | 59 | Law Reform Commission of Tanzania | 18,203,400 |
| 46. | 61 | National Electoral Commission (NEC) | 272,079,702 |
| 47. | 66 | President's Office Planning Commission | 18,989,000 |
| 48. | 75 | Kilimanjaro Regional Secretariat | 260,689,399 |
| 49. | 77 | Mara Regional Secretariat | 1,077,501,406 |
| 50. | 80 | Mtwara Regional Secretariat | 211,401,885 |
| 51. | 85 | Tabora Regional Secretariat | 1,028,282,564 |
| 52. | 86 | Tanga Regional Secretariat | 210,271,849 |
| 53. | 87 | Kagera Regional Secretariat | 182,034,015 |
| 54. | 91 | Drugs Control Commission | 75,716,493 |
| 55. | 95 | Manyara Regional Secretariat | 21,397,830 |
| 56. | 98 | Ministry of Works | 88,519,263 |
| | **Total** | | **6,185,012,346** |

## Appendix10.3: Funds used for unintended activities

| S/N | Vote No. | Name | Amount (TZS) |
|---|---|---|---|
| 1. | 36 | Katavi Regional Secretariat | 84,715,474 |
| 2. | 42 | National Assembly | 64,910,000 |
| 3. | 56 | Prime Minister's Office Regional Administration and Local Authorities (PMO - RALG) | 57,887,363 |
| 4. | 63 | Geita Regional Secretariat | 4,568,340 |
| 5. | 70 | Arusha Regional Secretariat | 10,045,300 |
| 6. | 72 | Dodoma Regional Secretariat | 106,912,948 |
| 7. | 73 | Dodoma Regional Secretariat | 166,331,670 |
| 8. | 73 | Iringa Regional Secretariat | 56,056,180 |
| 9. | 73 | Iringa Regional Secretariat | 119,331,790 |
| 10. | 74 | Kigoma Regional Secretariat | 157,272,597 |
| 11. | 74 | Kigoma Regional Secretariat | 16,933,000 |
| 12. | 74 | Iringa Regional Secretariat | 9,345,000 |
| 13. | 75 | Kilimanjaro Regional Secretariat | 52,903,383 |
| 14. | 75 | Kilimanjaro Regional Secretariat | 76,445,000 |
| 15. | 76 | Lindi Regional Secretariat | 159,340,855 |
| 16. | 77 | Mara Regional Secretariat | 38,439,807 |
| 17. | 80 | Mtwara Regional Secretariat | 35,423,140 |
| 18. | 81 | Mwanza Regional Secretariat | 271,592,856 |
| 19. | 82 | Ruvuma Regional Secretariat | 25,405,936 |
| 20. | 85 | Tabora Regional Secretariat | 5,875,835 |
| 21. | 85 | Tabora Regional Secretariat | 6,160,000 |
| 22. | 85 | Tabora Regional Secretariat | 74,375,434 |
| 23. | 86 | Tanga Regional Secretariat | 88,952,026 |
| 24. | 87 | Kagera Regional Secretariat | 9,487,900 |
| 25. | 89 | Rukwa Regional Secretariat | 76,720,100 |
| 26. | 92 | Tanzania Commission for AIDS (TACAIDS) | 13,450,000 |
| | **Total** | | **1,788,881,933** |

