

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF THE MINISTRY OF WATER AND LIVESTOCK DEVELOPMENT**

VOTE 49

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
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February, 2006

Office of the Controller and Auditor General

The National Audit Office,
United Republic of Tanzania

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

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

Our Vision

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

Our Mission

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

Therefore, our Core Values are

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

We do this by.....

- contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
 - helping to improve the quality of public services by supporting innovation on the use of public resources;
 - providing technical advice to our clients on operational gaps in their operating systems;
 - systematically involve our clients in the audit process and audit cycles; and
 - Providing audit staff with adequate working tools and facilities that promote independence.
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CONTENTS

	<u>PAGE</u>
1.0 Background information to the audit	
1.1 Introduction	5
1.2 Brief history of the client establishment	5
1.3 Operational objectives	5
1.4 Financing	6
1.5 Management Structure	6
1.6 Brief description of Internal Control System	7
1.7 Financial Performance	7
1.8 Audit mandate	7
1.9 Audit Scope	7-8
1.10 Audit methodology	8
1.11 Presentation of Audit Findings	8
2.0 Audit report on the financial statements	
2.1 Audit report	9-11
3.0 Audit findings and Recommendations	12-22
4.0 Conclusion	23

Definitions of terms and Abbreviations

Financial statements means the following statements, notes and supporting schedules of the Ministry of Industries and Trade for the year ended 30th June, 2005.

- Statement of Vote Account - Recurrent
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash Flow Statement for Deposit Account
- Cash Flow Statement for Development
- Detailed Statement of Revenue
- Statements of Responsibility on the Financial Statements
- Statement of composition of Fund

These Financial Statements and notes are attached as annexure No.1 to this report.

Statement of Vote Account - Recurrent (Balance Sheet)

Statement of Vote Account-Development Summary

ACT	Public Finance Act of 2001 as amended in2004
AIDS	Acquired Immune Deficiency Syndrome
AQ	Audit Query
BOQ	Bill of Quality
CRINS	Combined Requisition and Issue Notes
C.S.O	Chief Supplies Officer
DAWASA	Dar es Salaam Water and Sewerage Authority
DDCA	Drilling and Dam Construction Agency
EIA	Environmental Impact Assessment
HIV	Human Immune Deficiency Virus
INTOSAI	International Organization of Supreme audit Institutions
GAAP	Generally Accepted Accounting Board
G.N	Government Notice
LPO	Local Purchase Order
MAB	Ministerial Advisory Board
PAC	Parliamentary Accounts Committee
PFA	Public Finance Act
PMG	Paymaster Genera
PV	Payment Voucher
Regulation	Regulations of the Public Finance Act issued under G.N. Number 259 of 2003.
URT	United Republic of Tanzania
USD	United States Dollar

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have finalised the audit of the financial statements of the Ministry of Water and Livestock Development for the year ended 30th June, 2005 and other financial schedules. Audit findings and recommendations which need the attention and action of accounting officer are set out under part 3 of this report.

1.2 Brief history of client establishment

The Ministry of Water and Livestock Development was established by the President of United Republic of Tanzania on November 2000 and confirmed by Government notice No. 567 of December 2000. The Ministry was established with the following mandate:

- To Identify, develop and manage water and livestock resources;
- To provide adequate, clean and safe water for domestic, industrial, livestock and crop production;
- To promote technology that enhance efficiency in the development and management of water supply and sewerage service delivery ;
- To ensure that the development of water resources is environmentally, socially and economically sustainable
- Articulating and advocating the sector priorities within the Livestock Sector on policy formulation processes;
- To monitor impacts of the policy reforms on Livestock sectors in order to demonstrate results and propose appropriate actions;
- To create an enabling environment and capacity for private sector participation in livestock production, marketing, processing, input distribution and credit facilities;
- To provide adequate extension, research, training and other technical and support services;

1.3 Operational objectives

The Water Sector has the overall objective of facilitating the provision of clean, safe and adequate water supply and sanitation for all, while the Livestock Sector is to improve livestock production and productivity ensure basic food security and income levels among livestock keepers in the country.

