

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE MINISTRY
OF ENERGY AND MINERALS
VOTE 58**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
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DAR ES SALAAM.

February 2005

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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Definitions of terms and Abbreviations

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

- Responsibility for the Financial Statements
- Statements of Vote Account - Supply
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash Flow Statement for Development Account
- Cash Flow Statement for Deposit Account
- Summary Statement of Revenue
- Summary - Development Appropriation Account
- Summary - Recurrent Appropriation Account
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of Composition of Fund
- Notes to the Financial Statements

These Statements and Notes form part of this report.

Act means the Public Finance Act No.6 of 2001 as amended in 2004.

Regulations means the Regulation of the Public Finance Act issued under G. N. Number 259 of 2003.

CAG	Controller and Auditor General
D- Funds	Direct to Project Funds
GDP	Gross Domestic Product
ISA	International Standards on Auditing
INTOSAI	International Organization of Supreme Audit Institutions
Ministry	Means Ministry of Energy and Minerals
PMG	Paymaster General
RRCB	Revenue Receipts Cash Book
TANESCO	Tanzania Electric Supplies Company Ltd
TANSORT	Tanzania Government Diamonds Sorting Organization

1.0 BACK GROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have completed the audit of the Ministry of Energy and Minerals for the year ended 30th June 2005. Audit findings arising from examination of accounting records, appraisal of the Ministry activities as well as an evaluation of the Internal Control System which require management attention and action are set out under Part 3 of this report.

1.2 Establishment

The Ministry of Energy and Minerals was established by the President of the United Republic of Tanzania on 23rd November 2000 as per special Instrument No.4 of 1st December 2000 in the official Gazette Number 48 Volume 81 dated 1st December 2000 vide Government Notice No.468 published on 1st December 2000.

Vision

Tanzania to have accessible, reliable and affordable energy and sustainable exploitation and utilization of energy and mineral resources that makes a significant contribution to GDP by 2010.

Mission

Formulation, and overseeing policies, legislations and regulations to ensure sustainable and environmentally friendly development and exploitation of the energy and mineral resources, provision of reliable and affordable energy and efficient and effective delivery of quality mining services.

1.3 Operational Objectives

The main objectives intended both short term and Strategic plan of this office are:-

- To strengthen managerial capacity in the Ministry.
- Provision of reliable and affordable energy to consumers.
- Access of the rural population to modern energy services
- Increase energy and minerals sectors' contribution for sustainable social economic development.
- Good governance and addressing cross cutting issues, environment, gender and HIV/AIDS in energy and Mineral Sector.
- Improve services and reduce HIV/AIDS infection.

1.4 Financing

As any other Government Ministry, Ministry of Energy and Mineral receives funds from Treasury. During the financial year 2004/2005, the Ministry received a total sum of Shs. 78,697,327,607 in form of exchequer issues in respect of supply vote Account and shs 46,897,934,700 for Development Vote Account making a total of shs 125,595,262,307.

1.5 The Management Structure

The Ministry of Energy and Minerals has various departments, units and agencies Organization Structure of the Ministry is shown as Annexure I in this report.

1.6 Brief Description of Internal Control System

Accounting system

The Ministry operates the usual government accounting system through central payments system based at the Treasury.

Internal Audit Unit

The internal audit unit helps to evaluate the adequacy and effectiveness of internal control in the organization. It also reviews and conduct operational/value for money audits throughout the office.

The Ministry has established internal audit unit.

Audit Committee

Regulation 28 requires the accounting offices to establish an audit committee to strengthen internal control system. The Ministry has formed the Audit Committee which comprises senior members.

Procurement

The Public Procurement Act No.21 of 2004 section 33 and 34 requires the Department to form Tender Boards, and Procurements Management Unit to assist in strengthening the system of procurement of goods, services and works from the right source in the right quantity, at the right time, place and price. The Ministry has a Tender Board and a procurement management unit. The Ministerial Tender Board is comprised entirely of the heads of Departments who meets the requirements specified in the second schedule of PPA 2004.

Stores and property Management

The records of stores items are maintained at the Ministry Head office and each Zonal/Regional offices. The ministry is responsible for consolidating all the items in the register for movable and immovable Assets.

