

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE MINISTRY OF
COMMUNICATIONS AND TRANSPORT
VOTE 62**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

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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 ensuring that Ministries, Departments, Agencies, and Public Authorities 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 circles 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 Communications and Transport for the year ended 30th June, 2005.

- Statement of Vote Account - Supply
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash flow Statement for Deposit Account
- Summary Statement of Revenue
- Summary Appropriation Account Development
- Summary Appropriation Account Recurrent
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund
- Cash flow Statement for Development
- Notes to the Financial Statements
- Statement of Commitment Outstanding

These financial statements form part of this report.

Ministry means the Ministry of Communication and Transport

Act Means the Public finance Act No. 6 of 2001 as amended in 2004

Regulations means the Regulations of the Public Finance Act issued under GN number 259 of 2003.

CAG	Controller and auditor General
CTLA	Central Transport Licence authority
DIA	Dar es Salaam International Airport
DMI	Dar es Salaam Maritime Institute
GN	Government Notice
INTOSAI	International Organization of Supreme Institutions
ISA	International Standard on Auditing
KIA	Kilimanjaro International Airport
NIT	National Institute of Transport
PMG	Paymaster General
PMU	Procurement Management Unit

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have completed the audit of the annual accounts of the Ministry of Communications and Transport for the year ended 30th June, 2005. Audit findings arising from examination of accounting records, and evaluation of the Internal control system which require management's attention and action are set out under Part 3 of this report.

1.2 Brief history of the client establishment

The Ministry of Communications and Transport was established by the President of United Republic of Tanzania on 23rd November 2000. The President reestablished the Ministry of Communications and Transport pursuant to article 55 of the Constitution of URT through an Instrument published under GN No. 467 of 1st December, 2000 issued as a special supplement no. 4 in the Official Gazette No. 48 Vol.81 dated 1st December 2000.

VISION

The Vision of the Ministry of Communications and Transport is to offer safe, secure, efficient, effective, customer-driven, integrated, environmentally friendly and sustainable services that meet national, regional and international standards by the year 2025.

MISSION

The Mission is to facilitate an integrated, environmentally friendly and sustainable development of communications, transport and meteorological sectors in order to provide safe, secure, efficient, effective and affordable services for the enhanced socio-economic development of Tanzania.

1.3 Operational objectives

The Operational objectives of the Ministry of Communications and Transport are as follows:-

- To ensure a conducive environment for efficient and effective delivery of supportive services to transport, communications and meteorological sectors
- To provide opportunities in an equitable manner so as to make them free from all forms of social discrimination inhibit empowerment and effective participation of all groups in the society irrespective of gender, age or disability
- To improve services and reduce HIV/AIDS infection
- To facilitate the provision of adequate, sustainable, affordable and efficient transport, communications and meteorology infrastructure and services with maximum safety and minimum environmental degradation

- To ensure timely preparation and submission to the Treasury three sets of annual budget, Medium Terms Expenditure Framework and Sector Performance reports on quarterly, mid-yearly and annual basis by 2007
- To harmonize transport and communication standards with those of regional and international groupings to which Tanzania is a member
- To improve revenue collection from transport and communications services rendered by the Sectors by year 2005

1.4 Financing

The main sources of funds for the budget under the Ministry of Communications and Transport is through appropriation from the Exchequer and Development partner/donors. Budget against actual expenditure for the year 2004/2005 was as shown below:-

	Estimates Shs.	Actual Shs.
Recurrent expenditure	29,082,614,300.00	28,924,246,702.71
Development expenditure	22,706,821,500.00	20,001,458,542.32
Total	51,789,435,800.00	48,925,705,245.03

1.5 Management Structure of the Ministry of Communications and Transport

The Ministry of Communication and Transport is headed by the Minister and the day to day activities are managed by the Permanent Secretary who is also the Accounting Officer of Vote 62. The Ministry has one line division, two supporting divisions and two units.

The Transport and Communications division has the purpose of providing effective oversight in developing, monitoring, evaluating and coordinating transport and communications services. Under this division there are four sections these are Surface Transport, Maritime transport, Air transport and Postal and Telecommunication. The two supporting divisions are Policy and Planning division and Administration and Personnel division. The two units are accounts and Internal audit Unit. The organization structure is attached as annexure.