- Improved services and reduced HIV/AIDS infection
- All social groups in rural, urban and peri-urban areas access adequate, safe and clean water; and sanitation services
- Enhanced Water and Livestock Resources Management for socio-economic development and sustainable environment.
- Assured basic food security for the nation and improved living standards of the population.

- Increased livestock sector production and productivity.
- Improved working environment for efficient and effective service delivery.

Vision

To have a sustainable and well- managed water and livestock resources for social and economic development while conserving the environment.

Mission

To ensure that water and livestock resources is developed and managed sustainably in collaboration with all stakeholders.

1.4 Financing

The major source of the funds for the Ministry's operations is Exchequer issues from Treasury voted through the parliament. During the financial year 2004/2005, the Budget and actual expenditure was as follows:-

Account	Approved estimates	Actual expenditure/collection
Recurrent Expenditure	20,396,469,014	20,391,386,324
Development Expenditure	115,404,299,400	93,375,425,847
Revenue collections	959,047,000	881,856,562

1.5 Management Structure

The Ministry of water and Livestock Development is headed by the Minister for Water and Livestock Development who is assisted by Deputy Minister, Permanent Secretary and Deputy Permanent Secretary.

The above apex is followed by departments (below) operating under the Directors or heads of departments or sections.

Sub-vote No.	Sub-vote Name
i) 1001	Administration and General
ii) 1002	Finance and Accounts
iii) 1003	Policy and planning
iv) 1004	Livestock Research & Training Institutes
v) 2001	Water Resources exploration and Assessment
vi) 2002	Maji Central Stores
vii) 2003	Water Laboratories Unit
viii) 3001	Urban Water and Sewerage
ix) 3002	Central Water Board
xi) 4001	Rural Water Supply
xii) 5001	Water Resources Institute
xiii) 6001	Drilling and Dam Construction Agency
xiii) 7001	Veterinary services (Research and Development)
xiv) 8001	Animal production (Livestock Development)

1.6 Brief description of internal control system

To comply with Public Finance Regulations 28, the Accounting Officer has established the unit of Internal Audit to examine and evaluate the adequacy and effectiveness of internal control in the Ministry. The Ministry operates under the usual system of internal control as stipulated by various Finance Act, Regulations and guidelines to ensure orderly and efficient conduct, proper recording and safeguarding of assets and resources.

1.7 Financial Performance

Supply Vote

The Recurrent expenditure account for the year totaled Tshs. 20,391,386,324 against an approved budget of Tshs. 20,397,469,100 which resulted in a favorable saving of Tshs. 6,082,776. Further, exchequer issues released during the year was Shs. 20,396,468,961 is off set with actual expenditure incurred results in a cash balance of Tshs. 5,082,636.

Development Vote

Development expenditure account for the year totaled Tshs. 93,375,425,847 against an approved estimate budget of Tshs. 115,404,299,400 resulting in apparent saving of Tshs. 22,028,873,553.

We noted significant variations on two expenditure budget lines as detailed below. However, no explanations were received for lower expenditures budget allocation.

S.No.	Development Programme	Approved Budget (TShs)	Actual Expenditure (TShs)	Variance	%
1.	Policy and Planning	1,479,435,200	199,997,649	1,279,437,551	14%
2.	Rural water Supply	24,076,461,770	12,188,396,092	11,888,065,678	51%

1.8 Audit mandate

By virtue of the provision of section 143 of the Constitution of United Republic of Tanzania and section 30 (i) of the Public Finance Act No.6 of 2001 the Controller and Auditor General is the appointed Auditor of all Government revenue and expenditure including the accounts of Vote 49 (Ministry of Water and Livestock Development).