## Appendix11.1 List of entities which do not have fixed Asset Register

| S/N | Vote No. | Name of Entity |
|---|---|---|
| 1. | 10 | Joint Finance Commission |
| 2. | 21 | Treasury |
| 3. | 23 | Accountant General's Department |
| 4. | 34 | Ministry of Foreign Affairs and International cooperation |
| 5. | 36 | Tabora Regional Secretariat |
| 6. | 38 | Tanzania Peoples Defense Forces |
| 7. | 42 | National Assembly |
| 8. | 43 | Ministry of Agriculture Food Security and Cooperatives |
| 9. | 46 | Ministry of Education and Vocational Training |
| 10. | 51 | Ministry of Home Affairs |
| 11. | 52 | Ministry of Health and Social Welfare |
| 12. | 53 | Ministry of Community Development Gender and Children |
| 13. | 54 | Njombe Regional Secretariat |
| 14. | 56 | Prime Minister's office Regional Administration and local government |
| 15. | 61 | National Electoral Commission |
| 16. | 63 | Geita Regional Secretariat |
| 17. | 69 | Ministry of Natural Resources and Tourism |
| 18. | 71 | Coast Region Secretariat |
| 19. | 74 | Kigoma Regional Secretariat |
| 20. | 75 | Kilimanjaro Regional Secretariat |
| 21. | 76 | Lindi Regional Administrative Secretariat |
| 22. | 78 | Mbeya Regional Secretariat |
| 23. | 79 | Morogoro Regional Secretariat |
| 24. | 82 | Ruvuma Regional Secretariat |
| 25. | 83 | Shinyanga Regional Secretariat |
| 26. | 85 | Tabora Regional Secretariat |
| 27. | 86 | Tanga Regional Secretariat |
| 28. | 93 | Immigration Services Department |
| 29. | 95 | Manyara Regional Secretariat |

| S/N | Vote No. | Name of Entity |
|---|---|---|
| 30. | 96 | Ministry of Information, Youth, Culture and Sports |
| 31. | 97 | Ministry of East African Cooperation |
| 32. | 98 | Ministry of Works, Transport and Communication |
| 33. | 99 | Ministry of Livestock and Fisheries Development |
| 34. | 2003 | Tanzania Embassy in Cairo |
| 35. | 2005 | High Commission in Abuja |
| 36. | 2007 | HIGH COMMISSION IN LUSAKA – ZAMBIA |
| 37. | 2008 | High Commission in Maputo |
| 38. | 2009 | Embassy in Moscow |
| 39. | 2010 | Tanzania High Commission in New Delhi |
| 40. | 2014 | Embassy in the China |
| 41. | 2019 | Tanzania Embassy in Brussels |
| 42. | 2020 | Permanent Mission to the United Nations in Geneva |
| 43. | 2022 | Embassy of Tanzania in Harare Zimbabwe |
| 44. | 2023 | High Commission in Nairobi |
| 45. | 2025 | High Commission Pretoria |
| 46. | 2026 | High Commission in Kigali |
| 47. | 2028 | Tanzania Embassy in Bujumbura |
| 48. | 2029 | Embassy in Muscat |
| 49. | 2029 | Tanzania Embassy in Muscat, Oman |
| 50. | 2030 | High Commission in Lilongwe - Malawi |
| 51. | 2032 | High Commission Kuala Lumpur |
| 52. | 2033 | Embassy in the Hague |
| 53. | 2034 | Embassy in Moroni |

