

**VOTE 50
MINISTRY OF FINANCE**

**21. FOLLOW UP ON THE OUTSTANDING MATTERS IN THE
PREVIOUS ANNUAL REPORTS – 2001/2002 AND 2002/2003**

In our previous audit reports, we issued several recommendations for implementation. We appreciate the efforts taken by the management in implementing our recommendations. However, as at this report date, the following recommendations were not fully cleared.

Para	Details	Management Action	Audit Comments
2001/2002 Para 31.0	Suspected Overpayment of Personnel emoluments TShs.8,363,134,626 involving 63 Municipal/District Councils and 7 Votes (Ministries)	Thorough investigation was conducted and all responsible officers were either suspended/sent to court. As at this date, 103 employees were involved.	Audit has received replies from 34 Councils and 4 Votes. Replies from two (2) Ministries (Votes) and 29 Local/Municipals are yet to be received for audit verification.
32(i) 32.1 (ii)	Treasury Registrar Overdue Loans and interest repayments: Shs.29,697,965,275.00. A sum of Shs.19,346,664,274 and Shs.10,351,301,001 being principal and interest respectively were overlap as at the end of the year, but had not been collected from the respective borrowers and no evidence was produced to show follow up action taken to have the amount recovered. (see table below)	The structure of the Loan is as follows:	Decision on whether the loan should be converted to capital or not should be made otherwise payment of the loan should be made to the Treasury.

Parastatal	Loan No.	Principal Arrears	Interest Arrears
1. TANESCO	249	19,314,901,290.50	10,340,109,878.70
2. TANESCO	151	10,006,110.60	11,191,122.95
3. Kilombero Sugar Co. Ltd.	233	21,756,872.90	0.00
TOTAL		19,346,664,274.00	103,351,301,001.65

22. AUDIT QUERIES

A test check of the accounts and other related records for the year ended 30th June, 2004 resulted in the issue of 22 audit queries, the more significant of which form part of this audit report.

In addition, 3 queries relating to previous years are still outstanding as shown below:

F/year	Queries issued	Queries closed	Outstanding queries	Clearance (%)
2002/03	<u>28</u>	<u>25</u>	<u>3</u>	89
2003/04	<u>22</u>	<u>5</u>	<u>17</u>	23
TOTAL	<u>50</u>	<u>30</u>	<u>20</u>	

23. OUT-TURN

23.1 Supply Vote

The year's outturn on the Supply Vote Account was a net expenditure of Shs.75,703,724,752 against total net approved estimates of Shs.78,074,149,179 closing with an unspent balance of issues amounting to Shs.2,370,424,427.

Exchequer issues received during the financial year totalled Shs.75,835,044,527 ending with a cash balance of Shs.131,319,775 with the Paymaster General's Account at the Bank of Tanzania (BOT).

23.2 Development Vote

The Development Vote Account closed with an unutilized amount of Shs.5,780,442,187 arising from actual expenditure of Shs.15,549,625,613 against the net approved estimates of Shs.21,330,067,800.

Exchequer issues received in respect of the current financial year totalled Shs.15,595,916,248 thereby resulting in actual cash balance of Shs.46,290,635 with the Paymaster General's account at the Bank of Tanzania.

24. REVENUE

The Revenue Account Statement reflects actual collection of Shs.28,658,425,527 as compared with the estimated revenue of Shs.24,888,700,000 an over collection of Shs. 3,769,725,527 equivalent to 15% of the approved budget.

However, comparing with the amount of Shs.30,654,757,249 revenue, collected in the previous financial year - 2002/03, the amount collected decreased by Shs.1,996,331,722 or (6.5%), less.

25. MISCELLANEOUS DEPOSIT ACCOUNT

The Miscellaneous Deposit Account closed with a balance of Shs.2,815,244,475 as at 30th June, 2004 being cash on hand with the Paymaster General's Account at the Bank of Tanzania. Analysis in support of the reported amount of Shs.2,806,265,888 was not submitted.

In absence of the supporting analysis, the correctness of the amount in question could not be confirmed.

Reply to my letter referenced MT.120 dated 7th March 2005 requiring the analysis is awaited.

26. CONSOLIDATED BANK RECONCILIATION STATEMENTS

The Consolidated Bank Reconciliation Statements as at 30th June 2004 disclosed outstanding items as follows:

Account	Un-presented Cheques	Receipt in C/B not in Bank	Payments in C/B except un-presented cheques
Deposit A/c	57,645,764	18,208,348	271,003,660
Recurrent A/c:			
2000/01	-	6,107,425	-
2001/02	-	73,754,100	-
2003/04	44,049,537	61,267,634	-

The position of the un-presented cheques as at 31st December 2004 and April 2005 was as follows:

ACCOUNT NO.18:12 – Recurrent Account

	Shs
Un-presented cheques as at 31 st December, 2004	5,546,973,999.00
less: Cheques written between July – Dec.2004 but cashed between January – April, 2005	5,536,700,457.00
Adjusted un-presented cheques as at 31 Dec. 2004	10,273,542.00

27. TREASURY REGISTRAR'S STATEMENTS

27.1 Statement of Investments Account

The Statement of Investments Account shows the position of Investments that the Government holds in different Parastatals, Government Institutions and Foreign Institutions.