1.9 Audit scope

The audit was carried out in accordance with International Standards on Auditing. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of

the Ministry, examination and verification of Assets and Liabilities, Appropriation Accounts and supporting evidences. The audit was conducted on a sample basis, therefore our audit findings are confined to the extent that the records, documents and information requested for the purpose of the audit were made available to us. As auditors, we are not required to search specifically for fraud; therefore, our audit cannot be relied upon to disclose all such matters. However, our audit was planned so that we would have a reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities or fraud. The responsibility for detection prevention of irregularities and fraud rests with the Ministry management which is responsible for setting up and maintenance of an adequate system of internal control.

1.10 Audit methodology

In auditing the financial statements together with the related records and schedules the following steps were followed:

- Review of legal documents
- A review of internal control structure
- Carrying out Compliance tests
- Examination of payment vouchers and their supporting documents
- Review of the Ministry financial statements and progress reports
- Review and discussions with management of the Ministry

1.11 Presentation of audit findings

The audit was carried out according to mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

AUDIT REPORT ON THE FINANCIAL STATEMENTS

**To: The Permanent Secretary,
Accounting Officer of Vote 49,
Ministry of water and Livestock development**

**Re: Audit Report on the Financial Statements of the Ministry of
Water and Livestock Development for the year ended 30th June,
2005.**

I have audited the financial statements of the Ministry of Water and Livestock Development attached as annexure I for the year ended 30th June, 2005.

Responsibilities of the Accounting Officer

Section 25(4) of the PFA places responsibility to the Accounting Officer to prepare the financial statements based on Generally Accepted Accounting Standards.

In addition, Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Ministry of Water and Livestock Development.

Responsibilities of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures based on the audit. According to section 30 of the Act my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Ministry of Water and Livestock Development.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with generally accepted accounting practice; all reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, all expenditures of public money has been properly authorized; and to satisfy myself whether the funds appropriated to the Ministry were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency.

Basis of Opinion

The audit was conducted in accordance with the ISA and procedures that require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements are consistent with those recommended by INTOSAI. Those standards audit also includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Ministry of Water and Livestock Development (Vote 49) consistently applied and adequately disclosed, evaluating the overall financial statements presentation, and assessing the extent of compliance with the relevant statutory requirements. I believe the audit provides a reasonable basis for my opinion.

The financial statements have been prepared and presented based on the cash basis of accounting pursuant to Regulation 53. Under the cash basis, cash receipts are recognized when they are received and cash payments are recognized when they are paid.

Qualification

In my opinion, except for the matters pointed out below, the financial statements of the Ministry of Water and Livestock Development comply with the generally accepted accounting standards; and that they fairly reflect, in all material respects, the results of its operations and cash flows for the year ended on 30th June 2005 and the financial position as at that date.

Material disagreement in record keeping:

1. Expenditure incurred without proper supporting documentation TShs.6,987,065,667.
2. Outstanding imprests for the year TShs.504,221,460 not yet recovered.
3. Advanced Drilling and Dam Construction costs TShs.1,262,793,498 not yet accounted for by DDCA and CSO - Maji Central Stores.
4. Purchased goods not accounted for TShs.1,550,468,417.

The details of these matters are given under part 3 of this report.

Without prejudice to the qualified opinion given above, the procurement of office supplies and services were generally done in accordance with the requirements of the Public Procurement Act No. 21 of 2004 and the related Regulations.

Dr. Frank Mosses Hiza Mhilu
Ag: CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General
National Audit Office,
Dar es Salaam
February 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Status of the previous audit recommendations

Management was able to implement some of the key recommendations but some of the previous recommendations are still outstanding as follows:-