1.6 Brief Description of Internal Control system

The internal controls were found to be in place. The Ministry has established one unit and two committees to strengthen the system of internal controls viz. PMU, and Ministry's Tender Board as required by regulations 34 and 28 of Public Procurement Regulations of 2004 respectively and audit Committee and Internal Audit Unit in accordance with regulations No. 30 and 34 of the Public Finance Regulations 2001, respectively.

1.6.1 Accounting system

The Ministry of communications and Transport (HQ) is using an Integrated Financial Management system. All accounting information is obtained from the computer system and the financial statements are compiled in accordance with the Generally accepted accounting practice.

1.6.2 Internal Audit Unit

The Ministry of Communications and Transport has an Internal Audit Unit, which execute an independent appraisal of activities established within the Ministry. The internal audit functions include examining and evaluating the adequacy and effectiveness of internal controls to ensure that proper systems of internal control and accounting exist.

1.6.3 Audit Committee

The Ministry established an Audit Committee as per Regulation 30, of the Public Finance Regulations of 2001. The total number of committee members is four. Out of which three members nominated among senior officials of the Ministry, and one Member appointed from external sources. The committee records revealed that meetings were conducted quarterly as required by the law.

1.6.4 Procurement Management Unit

The procurement Management Unit was not formally established. Currently, five supplies officers execute the PMU functions.

1.6.5 Tender Board

The meetings are conducted once every month. But some times Tender board meeting could be conducted more than once a month depending on the workload available. However, meetings could not be sat for minor procurement, instead quotations were applied. The Ministerial Tender Board is composed of three members and four secretariats.

1.7 Financial Performance

Statement of Vote Account-Supply

The Supply Vote Account closed with an apparent saving of Shs.158,367,597 arising from net expenditure of Shs.28,924,246,703 against the net approved estimates of Shs. 29,082,614,300. However, actual exchequer issues totalled Shs.28,925,793,172 making a real saving of Shs. 1,546,469, being cash balance with the Paymaster General's Account.

Statement of Vote account-Development

The Development vote closed with a net expenditure of Shs.20,001,458,542 against net approved estimates of Shs.22,706,821,500 leaving an apparent saving of Shs.2,705,362,958. However, the exchequer issues received during the financial year totalled Shs.20,001,478,448 resulting unspent issues of Shs. 19,906 with the PMG's account.

1.8 Audit Mandate

By virtue of the provision of Article143 of the Constitution of the United Republic of Tanzania and Section 30(1) and 37 (1) of the Public Finance Act No. 6 of 2001, the Controller and Auditor General is the appointed auditor of all Government accounts including the accounts of the Ministry of Communications and Transport.

1.9 Audit objectives

The objective of conducting the audit is to enable the CAG to express a professional opinion on the Appropriation Accounts and other financial statements of the Ministry of Communications and Transport for the year ended on 30th June 2005 and in particular:

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of account to permit the preparation of the financial statements in accordance with Generally Accepted Accounting Standards.
- To ascertain whether all necessary supporting documents, records and accounts have been kept in respect of all Ministry's activities.
- To confirm whether revenues collected and payments made are as per approved budget and are properly classified, recorded and summarized in the Appropriation accounts and statements.
- To verify whether goods and services bought were acquired through laid down procurement procedures.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring its activities and that the

assets of the Ministry are safeguarded against loss from unauthorized use or disposition.

1.10 Audit Scope

The audit of the Ministry of Communications and Transport for the year ended 30th June, 2005 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 effectiveness of the financial accounting system and internal controls over the activities of the Ministry examination and verification of the accounting financial statements of vote and appropriation account and other auditing procedures, as was considered necessary under the circumstances for the purpose of forming an opinion on the financial statements. The audit was conducted on a sample basis, and 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 us.

As auditors, we are not required to search specifically for fraud and therefore, our audit can not be relied upon to disclose all such matters. However, our audit was planned in such a way that we would have a reasonable expectation of detecting material misstatement including those resulting from irregularities or fraud. The responsibility for detection and prevention of irregularities and fraud rests with the management of the Ministry 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 procedures included the following:

- (a) Carrying out substantive verification of the balances reported by the Ministry of Communications and Transport in order to obtain reasonable assurance regarding the amounts and disclosures included in the financial statements.
- (b) Review the internal control system in place and testing whether it is in compliance with the Act and Public Procurement Act No.3 of 2001.
- (c) Examination of payment vouchers with their related supporting documents.
- (d) Planning the audit to obtain an adequate understanding of the Ministry of Communications and Transport, its activities and operations and obtaining an assessment of the major risk areas.
- (e) Comparing budgets against actual revenue or expenditure and investigate the variance.
- (f) Obtaining bank reconciliation statement for the Accounts and note any exceptions regarding reconciling items.