**Source:** *Individual CAG's audit reports for the year 2014/15*

Appendices

## Appendix11.2 MDAs/RS with grounded motor vehicles and other assets

| S/N | Vote No. | Name of MDA or RAS | Number of grounded Motor vehicles | Number of grounded other assets |
|---|---|---|---|---|
| 1. | 5 | National Irrigation Commission | 25 | |
| 2. | 7 | Office of Treasury Registrar | 7 | 28 |
| 3. | 10 | Joint Finance Commission | 2 | |
| 4. | 14 | Fire and Rescue Force | 26 | |
| 5. | 14 | Treasury | 1 | |
| 6. | 29 | Prisons Service Department | 26 | 27 |
| 7. | 38 | Tanzania Peoples Defense Forces | 302 | |
| 8. | 39 | National Service Force | 22 | |
| 9. | 43 | Ministry of Agriculture Food Security and Cooperatives | 21 | 4 |
| 10. | 44 | Ministry of Industry and Trade | | 198 |
| 11. | 51 | Ministry of Home Affairs | 15 | |
| 12. | 53 | Ministry of Community Development Gender and Children | 21 | 27 |
| 13. | 55 | Commission for Human Rights and Good Governance | 8 | |
| 14. | 56 | Prime Minister's Office Regional Administration and Local Government | 9 | |
| 15. | 61 | National Electoral Commission | 6 | |
| 16. | 62 | Ministry of Transport | 2 | |
| 17. | 68 | Ministry of Communication Science and Technology | 2 | |
| 18. | 69 | Ministry of Natural Resources and Tourism | 81 | 1 |
| 19. | 75 | Kilimanjaro Regional Secretariat | 6 | |
| 20. | 79 | Morogoro Regional Secretariat | 5 | |
| 21. | 82 | Ruvuma Regional Secretariat | 5 | |
| 22. | 84 | Singida Regional Secretariat | 4 | |
| 23. | 86 | Tanga Regional Secretariat | 2 | 13 |
| 24. | 89 | Rukwa Regional Secretariat | 2 | 3 |
| 25. | 93 | Immigration Services Department | 42 | |
| 26. | 99 | Ministry of Livestock and Fisheries Development | 54 | |
| | | | **682** | **301** |
| 27. | 2001 | Embassy of Tanzania in Addis Ababa, Ethiopia | 1 | |
| 28. | 2003 | Tanzania Embassy Cairo | 1 | |
| 29. | 2005 | High Commission in Abuja | 1 | |
| 30. | 2006 | High Commission in London | 1 | |
| 31. | 2013 | Tanzania Embassy Paris | 1 | |
| 32. | 2015 | Tanzania Embassy in Rome | 3 | |
| 33. | 2016 | Embassy in Stockholm | 2 | |

**Source:** *Individual CAG's audit reports for the year 2014/15*

## Appendix11.3 List of embassies with undeveloped plots and dilapidated buildings

| S/N | Vote No. | Name of Embassy | Observation | Year Acquired/ Issued |
|---|---|---|---|---|
| 1. | 2001 | Embassy in Addis Ababa, Ethiopia | Plot No. M.456/98 not developed | 2011 |
| 2. | 2003 | Tanzania Embassy in Cairo | Poor Condition of the Embassy 5 Buildings | |
| 3. | 2004 | Embassy in Kinshasa | Poor Condition of Chancery Building. | |
| 4. | 2005 | High Commission in Abuja | Plot No.961 and 353 were not developed | 1983 |
| 5. | 2006 | High Commission in London | MX397371 at 19 Den wood, High gate, London | Over ten years. |
| 6. | 2006 | High Commission in London | Unrepaired residence house (abandoned) | |
| 7. | 2010 | Tanzania High Commission in New Delhi | Poor Condition of Commission Building. | |
| 8. | 2016 | Embassy of Tanzania in Sweden | Unrepaired residence house (abandoned) | |
| 9. | 2021 | Embassy in Kampala | Very poor Condition of Embassy Building | |
| 10. | 2022 | High Commission in Harare | Poor Condition of Commission Building. | |
| 11. | 2025 | Embassy in Pretoria, South Africa | Buildings are in very poor condition. | |
| 12. | 2026 | High Commission in Kigali | Plot No.2026 not developed | 2003 |