S/ No.	Reference paragraph	Recommendation	Status
1.	F/Y 2002/03 Para 300.1	(i) Imprests of shs. 524,699,474 noted to be outstanding (ii) Unspent balance of imprests shs. 1,707,414 standing against various officers remained unretired. (Ref AQ 85 of 2002/2003)	Amount of shs. 116,684,131 still outstanding. Unspent balance of imprests Shs. 1,707,414 still outstanding.
2.	Para 300.2	Arrears of Revenue amounted to shs. 1,215,067,770 noted to be outstanding	Shs. 873,748,757 as arrears of revenue still not collected.
3.	Para 302	Unvouched and improperly vouched expenditure amounted to shs. 1,912,450,480 requires clearance or submission of documents.	Payment vouchers and supporting documents for expenditure of shs. 257,689,924 still not produced
4.	Para 309	Transfer and Advance of funds to PACE/TLMP Deposit accounts shs. 153,090,381 were not supported by relevant authority. (AQP 58)	Transfer of shs. 93,634,641 still not supported
5.	Para 310	Cumulative loss on procurement of three (3) Air compressors shs. 1,231,890,650 (USD. 1,289,191.37) required to be treated as nugatory payment in conformity with regulation 21 of the Public Finance No. 6 of 2001.	Cumulative Loss on procurement of three (3) air compressors of shs. 1,231,890,650 (USD 1,1,289,191.37) still not treated.
6.	Para 314	Stores purchased worth to shs. 585,297,259 observed to have not taken on ledger charge.	Stores worth shs. 253,606,812 still not accounted for.

Implication

Laxity in attending outstanding matters raised by auditors.

Audit recommendation

The Ministry's management should ensure that all outstanding matters are settled as required by financial regulations.

3.2 Position of audit queries

Tests check of the accounts statements and related records for the year under review (2004/2005) resulted in the issue of 43 queries, the more significant matters, of which are referred in the succeeding paragraphs.

At the time of writing this report (January, 2006) **89** audit queries and **one** management letter, relating to the previous years were still outstanding as follows:-

Year	Audit Queries issued	Audit Queries closed	Balance
2001/2002	84	83	1
2002/2003	86	67	19
2003/2004	69	-	69
2004/2005	43	-	43

Implication

Less effort has been deployed in to replying to audit queries.

Audit Recommendation:

Management should ensure that audit queries are attended to promptly as directed by the financial regulations.

Management response

Efforts are being made to ensure that all outstanding audit queries are cleared.

3.3 Reliance on Internal Audit

During the year under review (2004/2005) we attempted to evaluate effectiveness of Internal Audit Unit and ascertain any work carried out on which we could place reliance.

We observed that there was no evidence of an Internal Audit written report or an audit programme drawn.

Implication

- Internal audit reports are not produced as intended.
- We could not place reliance on the work of the internal audit to reduce the extent of our audit tests.

Recommendation

- Management should ensure that Internal Audit is functional and effective.
- Management should ensure that the annual work plan of the Internal Audit Unit is prepared and approved by the Permanent Secretary/Accounting Officer.

Management Response

The Management of the Ministry is continuing to strengthen the internal audit unit by:-

- Recruiting qualified staff in collaboration with TREASURY
- Putting conducive working environment
- Cope with the International Audit Standard (IAS)
- To facilitate other requirements/inputs to be used in implementation of audit work.

Audit Comment

Management response will be confirmed during the next audit
Replies and finalization of audit queries are awaited for verification.

3.4 Recurrent revenue account

We observed that the Ministry collected revenue totaling TShs. 881,856,562. This represents under collection of a net amount of Tshs. 77,193,438 when compared with the estimated budget of Tshs. 959,047,000.

The Recurrent revenue for the year ended 30th June, 2005 is made up as follows:-

S/N	Type of income	Estimated budget Tshs.	Actual collection	Variance Tshs
1.	Administration and general	11,846,000	12,813,154	967,154
2.	Water and Laboratory	26,403,000	55,437,483	29,034,483
3.	Animal production	920,801,000	813,605,925	(107,195,075)
Grand Total shs.		959,050,000	881,856,562	77,193,438

The biggest amount of undercollection relates to animal production revenues.

It is recommended that management should make realistic estimates of revenue collection, at the same time make additional efforts to collect revenues estimated for collection.

3.5 Financial control issues

We observed that the following water Basin offices and various Revolving funds operating under the Ministry's Administration failed to prepare and submit financial statements for the year 2004/2005 contrary to financial regulations and procedures.