- (g) Appraisal of the previous audit recommendations to determine whether the management has taken adequate corrective action.
- (h) Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit exercise respectively.

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 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: Eng. John Kijazi,
Accounting Officer of Vote 62**

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

I have audited the financial statements of the Ministry of Communications and Transport shown on pages 13 through 28 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 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 Communications and Transport.

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 Communications and Transport 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 Communications and Transport.

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, that the laws, directions and instructions applicable thereto have been duly observed, expenditures of public monies has been properly authorized; and to satisfy myself whether the funds appropriated to the Ministry of Communications and Transport 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 consistent 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 material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An 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 Communications and Transport 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 recognised when they are received and cash payments are recognised when they are paid.

Qualification

In my opinion, except for the matters specified below, the financial statements of the Ministry of Communications and Transport have been prepared based on 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.

Further to my opinion, the procurement of office furniture and fittings, IT equipment and accessories thereon, and office equipment was generally done in accordance with Public Procurement Act No. 21 of 2004 and related regulations.

Long outstanding audit queries and non compliance with Regulations:

1. There are two long outstanding audit queries worth Shs.696,282,380 since financial year 1998/99 that are yet to be acted upon by the Ministry.
2. A total amount of Shs. 1,516,000 collected at two upcountry stations was not banked as at the time of writing this report (January 2006).
3. Statements of expenditure and relevant supporting documents were not made available to support the expenditure of D Funds amounting to Shs. 357,063,585.
4. Acknowledgement receipts supporting total payments of Shs.121,918,298 were not attached to payment vouchers.

5. Outstanding imprests amounting to Shs. 19,392,106 were not reflected in the financial statements as at 30th June 2005.

The detailed findings on these matters and others is given in part 3 of this Report.

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

**STATEMENT OF 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 Communications and Transport 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 Communications and Transport 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 Communications and Transport.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the Accounts and underlying records 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 the instructions issued by the Treasury in respect of the year under review.

Signed by Accounting Officer

Date

THE UNITED REPUBLIC OF TANZANIA
VOTE62 - Ministry Of Communication and Transport
RECURRENT EXPENDITURE STATEMENT OF VOTE ACCOUNT

AS AT 30TH JUNE, 2005

2003/2004			2004/2005	
		1. APPROVED ESTIMATES		
21,304,759,400.00		Original Approved Estimates	23,058,794,100.00	
40,000,000,000.00		Add: Supplementary Estimates No.1 of 2003/2004	0.00	
65,000,000.00		Add: Reallocation Warrants No.1 of 2004/2005	3,423,000,000.00	
0.00		: Reallocation Warrants No.2 of 2003/2004	1,230,000,000.00	
2,300,000,000.00		: Reallocation Warrants No.3 of 2003/2004	1,375,107,500.00	
<u>307,499,472.00</u>		: Reallocation Warrants No.4 of 2003/2004	<u>0.00</u>	
<u>5,000,000,000.00</u>		: Ex. W. No. 62/EB/AG/159/2/466 of 26/06/2004	<u>0.00</u>	
68,977,258,872.00			29,086,901,600.00	
<u>800,209,600.00</u>		Less: Reallocation Warrants No.3 of 2004/2005	<u>4,287,300.00</u>	
68,177,049,272.00		Net Approved Estimates	29,082,614,300.00	
	68,177,049,272.00	Issues received during the Current Financial Year 2004/2005		28,925,793,172.00
68,171,840,926.69	68,171,840,926.69	Less: Net Expenditure Incured for the Financial year 2004/2005	28,924,246,702.71	28,924,246,702.71
5,208,345.31	5,208,345.31	Unutilized Budget Issues	158,367,597.29	1,546,469.29
		Represented by :		
	0.00	Outstanding Imprests		0.00
	0.00	Advances		0.00
	5,208,345.31	Balance, being Cash on Hand with the PMG as per Vote Account Cash Book		1,546,469.29
		Unspent Budget Amount		

15th August, 2005

SALIM MSOMA
Accounting Officer

THE UNITED REPUBLIC OF TANZANIA
VOTE62 - Ministry Of Communication and Transport
DEVELOPMENT EXPENDITURE
STATEMENT OF VOTE ACCOUNT