**Source:** *Individual CAG's audit reports for the year 2014/15*

Appendix 11.4: Outstanding payables

| S/N | Vote No. | Name of the entity | Amounts(TZS) |
|---|---|---|---|
| 1. | 5 | National Irrigation Commission | 189,344,600.00 |
| 2. | 14 | Fire and Rescue Force | 2,808,172,244.00 |
| 3. | 15 | Commission for Mediation and Arbitration | 260,732,070.00 |
| 4. | 16 | Attorney General's Chambers | 442,787,114.00 |
| 5. | 21 | Treasury | 38,462,793,278.78 |
| 6. | 24 | Tanzania Cooperatives Development Commission | 294,361,145.80 |
| 7. | 25 | Prime Minister's Private Office | 1,466,641,046.27 |
| 8. | 26 | Vice President Private Office | 975,852,965.73 |
| 9. | 27 | Registrar of Political Parties | 940,499,521.36 |
| 10. | 28 | Tanzania Police Force Department | 385,032,267,346.45 |
| 11. | 29 | Prisons Service Department | 59,175,042,064.18 |
| 12. | 30 | President's office and Cabinet Secretariat | 789,961,820.00 |
| 13. | 31 | Vice President's office | 2,739,835,070.00 |
| 14. | 32 | President's Office Public Service Management | 3,044,854,750.20 |
| 15. | 33 | President's Office, Ethics Secretariat | 518,147,001.28 |
| 16. | 34 | Ministry of Foreign Affairs and International cooperation | 21,076,787,721.00 |
| 17. | 35 | Directorate of Public Prosecutions | 254,311,218.81 |
| 18. | 36 | Tabora Regional Secretariat | 1,042,024,647.42 |
| 19. | 37 | Prime Minister's Office | 1,454,147,362.42 |
| 20. | 38 | Tanzania Peoples Defense Forces | 91,488,115,644.01 |
| 21. | 39 | National Service Force | 67,860,413,069.32 |
| 22. | 40 | Judiciary of Tanzania | 881,637,211.07 |
| 23. | 41 | Ministry of Constitutional and Legal Affairs | 4,012,781,234.21 |
| 24. | 42 | National Assembly | 5,669,693,752.00 |
| 25. | 43 | Ministry of Agriculture Food Security and Cooperatives | 9,595,438,917.00 |
| 26. | 44 | Ministry of Industry and Trade | 2,240,379,582.00 |
| 27. | 46 | Ministry of Education and Vocational Training | 17,418,553,834.00 |
| 28. | 47 | Simiyu Regional Secretariat | 331, 266,132.23 |
| 29. | 48 | Ministry of Lands, Housing and Human Settlements Development | 2,968,387,787.00 |

| S/N | Vote No. | Name of the entity | Amounts(TZS) |
|---|---|---|---|
| 30. | 49 | Ministry of Water | 150,414,656,000.00 |
| 31. | 50 | Ministry of Finance | 8,736,665,816.77 |
| 32. | 51 | Ministry of Home Affairs | 1, 771,336,398.98 |
| 33. | 52 | Ministry of Health and Social Welfare | 180,751,658,210.03 |
| 34. | 53 | Ministry of Community Development Gender and Children | 1,941,507,596.00 |
| 35. | 54 | Njombe Regional Secretariat | 334,483,924.00 |
| 36. | 55 | Commission for Human Rights and Good Governance | 560,065,590.98 |
| 37. | 56 | Prime Minister's Office Regional Administration and Local Government | 93,213,231,597.16 |
| 38. | 57 | Ministry of Defense and National Service | 54,157,762,232.31 |
| 39. | 58 | Ministry of Energy and Minerals | 41,721,297,410.00 |
| 40. | 59 | Law Reform Commission of Tanzania | 261,386,861.00 |
| 41. | 61 | National Electoral Commission | 2,386,788,127.73 |
| 42. | 62 | Ministry of Transport | 3,508,469,983.00 |
| 43. | 63 | Geita Regional Secretariat | 528,348,128.00 |
| 44. | 65 | Ministry of Labour and Employment | 1,282,159,284.00 |
| 45. | 66 | President's Office, Planning Commission | 3,017,127,577.00 |
| 46. | 67 | President's Office Public Service Recruitment Secretariat | 830,836,400.63 |
| 47. | 68 | Ministry of Communication ScienceandTechnology | 576,151,380.11 |
| 48. | 69 | Ministry of Natural Resources and Tourism | 2,174,257,106.43 |
| 49. | 70 | Arusha Regional Secretariat | 2,581,147,992.07 |
| 50. | 71 | Coast Region Secretariat | 342,175,825.96 |
| 51. | 72 | Dodoma Regional Secretariat | 4,442,025,740.00 |
| 52. | 73 | Iringa Regional Secretariat | 718,994,141.31 |
| 53. | 74 | Kigoma Regional Secretariat | 812,484,200.00 |
| 54. | 75 | Kilimanjaro Regional Secretariat | 659,322,943.00 |
| 55. | 76 | Lindi Regional Administrative Secretariat | 1,004,223,850.00 |
| 56. | 77 | Mara Regional Secretariat | 731,727,567.58 |
| 57. | 78 | Mbeya Regional Secretariat | 1,085,952,525.00 |
| 58. | 79 | Morogoro Regional Secretariat | 1,716,274,514.00 |
| 59. | 80 | Mtwara Regional Secretariat | 1,345,118,152.00 |