- Rufiji Basin water office
- Pangani Basin water office
- Wami/Ruvu Basin water office
- Lake Nyasa Basin water office
- Ruvuma Basin water office

- Lake Tanganyika Basin water office
- Lake Victoria Basin water office
- Lake Rukwa Basin water office
- Central Internal drainage Basin water office
- Maji Central stores revolving fund
- Sao Hill Livestock Multiplication Unit Revolving fund
- Mabuki Livestock Multiplication Unit Revolving fund and
- National Artificial Insemination centre (NAIC Arusha) Revolving fund.

Implication

There is apparent laxity in financial controls including Book-keeping and recording of assets and liabilities.

Recommendation

The Ministry's management should ensure that financial statements are prepared and submitted in time for audit examination and recommendation.

Management Response

The Management has already instructed all Water Basin offices and various Revolving fund units to prepare final account Reports with immediate effect and submit them as appropriate.

Audit comment

Financial statements are awaited for examination.

3.4.5 Outstanding Imprests Shs. 504,221,460

The Public Finance Regulation (2001) Para 103 stipulate that retirement of imprests is the responsibility of holder of imprests.

All imprest shall be retired as soon as the necessity for them ceases to exist and in any event, except as provided under these Regulations by the close of business on the last working day of the financial year in which they were issued and where a new imprest is necessary in the subsequent financial year, it will be issued under the authority of the imprest warrant for that year.

The appropriation account for the year under review excluded statement of outstanding imprests adding to Shs. 504,221,460 as follows:-

<u>Types of Imprests</u>	<u>Amount (Shs)</u>
• Special Imprests	- shs. 374,808,553
• safari imprests	- shs. <u>129,412,907</u>
Total shs.	<u>504,221,460</u>

Implication

- Weakness over the control of imprests accounting.
- The appropriation accounts do not show the actual balance of cash with the PMG Account.

Recommendation

- The Ministry management should ensure that imprests are fully recovered and recovery particulars be submitted to audit for verification.
- Imprests should be retired not later than 14 days after the intended events or safari as directed by Finance Regulations no.103

Management Response

A total amount of imprests Shs. 504,221,460/- was included in the Appropriation account as it was directly charged to the appropriation expenditure items. However, since July 2005 this has been revised and all imprests are not first charged to accommodation codes and charges to appropriate expenditure items on retirement.

Audit Comment

Action of the response will be confirmed during the next audit of financial year 2005/2006.

3.5 Advance Payments for Drilling and Dam Construction- Shs. 1,262,793,498

During the year under review, the Ministry advanced funds to the Drilling and Dam Construction Agency and the Chief Supplies Officer - Maji Central Stores for drilling and Dam Construction and for Supplying Water treatment chemicals respectively as detailed below:-

However, the sum advanced to the Agency has not been accounted for due to lack of progress made by the Agency in Drilling and Constructing Dams, as well as treatment chemicals supplied.

	<u>Amount</u>
• Payments to DDCA for drilling activities	687,630,000
• Payments to C.S.O - Maji Central Stores for Supply of Water treatment chemicals, fittings.	<u>575,163,498</u>
Total shs.	<u>1,262,793,498</u>

Implication

- Cost may be over/under estimated or funds may be diverged to other activities of the Ministry apart from the intended activities.

Recommendation

Payments should be supported by actual statement of expenditure, approved development plan, daily boreholes drilling records and completion report.

Management Response

The directorates of Rural and Urban Water Supply are reconciling with the CSO so as to take accountability of their purchase. This also applies to DDCA.

Audit Comment

Prompt action is needed to effect the accountability and performance of the works.

3.5.1 Expenditure not supported by proper documentation- Shs.6,987,065,667

Pursuant to the Public Finance Regulation (2001) Para 95 (4) a payment voucher which is incomplete because of its supporting documents are missing, shall be regarded as missing voucher.