2003/2004		Description	2004/2005	
TSHS			TSHS	
23,959,813,000.20		Original Approved Estimates	19,265,541,900.00	
8,556,740,538.00		Add : Reallocation Warrants No 4 of 2003/2004	0.00	
0.00		Add : Reallocation Warrants No 3 of 2004/2005	5,000,000,000.00	
0.00		Less: Reallocation Warrant No 3 of 2004/2005	1,558,720,400.00	
32,516,553,538.29		Net Approved Estimates	22,706,821,500.00	
	32,516,553,538.20	Issues received in the year 2004/2005		20,001,478,447.72
32508,502,635	32,508,502,635.95	Less: Net Expenditure Incurred for the Financial year 2004/2005	20,001,458,542.32	20,001,458,542.32
8,050,902.25	8,050,902.25	Unutilized Budget Issues	2,705,362,957.68	19,905.40
		Represented by		
	0.00	Outstanding Imprests		0.00
	0.00	Advances		0.00
	8,050,902.25	Balance, being Cash with the PMG as per Vote Account Cash Book		19,905.40

15th August ,2005

SALIM MSOMA
Accounting Officer

Vote 62 MINISTRY OF COMMUNICATIONS AND TRANSPORT

CASHFLOW STATEMENT FOR RECURRENT FOR THE YEAR ENDED 30 JUNE 2005

Actual Exp. 2003/04	Cash flow from Operating activities	Note	Actual Exp. 2004/05	Approved Est. 2004/05	Variance Approved/Actual
Receipts					
0.00	Taxation		0.00	0.00	0.00
0.00	Non tax		0.00	0.00	0.00
0.00	Grants		0.00	0.00	0.00
68,177,049,272.00	Exchequer Issues		28,925,793,172.00	29,082,614,300.00	156,821,128.00
0.00	Interest Received		0.00	0.00	0.00
0.00	Other receipts		0.00	0.00	0.00
68,177,049,272.00	Total Receipts (A)		28,925,793,172.00	29,082,614,300.00	156,821,128.00
Payments					
407,579,781.35	Personal Emoluments		501,787,499.97	521,099,600.00	19,312,100.03
0.00	Pensions		0.00	0.00	0.00
785,926,025.84	Suppliers-goods,works,& c/Services		355,121,319.60	358,350,000.00	3,228,680.40
64,017,842,184.75	Current transfers and subsidies		24,426,449,619.02	24,438,390,400.00	11,940,780.98
0.00	Interest paid		0.00	0.00	0.00
2,960,492,934.75	Other Payments	1	3,640,888,264.12	3,764,774,300.00	123,886,035.88
68,171,840,926.69	Total Payments (B)		28,924,246,702.71	29,082,614,300.00	158,367,597.29
5,208,345.31	Net Cash flow operating activities (A-B)		1,546,469.29	0.00	-1,546,469.29

Cash flow from Investing activities					
0.00	Purchases of assets		0.00	0.00	0.00
0.00	Proceeds from sale of Assets		0.00	0.00	0.00
0.00	Proceeds from sale of investments		0.00	0.00	0.00
0.00	Purchase of foreign currency securities		0.00	0.00	0.00
0.00	Capital grants		0.00	0.00	0.00
0.00	Net Cash flow Investing activities (C)		0.00	0.00	0.00
Cash flow from financing activities					
0.00	Proceeds from borrowings		0.00	0.00	0.00
0.00	Repayment of borrowings		0.00	0.00	0.00
0.00	Net cash flow from financing activities (D)		0.00	0.00	0.00
Net Increase/(decrease) in cash and cash equivalents (A-b)+C+D			1,546,469.29	0.00	1,546,469.29
Receipts and Cash equivalents at the beginning of the period			0.00	0.00	0.00
Cash and Equivalents at the end of the period			1,546,469.29	0.00	1,546,469.29

NOTE 1

Includes travelling costs, training, extra duty and all other expenses apart from Subvention and Supplies

15 August 2005

SALIM MSOMA
Accounting Officer

Vote 62 MINISTRY OF COMMUNICATIONS AND TRANSPORT
CASHFLOW STATEMENT FOR DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2005