| S/N | Vote No. | Name of the entity | Amounts(TZS) |
|---|---|---|---|
| 60. | 81 | Mwanza Regional Secretariat | 736,794,876.00 |
| 61. | 82 | Ruvuma Regional Secretariat | 959,548,275.73 |
| 62. | 83 | Shinyanga Regional Secretariat | 509,638,608.00 |
| 63. | 84 | Singida Regional Secretariat | 817,211,314.00 |
| 64. | 85 | Tabora Regional Secretariat | 1,590,195,550.00 |
| 65. | 86 | Tanga Regional Secretariat | 1,779,029,743.00 |
| 66. | 87 | Kagera Regional Secretariat | 868,036,016.00 |
| 67. | 88 | Dar es Salaam Regional Secretariat | 363,727,081.00 |
| 68. | 89 | Rukwa Regional Secretariat | 948,306,246.00 |
| 69. | 91 | Drugs Control Commission | 121,240,000.00 |
| 70. | 92 | Tanzania Commission for AIDS | 762,711,646.06 |
| 71. | 93 | Immigration Services Department | 2,176,777,693.05 |
| 72. | 94 | President's Office Public Service Commission | 717,217,318.37 |
| 73. | 95 | Manyara Regional Secretariat | 411,343,227.00 |
| 74. | 96 | Ministry of Information, Youth, Culture and Sports | 2,496,549,025.90 |
| 75. | 97 | Ministry of East African Cooperation | 550,044,984.23 |
| 76. | 98 | Ministry of Works, Transport and Communication | 135,707,823,702.00 |
| 77. | 99 | Ministry of Livestock and Fisheries Development | 1,559,868,569.16 |
| 78. | 2001 | Embassy of Tanzania in Addis Ababa, Ethiopia | 133,385,657.95 |
| 79. | 2002 | Tanzania Embassy in Berlin | 43,770,162.00 |
| 80. | 2003 | Tanzania Embassy Cairo | 99,337,329.00 |
| 81. | 2005 | High Commission in Ottawa | 253, 270,280.26 |
| 82. | 2006 | High Commission in London | 167,750,639.30 |
| 83. | 2007 | High Commission in Lusaka - Zambia | 162,081,698.00 |
| 84. | 2008 | High Commission in Maputo | 501,316,265.00 |
| 85. | 2009 | Embassy in Moscow | 971,989,514.00 |
| 86. | 2013 | Embassy in Paris | 194,575,403.70 |
| 87. | 2015 | Tanzania Embassy in Rome | 686,934,752.00 |
| 88. | 2016 | Embassy in Stockholm | 328,851,136.47 |
| 89. | 2019 | Tanzania Embassy in Brussels | 648,574,916.00 |

| S/N | Vote No. | Name of the entity | Amounts(TZS) |
|---|---|---|---|
| 90. | 2020 | Permanent Mission to the United Nations in Geneva | 1,360,502,656.00 |
| 91. | 2022 | Embassy of Tanzania in Harare Zimbabwe | 126,415,117.00 |
| 92. | 2025 | High Commission Pretoria | 101,523,172.00 |
| 93. | 2030 | High Commission in Lilongwe - Malawi | 14,292,697.00 |
| 94. | 2032 | High Commission Kuala Lumpur | 163,544,854.00 |
| 95. | 2034 | Embassy in Moroni | 138,099,000.00 |
| | | | **1,443,859,273,539.30** |

Appendices