1.7 Out turn

(i) Statement of Vote Account (Supply) as at 30th June, 2005

(a) Financial Status

The Treasury vide their letter Ref.No.EB/AG/159/03/255 of 14th July 2005 confirmed the amount of net approved estimates of Supply vote for the year 2004/2005 of Shs.78,698,727,600 and exchequer issues amounting to Shs.78,697,327,607.

The Ministry spent a sum of Shs.78,602,336,732 resulting into an apparent saving of Shs.96,390,868.

However, exchequer issues received during the financial year under review amounted to Shs.78,697,327,607 leaving favourable cash balance of Shs.94,990,874 with the Paymaster General Account and not Shs.93,389,374 disclosed on the statement of Vote. The difference of Shs.1,601,500 represent outstanding imprests, which had been already charged to expenditure items.

(b) Non - Accounting for warrant of funds for TANSORT office London Shs.561,000,000

The Ministry issued warrant of funds amounting to Shs.561,000,000 to TANSORT office - London being costs of running expenses for the financial year 2004/2005.

However, the details of the expenditure incurred were not produced for audit. I was therefore unable to confirm whether the amounts released were efficiently utilized for the intended purposes.

Implication

The total expenditure reported by the Ministry may have been over or understated in the absence of statement of expenditure.

Recommendation

All expenditures pertaining to the TANSORT office-London should be booked in the book of accounts at the Ministry Headquarter by submitting statement of expenditure supported with payment vouchers.

(c) TANSORT Proceeds

During the year under review the Ministry could not disclose the benefits or returns obtained from the TANSORT.

Implication

Proceeds derived from this project may be misappropriated.

Recommendation

It is recommended that Royalties and other profits obtained from TANSORT should be fully accounted for.

(ii) Development Vote Account

The year's out-turn on the Development vote was an expenditure of Shs.46,777,890,567.35 against the approved estimates of Shs 46,897,934,700 an apparent saving of Shs.120,044,132.65. However, exchequer issues received during the year totaled Shs. 46,897,250,098 making a real saving of Shs.119, 359,530.65.

(iii) Statement of Revenue

The Statement of revenue as at 30h June 2005 disclosed actual collection of Shs.28,037,272,443 against the net approved estimates of Shs.30,574,750,000 resulting in a deficit of Shs. 2,537,477,557 equivalent to 8.3% of the approved estimates.

1.8 Audit Mandate

By virtue of the provision of Article 143 of the constitution of the United Republic of Tanzania and Section 30(1) of the Public Finance Act no.6 of 2001, the Controller and Auditor General is empowered to audit all government revenue and expenditures including those appropriated to Ministry.

1.9 Audit objectives

The main objective of conducting the audit is to enable me to express a professional opinion on the financial statements of the Ministry for the period ended 30th June, 2005 and in particular: -

- To determine whether transactions were executed in accordance with management authorization and the preparation of the financial statements in accordance with the international accounting principles and requirements of the treasury.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and the regulations governing government expenditure.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all ministry's activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the public procurement act.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring activities and that the assets of the Ministry are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the Ministry has taken, adequate corrective actions on previous year's audit recommendations.

1.10 Audit Scope

The audit was carried out in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. 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 the accompanying financial statements to the appropriation account, and other procedures as was considered necessary under the circumstances, Therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to audit. 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 in such a way that we would have reasonable expectation of detecting material misstatements in the financials statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Department who are responsible for setting up and maintaining an adequate system of internal control.

1.11 Audit Methodology

Our audit included such tests of the accounting records, site visits and other procedures in order to satisfy the objective of the audit. Our audit procedures included the following steps:-

- Planning the audit to obtain an adequate understanding of the Ministry, its activities and operations and assessment of the major risk areas.
- Carrying out substantive test of the balances reported by the Ministry in order to obtain reasonable assurance regarding the amounts and disclosures included in the financial statements.
- Review the adequacy of the Internal Control System in place, testing whether it is in compliance with laid down rules, polices, procedures and regulations.
- Conducting Interviews and discussions wit some of the employees of the Ministry and
- Site visits to selected areas or stations.

1.12 Presentation of Audit Findings

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

2.0 AUDIT REPORT AND FINANCIAL STATEMENTS

**To: The Permanent Secretary,
Accounting Officer of Vote 58,
Ministry of Energy and Minerals.**

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

I have audited the financial statements of the Ministry of Energy and Minerals shown in Annexure 2 for the year ended 30th June,2005.