During the year under review we have noted payment vouchers (expenditure), which are not supported by proper documentation as follows:-

S/N	Description	Number of queries raised	Amount involved (Tshs)
1.	Disbursement to various water projects, up country offices and other stakeholders not with relevant acknowledgement receipts to confirm receipt of funds by bonafilde payees.	7	5,564,212,584
2.	Goods and services lacking proper supporting documentation	6	1,294,857,173
3.	Unreceipted pay lists	2	127,995,910
	Grand total		6,987,065,667

Implication

- Laxity in control over accounting records
- Invoices may be represent for payment
- Payment of salaries may be paid to payees not bonafide/or fictitious payees.

Audit Recommendation

- Management should ensure that all payment vouchers are fully supported by proper documentation

- Management should confirm acknowledgement of funds disbursed to Sub-Treasuries up-country in respect of Water/Livestock projects and schemes.
- Management should ensure accountability of all funds disbursed to various water/livestock projects or schemes up-country by furnishing relevant statement of expenditures.
- Management should furnish pay lists duly signed by bonafide payees for the payments made.

Management response

The management will make sure that proper action is taken to support all paid payment vouchers with proper supporting document and make follow-up for those funds transferred to up-country stations and also acknowledgment receipts to confirm receipts of funds.

Audit comment

Supporting documents, performance reports still needed for settlement and finalization of this item.

3.5.2 Purchased of goods, fixed assets not properly accounted for Shs.1,550,468,417

Regulation No.191 (I) & 192 (I) state that the procedures governing the receipt of stores from suppliers into any Government Store must aim at ensuring that payment is made only for the quantities actually received in good order and condition and meeting required specification.

Where store are received the storekeeper must check with the consignment note, delivery note, that all boxes, packages, have been correctly delivered and that they are intact, unopened and undamaged.

Supplies including fuel, furnitures, households, vehicles totaling Shs.1,550,468,417 which were purchased during the year under review, were noted to have not been accounted for as follows:

	<u>Amount</u>
• Goods not taken on ledger charge (i.e. Motor vehicles and furnitures,)	935,728,894
• households not properly accounted for	<u>614,739,523</u>
Total shs.	<u>1,550,468,417</u>

Implication

- Laxity over control of stores accounting may cause misappropriation of funds through purchases.
- Unfair presentation of financial statements i.e. understatement of stock and Fixed Assets.

Recommendation

- The Management should ensure that all purchased goods are accounted for as recorded assets.
- The Ministry's management should ensure proper coding of Ministry's property for easy identification and audit follow-up.

Management response

- Procurement of goods and assets to be made through LPO's.
- LPO's will not be paid unless ledger folios and delivery notes are produced.
- Ministry will keep updated record of goods and fixed assets purchased in the computer as well as ledger books.
- Payment will only be effected after the submission of Delivery notes and ledger folios as appropriate.
- On codification of fixed assets the Ministry already engages a company to conduct the followings concerning the fixed assets records:
 - To update purchase records through a computerized system. A private company has been outsourced to engage in codifying all the Ministry's assets.
 - To establish of fixed assets registers.

Audit comment

Improvement of stores accounting will be verified in the next audit of financial year 2005/2006. Accountability of stores not taken on ledger charge is awaited for verification.

3.6 Operational performance issues

3.6.1 Statement of current year's performance

The Accountant General's Guidelines for the preparation of annual final accounts stipulate that all Ministries, Departments and Agencies (MDAs) should comment on what has been achieved at each target level, when reporting the current year's performance.

However, a review of physical progress of activities performed by the Ministry revealed that some of them were partially or not implemented.

Implication

Statement of current year's performance may mislead the users of financial statements.

Recommendation

The Ministry's management should revise the statement of current year's performance.

Management Response

The Management will conduct short courses and seminars concerning the preparation of performance reports so as to reverse this situation.

Audit Comment

Revised statement of current year's performance is awaited for verification.

3.6.2 Delay in construction of Mugumu Manchira Dam

The Government represented by the Ministry of Water and Livestock Development established the proposal of construction of a dam near Mugumu Township, headquarter of Serengeti district in Mara Region, with the objective of supplying water to Mugumu Town and neighboring villages. The project was estimated to cost shs.1.5 billion on completion; however the project seems to be in a sleeping/dormant pace.