As at 30th June 2004 the position was as follows:

27.1.1 National (Local) Organizations Shs.2,443,005,970,893

The Statement of Investments for Local Organizations shows that the Government holds Investments in 184 local companies/parastatals and Government Institutions analysed as follows:-

Paid up shares (Parastatals and Privatised Organizations)	894,659,941,406
Investments in Companies other than the Parastatals e.g. Simu 2000, Mtibwa Sugar etc.	<u>1,548,346,029,487</u>
Total Shs.	<u>2,443,005,970,893</u>

27.1.2 Investments in Foreign Institutions – TShs.397,485,135,451.00

The Statement of Investment for foreign Organizations including Banks, Re-insurance Corporation and Multilateral Investments Guarantee Agency revealed that Tanzania Government holds Investments to the value of TShs.397,485,135,451 in 9 Foreign Institutions.

27.2 Outstanding Loans and Interest Shs.845,746,745,362

Outstanding Loans	629,472,776,595
Interests	<u>216,273,968,767</u>
TOTAL Shs.	<u>845,746,745,362</u>

The Government of Tanzania extended loans to various Parastatal Organizations and Private companies through the Treasury Registrar.

Analysis and particulars of such loans as reported by the Treasury Registrar revealed different recovery periods. Most of the loans would have been fully recovered way back in 1980s and 90s. As at the time of writing this report, such loans and interest accumulated to Shs.845,746,745,362 as at 30th June 2004.

28. IMPORT SUPPORT FUND (CIS)

The Ministry of Finance entered into an agreement with the Tanzania Investment Bank (TIB) as the Administrator of the Fund with effect from July 2002. The Bank prepared final accounts draft for financial year 2002/03 and submitted to the Ministry of Finance.

On 2nd February, 2005 the Ministry submitted the accounts for audit, one year behind schedule. Audit of the accounts submitted is in progress and the result will be included in my next audit report.

In addition the accounts of the Fund for the period ending 30th June, 2004 are yet to be submitted for audit.

The Ministry has been required to ensure that the Fund Administrator – the TIB, adheres to terms of the contract agreement.

29. AUDIT CERTIFICATE

In my opinion, subject to the clearance of the above matters, the Supply Vote, Development Vote, Miscellaneous Deposit and Recurrent Revenue Accounts present fairly the financial position of Vote 50 as at 30th June 2004.

30. AUDITED PARASTATAL ACCOUNTS AND STATEMENTS

A review of the audited accounts of Parastatal Organizations received during the year, disclosed the following matters raised which are of public interest and which are still outstanding as at the time of writing this report:-

30.1 Management Audit Report of the Petroleum Sector Rehabilitation Project

30.1.1 Delayed Loan Repayments – USD 3,343,299

The Government made available to TIB an amount of USD 18,853,428 broken down into USD 18,493,880 as loan and USD 359,548 as technical assistance to TIB to enable the bank finance by way of loans certain activities of the project. TIB was to administer recoveries of the loans plus interest thereon and remit the recoveries to the Government on a quarterly basis. This is part of a long-term loan – IDA Credit No.2202 TA to the Government.

As at 31st December 2003, the long outstanding loan, which stood at USD 3,343,299, had fallen due for remittance to the Government but was not being remitted regularly by TIB as required, contrary to the agreement.

The ministry has been required to make close follow-up and ensure that TIB remits the amount in question to the Government.

30.1.2 Long outstanding balances USD 1,230,962

The Tanzania Investment Bank has a long outstanding balance of USD 1,230,962 due for reimbursement being levy collected from oil marketing companies, which was utilized by the bank and was to have been reimbursed to the project by the year 2000.

However, as at this report date, TIB has not reimbursed the amount to the Government as agreed. The amount is part of the IDA Credit No.2202 to the Government as noted above.

The ministry has been required to confirm reimbursement of the amount due to the Government by TIB.

30.2 Management Audit Report of Tanzania Railways Corporation – 2002/03

30.2.1 Long-term loans

Loans offset against TRC compensation claims Shs.80,138,095,000

In September 2002 the Ministry of Finance authorized Tanzania Railways Corporation (TRC) to offset part of its long-term loans amounting to TZS 80,138,095,000 against the Corporation's claims. However, the authority from the Ministry of Finance did not specify loans supposed to be off-settled against TRC claims and which ones should be carried forward in the books of the Corporation.

Because of the debt swap, the repayment schedule which signals current maturity of long-term loans portion and the general conditions of the original agreements have been disrupted, and therefore, the remaining loans do not have appropriate agreements and disclosure.

The ministry is yet to specify the loans as at the time of this report date.

30.3 Tanzania Harbours Authority

30.3.1 Long Term Loans

Absence of Subsidiary Loan Agreement

We noted that, a subsidiary loan agreement between the Government and Tanzania Harbours Authority (THA) in respect of ODA Loan, which stood at TShs.1,545,300,469 as at 30th June, 2004 has not been obtained. We however learned through various correspondences and joint meetings held between the Treasury and THA officials that preparation of the loan agreement is in progress.

The Treasury has been required to expedite preparation of the loan agreement.