Responsibilities of the Accounting Officer

Section 25(4) of the Act places responsibility to the Accounting Officer to prepare the financial statements based on the 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 entity.

Responsibilities of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures adopted by the Ministry of Energy and Minerals 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.

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; 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, expenditures of public monies have been properly authorized; and to satisfy myself whether the funds appropriated to the Ministry of Energy and Minerals 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 are consisted with those recommended by the INTOSAI. Those standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are free of misstatements. An audit includes examining, on a test basis, evidence supporting the amounting and disclosures in the financial statements. An audit also includes assessing 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 circumstance of the Ministry of Energy and Minerals (Vote 58) 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 Regulations 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 specified below, the financial statements of the Ministry of Energy and Minerals 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 2005, and the financial position as at that date.

Limitation of scope of Audit and disagreement in best practice on records keeping.

1. Audit findings relating to financial years 1999/2000 and 2000/2001 Audit reports involved an amount totaling Shs.970,006,500 were not yet acted upon.
2. Revenues due to the government amounting to Shs.2,434,774,164 have not been collected.
3. Non-accounting of warrant of funds for TANSORT Office in London totaling Shs. 561,000,000.
4. There was unvouched and improperly vouched expenditures amounting to Shs.324,623,261.
5. Lack of Project Implementation Reports for “D” Funded Projects totaling Shs.41,697,697,798.
6. Non- Submission of final accounts of Escrow Account.

These matters are discussed in detail under Part 3 of this report.

Further to my opinion, on public procurement, except for the missing contract agreement valued at C& 146,271 (Shs.135,681,814) and goods not taken on ledger charges worth Shs.37,144,244, the procurement of office equipment, motor vehicles and related services, drugs and medicines, were generally done in accordance with the Public Procurement Act No.21 of 2004 and related Regulations.

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

National Audit Office,
Dar es Salaam,
February, 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow - up of previous audit recommendations

Period	Paragraph	Particulars of Paragraph	Audit Comments
1999/2000	396(a)	Questionable payments to Madini Institute Shs.220,895,420	The Payments amounting to Shs.220,895,420 have not yet been regularized by the Paymaster General
2000/01	423	(c) Doubtful retirement of Safari Imprests Shs.2,703,170 (f) Questionable standing Imprests Shs.7,202,819	I am still waiting for recovery of Shs.2,095,500 An amount of Shs,3,079,920 has not yet been recovered.
2000/01	429.3.2	Short collection of royalties on diamonds (Revised figure) Shs.743,935,668(USD 708,510)	The Attorney General Confirmed my observation. I obtained no information regarding the refund of this amount of Shs.743,935,668 to the exchequer account.
		Total Shs.	970,006,500

Recommendation

The Accounting Officer's attention is drawn to the advantages of acting promptly on audit recommendations with a view to securing public accountability by instituting financial and accounting controls as recommended.

3.2 Current Year's Audit Findings

3.2.1 Financial Controls

(i) Status of Audit Queries

A test check of the accounts, statements and related records for the year under review (2004/2005) resulted in the issue of 28 queries. In addition 52, queries relating to the previous years are still outstanding as follows:

<u>Financial Year</u>	<u>Number of Queries Outstanding</u>
2000/2001	1
2001/2002	5
2002/2003	21
2003/2004	<u>25</u>
Total	<u>52</u>

Recommendation

The Accounting Officer's attention is drawn to the advantages of acting promptly on audit queries with a view to securing public accountability by arresting financial and accounting control deficiencies.

(ii) **Outstanding Imprests not Disclosed Shs.5,352,240**

The footnotes to the appropriation accounts reflected outstanding imprests totaling shs. 1,601,500 as at 30th June 2005, however, the examination of the records underlying the statement disclosed net outstanding imprests totaling shs. 5,352,240 as analysed here below:

<u>Description</u>	<u>Amount (TShs)</u>
• Safari imprests	2,183,832
• Special imprests	<u>3,168,408</u>
Total	<u>5,352,240</u>

Implication

Failure to disclose the outstanding imprests distorts the correctness of information in the financial statements.

Recommendation

The Ministry's Management should ensure that safari and special imprests are retired within fourteen days after return from safari or completion of the activities for which the imprests were issued. In addition, outstanding imprests should be disclosed in the financial statements.