The progress of construction is indicated below:-

Progress of the project

Period	Activities	Cost	Remarks
1977/78	Feasibility study and survey	??	Details of cost not available
1982/83-1989/90	Construction partially completion of spillway, core trench and other structures	Tshs. 70 m	Actual cost not confirmed, details of payment not available
2002/2003	Invitation of tenders for construction works which included:- <ul style="list-style-type: none">• construction of an earth fill dam approximately 12 m high• construction of an intake structure• installation of outlet pipes• construction of spillway Construction works awarded to DDCA at a contract sum of shs. 1,452,077,350 with contract period of not more than 18 months in any case.	-	Contract works still outstanding.
2003/2004	DDCA-Sub-contracted the contract works to M/s Great lakes construction Ltd of Mwanza at a contract sum of shs. 184,654,200 with duration period of three	Payment made todate to M/s Great Lakes	The progress of work carried by sub-contractor is very slow compared to

	months. Contract signed on 16 January, 2004	construction Ltd is Tshs. 243,591,551	the payment done. The contract sum is shs. 184,654,200 but payment made to date shs. 243,591,551 which is 131.9% of the contract sum. Contract work still outstanding. Percent age and progress of work is still questionable.
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Implication

- The objective of the project may not be achieved in time and the costs will be high compared to the original estimated costs due to time factor

Recommendation

- The Ministry's Management should review the project and ensure that funds are available for completion of the project.
- The Management should produce details of payments made to the project, establish contract register and permanent file for the project and give details of progress/works made.

Management Response

The Management of the Ministry will review the project and advance funds to the project in time until completion. Other wise details of payments and other relevant documents will be made available as required.

Audit Comment

Submission of documents, progress reports and revision of the project are awaited for audit verification.

3.6.3 Unsatisfactory construction works for erosion control and crack repair on Mwanyahina earth dam - Shs. 28,801,000

Mwanyahina Earth Dam was constructed across Mwanyahina river in Meatu district for supplying water to Mwanhuzi town and neighboring villages.

During the year, 2002/2003, the Ministry of Water and Livestock Development paid a sum of shs. 28,801,000 through Meatu District

council for contract works of cracks repair/ minor works and contract works for erosion control along the functioning spillway of Mwanyahina Earth Dam.

The works was contracted by M/s Great Lakes construction Co. Ltd of Mwanza on 3rd March, 2003 at a contract sum of shs. 7,419,000 and the 2nd works of erosion control along the functioning spillway were also contracted by M/s Great Lakes construction Co. Ltd on 2nd May, 2003 at a contract sum of shs. 18,615,000.

During the audit site visit September, 2005 the works were noted to be unsatisfactorily performed due to:-

- (i) Errosion and collapse of the gabions constructed observed.
- (ii) Some of the stone layers were packed alone without being put together by gabion wires
- (iii) Poor materials - materials used for construction gabion mattress were sub-standard, since wires have rusted and the concrete used to dress the gabions is of less quality.
- (iv) Huge piles of unused sand have been left at the site without being distributed and compacted or being removed by the contractor and
- (v) Gullies were observed on the whole surface of the embankments.

Implication

Continuation of cracks along the embankment which will result into collapsing of the Dam.

- There is a possibility of environmental impact along the spillway.
- Extra funds will be required to prevent cracks and erosion already existed.

Recommendation

- Management should devise the means to protect the slopes of the embankments against erosion and employing methods like grassing etc.
- The Management should state and give remedial measures on the substandard work by the said contractor.

Management Response

The Management will communicate with Meatu district council in order to revise the work done by the contractor M/S Great Lakes Construction Co. Ltd. To make sure that remedial action is taken.

Audit Comment

Revision report in respect of works performed by the contractor is still needed for audit verification.

4.0. CONCLUSION

The detailed audit findings presented above have been communicated to the management of the Ministry of Water and Livestock Development during exit meeting. The Management of the Ministry has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the actions taken in this respect.

Lastly, I would like to express my appreciation for the co-operation given to the audit team. It is my hope that such good working relationships will be extended during future audits.