(iii) **Improperly Vouched Expenditure Shs 324,623,260.70**

Although the footnotes to the appropriation account did not disclose any cases of improperly vouched expenditure, examination of payment vouchers and related records for the year 2004/2005 revealed improperly vouched expenditure amounting to shs 324,623,260.70 as follows: -

<u>Description</u>	<u>Amount (Shs)</u>
Improperly vouched expenditure	112,644,792.70
Proforma Invoices	<u>211,978,468.00</u>
Total	<u>324,623,260.70</u>

Despite my adverse comments in previous years audit reports, no positive actions appear to have been taken to reduce the magnitude of improperly vouched expenditure.

Implication

The genuineness of the expenditure or the purpose for which the payments were made could not be ascertained.

Recommendation

The missing documents totaling shs. 681,185,260.70 should be traced and made available for audit verification. Further, the ministry is advised to make sure that there is proper custody of payment vouchers and their supporting documents.

(iv) **Funds issued to Various Parastatals Institutions**
Shs.781,424,180

Payments totalling to Shs. 781,424,180 were effected to Tanzania Petroleum Development Corporation and Seamic during the year under review to meet payments of salaries, other charges and rural electrification projects as shown below:

<u>Public Body</u>	<u>Amount disbursed</u> <u>(TShs)</u>
Seamic	40,000,000
Tanzania Petroleum Development Corporation	741,424,180
Total	781,424,180

However, audited accounts of these Public Bodies were not made available for review.

Implication

It could be difficult to ascertain whether the funds issued were utilized for the intended purposes.

Recommendation

It is recommended that audited accounts of the said public bodies be produced for audit examination.

(v) **Amount Charged Direct -to -Project Funds**
Shs.41,697,697,798

An amount of shs.41,697,697,798 was paid to the Permanent Secretary, Ministry of Finance vide dummy payment voucher without reference number in respect of goods and services rendered by various donors directly to the projects under the Ministry during the financial year 2004/2005 as shown below: -

<u>Item no</u>		<u>Amount (shs)</u>
1101-5492	Tanzania Multisectoral HIV/AIDS	273,000,000
2001-1114	Mineral Sector Development Project	3,640,000,000
2001-3191	Supports to SEAMIC	1,365,000,000
3001-2358	Rural Energy Services	986,024,600
3001-3112	Rural Electrification Project	14,345,405,398
3001-3176	Natural Gas Dev Songosongo	11,520,000,000
3001-3190	Electricity 1V Project	1,500,000,000
3001-3192	Energy Efficiency Improvement	1,824,200,000
3001-3193	TanESCO Optical Fibre Cable Project	3,355,943,600
3001-3193	Management of TanESCO	1,410,000,000

3001-3293	Rural Electrification study	632,960,200
3001-4115	Institutional Support	845,164,000
		<u>Total 41,697,697,798</u>

Visits to various project sites, observed weaknesses and omissions in the system of internal control over goods and services under D-funds. In some circumstances there were no records for goods and services rendered as I reported in my previous report.

Implication

Loss of items from projects sites may go undetected by MEM management.

Recommendation

It is recommended that internal check should be carried out to confirm receipt and utilization of goods and services charged direct to the projects. In addition, project implementation should be prepared regularly for each report.

- (vi) **Development project on rural electrification Shs 1,604,570,000**
Payments totaling Shs.1,604,570,000 were made to Tanzania Electric Supplies Company Ltd (TANESCO) during the year 2004/2005 for rural electrifications projects.

Although the financial statements for the year 2004/ 2005 were audited by a private audit firm, my office has yet to be furnished with the Project Implementation Reports showing how the funds have been utilized and the status of the project at the end of the financial year.

Implication

Control over projects may not be effective in the absence of project implementation reports.

Recommendation

The Ministry should prepare and submit the Project Implementation Report for audit review.

- (vii) **Missing contract agreement C\$ 146,271.9 (TShs.135,681,814)**
An amount of Canadian Dollar C\$ 146,271.9(Tsh135, 681,814) was paid to the Bank of Tanzania for onward transmission to the Government of Kenya being re-imburement of cost of feasibility study in the Arusha-Nairobi electricity power transmission line. However, it was noted that the government of the United Republic of Tanzania had committed itself for the reimbursement of Canadian dollars amounting to \$146,271.9 being half of the total costs met by Government of Kenya to the consultant M/S BKS Acres.