Dr. Frank Mosses Hiza Mhilu
Ag: Controller and Auditor General

Copy to: - Chief Secretary,
State House,
P. O. Box 9120,
DAR ES SALAAM.

“ Permanent Secretary and Paymaster General,
Ministry of Finance,
P.O. Box 9111,
DAR ES SALAAM.

**STATEMENT OF THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2005**

These Financial Statements have been prepared by the management of the Ministry of Water and Livestock in accordance with the provisions of Section 25(4) of the Public Finance Act. No.6 of 2001. The Financial statements comply with the generally accepted accounting practices as required by the said Act and are presented in a manner consistent with the International Standards on Financial Reporting under the Cash Basis of Accounting.

The management of the Ministry of Water and Livestock is responsible for establishing and maintaining a system of effective Internal Control designed to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by the Ministry of Water and Livestock.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the records and underlying accounts provide a reasonable basis for the preparation of the Financial Statements for the 2004/2005 financial year.

I accept responsibility for the integrity of the Financial Statements, the information it contains, and its compliance with the Public Finance act No.6 of 2001 and instructions from the Treasury in respect of the year under review.

Signed by Accounting Officer

Date

Summary of the audit queries - 2004/2005

Outstanding imprests - shs. 504,221,460

AQP no.	Amount (shs.)	Account
1	504,221,460	RECURRENT

**PAYMENTS NOT SUPPORTED BY RELEVANT DOCUMENTS
- Shs. 1,294,857,173**

AQP NO.	AMOUNT (SHS.)	ACCOUNT
2	60,624,383	Development
3	305,364,138	Recurrent
14	52,511,561	Development
22	97,844,388	Development
26	230,159,486	Recurrent
36	548,353,217	Recurrent
Total	1,294,857,173	

**ACQUISITION OF FIXED ASSETS AND MOTOR VEHICLES NOT PROPERLY
ACCOUNTED FOR - Shs. 614,739,523**

AQP NO.	AMOUNT (SHS.)	ACCOUNT
20	614,739,523	Development

UNRECEIPTED PAYEESLISTS - Shs. 127,995,910

AQP NO.	AMOUNT (SHS.)	ACCOUNT
25	63,796,137	Recurrent
32	64,199,773	Recurrent
Total	127,995,910	

**UNSUPPORTED PAYMENTS TO WATER PROJECTS/UPCOUNTRY STATIONS- Shs.
5,564,212,584**

AQP NO.	AMOUNT (SHS.)	ACCOUNT
5	2,815,191,545	Development
8	490,233,520	Recurrent
17	1,008,498,172	Development
28	90,469,369	Recurrent
33	762,043,678	Recurrent
37	175,760,000	Deposit
40	222,016,300	Recurrent
Total	5,564,212,584	

PAYMENTS INRESPECT OF DRILLING ACTIVITIES MADE TO DDCA BASED ON ESTIMATED SHEETS - SHS. 687,630,000

AQP NO.	AMOUNT (SHS.)	ACCOUNT
6	555,000,000	Development
27	132,630,000	Recurrent
Total	687,630,000	

STORES NOT TAKEN ON LEDGER CHARGE - SHS. 935,728,894

AQP NO.	AMOUNT (SHS.)	ACCOUNT
7	4,403,000	Recurrent
12	163,240,107	Development
16	80,878,458	Development
24	84,955,400	Recurrent
30	16,678,880	Recurrent
38	544,234,549	Deposit
39	6,798,000	Recurrent
41	34,540,500	Recurrent
Total	935,728,894	

PURCHASES FROM C.S.O - MAJI CENTRAL STORES - REVOLVING FUND BASED ON ESTIMATES/PROFORMA INVOICES - SHS. 515,163,498

AQP NO.	AMOUNT (SHS.)	ACCOUNT
15	43,300,000	Development
21	167,867,600	Development
23	144,789,160	Recurrent
29	136,662,568	Recurrent
43	22,544,170	Recurrent
Total	515,163,498	