The contract agreement between the two governments and the consultant M/S BKS Acres confirming the actual amount the government of the United Republic of Tanzania is due to pay was not made available for audit purpose.

Implication

In the absence of contract agreement between the parties to the contract the correctness of the amount paid could not be ascertained.

Recommendation

It is recommended that the missing contract agreement should be produced for audit scrutiny.

(viii) Statement of Arrears of Revenue Shs. 2,434,774,164

The Arrears of Revenue reported during the year 2004/2005 totalled Shs.2, 278,886,495. However, audit noted that there was uncollected annual rent and royalties amounting to Shs. 155,887,669 detected during the local audit inspections, which was not included in the statement of arrears of revenue. Instead of Shs.2,278,886,495 of the total arrears of revenue should add up to Shs. 2,434,774,164.

This implies that the records kept by Zonal/Resident Mines officers were not updated or reconciled with the records maintained by the Ministry headquarters.

Implication

- Non - collection of revenue would defer implementation of other Public activities.
- Inadequate record keeping may lead to loss of government revenue.

Recommendation

Concerted effort should be made to collect the amounts of revenue due to government.

The Management should review its records regularly.

(ix) Bank Reconciliation Statements

(a) Retention Account

The revenue bank reconciliation statement submitted along with the appropriation accounts reflected outstanding items which need urgent clearance as shown below:-

<u>Item Description</u>	<u>Amount in Shs.</u>
• Receipt in RRCB not in PMG'S Account	1,170,429,065.70
• Credit in PMG's not in RRCB	6,783,434.55

In addition, no revised bank reconciliation statement as at 31st December 2005 has been submitted to confirm whether the outstanding items have been cleared.

Implication

Loss of revenue may go undetected.

Recommendation

Clearance action is required.

(b) Vote and Deposit accounts

The bank reconciliation statements as at 30th June 2005 for the Supply vote, Development vote and Miscellaneous Deposit Account compiled at the Paymaster General's office in respect of the ministry's accounts were not made available to audit.

Implication

The correctness of accounts could not be established

Recommendation

The management should ensure that the missing statements are submitted to audit.

(x) Stores not taken on ledger charges shs 37,144,244

Stores worth shs 37,144,244 purchased during the year under review, were not taken on ledger charge. I was therefore unable to authenticate the correctness of the expenditure of shs 37,144,244.

Implication

Non-recording of stores ledger might lead to loss and misplacement of the purchased items.

Recommendation

The Ministry should ensure that stores worth shs 37,144,244 that has been received is taken on ledger charge.

(xi) Handing over Certificate

It is a long period of time since the ex-acting Chief Accountant has been transferred from this ministry, but no handing over certificate has been signed between the incoming and outgoing officers to date. I had emphasized on the need of preparing the handing over certificate in our previous year's management audit report.

Implication

Non-compliance with the Regulations.

Recommendation

The handing over certificate should be completed as required by financial regulations and submitted to audit for scrutiny.

(xii) Escrow Account

The Ministry has not submitted, up to the time of writing this report (Jan 2006), the final accounts for the years 2002/2003 and 2004 for audit, which, according to section 25(3) of the Act, should have been submitted by 30th April of the year following their financial year.

Implication

There is an apparent non-compliance with the Act.

Recommendation

These accounts should be prepared and sent to Auditors on timely basis.

(xiii) Internal Control Issues**Audit Committee**

It was observed that no member of the audit committee has been appointed by the Permanent Secretary from the external sources as required by Regulation 31 (1). In addition the Committee had only three meetings during the year under review instead of four meetings. The Committee also failed to send a copy of its Annual Report to the CAG on its activities for the year 2004/2005 as required by Regulation 32(1) (g).

Implication

The controls intended to be instituted could not take place.

Recommendations

The management should comply with the Regulations as required.

3.2.2 Operational Performance

During the year under review various activities were performed by the Ministry. However the statement of performance made available to audit covered the period up to the year 2007 and did not give yearly clear planned targets against achieved targets.

Implication

The yearly achievement against planned targets could not be measured.

Recommendation

The Ministry should ensure that the targets and achievement for each year are clearly defined, stated, and are measurable.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Ministry during exit meeting. The Management 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 cooperation 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: - The 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.

5.0 ANNEXURES

- I. Financial Statements, Accounting Policies and Notes to the Financial Statements.
- II. Organization Structure

Organization Structure of MEM