Actual Exp. 2003/04	Cash flow from Operating activities	Note	Actual Exp. 2004/05	Approved Est. 2004/05	Variance Approved/Actual
Receipts					
0.00	Taxation		0.00	0.00	0.00
0.00	Non tax		0.00	0.00	0.00
	Grants		0.00	0.00	0.00
32,508,502,838.29	Exchequer Issues		20,001,478,447.72	22,706,821,500.00	2,705,343,052.28
0.00	Interest Received		0.00	0.00	0.00
0.00	Other receipts		0.00	0.00	0.00
32,508,502,838.29	Total Receipts (A)		20,001,478,447.72	22,706,821,500.00	2,705,343,052.28
Payments					
0.00	Personal Emoluments		0.00	0.00	0.00
0.00	Pensions		0.00	0.00	0.00
29,658,502,635.95	Suppliers-goods,works,& c/Services		13,151,478,447.72	13,415,541,900.00	264,063,452.28
0.00	Current transfers and subsidies		0.00	0.00	0.00
0.00	Interest paid		0.00	0.00	0.00
2,850,000,000.00	Other Payments	1	6,849,980,094.50	9,291,279,600.00	2,441,299,505.50
32,508,502,635.95	Total Payments (B)		20,001,458,542.22	22,706,821,500.00	2,705,362,957.78
202.34	Net Cash flow operating activities (A-B)		19,905.50	0.00	-19,905.50

Cash flow from Investing activities							
0.00	Purchases of assets			0.00		0.00	0.00
0.00	Proceeds from sale of Assets			0.00		0.00	0.00
0.00	Proceeds from sale of investments			0.00		0.00	0.00
0.00	Purchase of foreign currency securities			0.00		0.00	0.00
0.00	Capital grants			0.00		0.00	0.00
0.00	Net Cash flow Investing activities (C)			0.00		0.00	0.00
Cash flow from financing activities							
0.00	Proceeds from borrowings			0.00		0.00	0.00
0.00	Repayment of borrowings			0.00		0.00	0.00
0.00	Net cash flow from financing activities (D)			0.00		0.00	0.00
Net Increase/(decrease) in cash and cash equivalents (A-b)+C+D				0.00		0.00	0.00
Receipts and Cash equivalents at the beginning of the period				0.00		0.00	0.00
Cash and Equivalents at the end of the period				19,905.50		0.00	19,905.50

NOTES

1.Expenditure from local financing, see Statement of Composition of Funds

15 August 2005

**SALIM MSOMA
Accounting Officer**

Vote 62 MINISTRY OF COMMUNICATIONS AND TRANSPORT

CASHFLOW STATEMENT FOR DEPOSIT A/C 16:140

FOR THE YEAR ENDED 30 JUNE 2005

Actual Exp. 2003/04	Cash flow from Operating activities	Note	Actual Exp. 2004/05	Approved Est. 2004/05	Variance Approved/Actual
Receipts					
0.00	Taxation		0.00	0.00	0.00
0.00	Non tax		0.00	0.00	0.00
0.00	Grants		0.00	0.00	0.00
0.00	Exchequer Issues		0.00	0.00	0.00
0.00	Interest Received		0.00	0.00	0.00
414,385,840.43	Other receipts	1	121,917,823.42	0.00	(121,917,823.42)
414,385,840.43	Total Receipts (A)		121,917,823.42	0.00	(121,917,823.42)
Payments					
0.00	Personal Emoluments		0.00	0.00	0.00
0.00	Pensions		0.00	0.00	0.00
0.00	Suppliers-goods,works,& c/Services		0.00	0.00	0.00
0.00	Current transfers and subsidies		0.00	0.00	0.00
0.00	Interest paid		0.00	0.00	0.00
91,714,347.85	Other Payments	1	346,970,304.73	0.00	(346,970,304.73)
91,714,347.85	Total Payments (B)		346,970,304.73	0.00	(346,970,304.73)
322,671,492.58	Net Cash flow operating activities (A-B)		(225,052,481.31)	0.00	225,052,481.31

Cash flow from Investing activities				
0.00	Purchases of assets		0.00	0.00
0.00	Proceeds from sale of Assets		0.00	0.00
0.00	Proceeds from sale of investments		0.00	0.00
0.00	Purchase of foreign currency securities		0.00	0.00
0.00	Capital grants		0.00	0.00
0.00	Net Cash flow Investing activities (C)		0.00	0.00
Cash flow from financing activities				
0.00	Proceeds from borrowings		0.00	0.00
0.00	Repayment of borrowings		0.00	0.00
0.00	Net cash flow from financing activities (D)		0.00	0.00
Net Increase/(decrease) in cash and cash equivalents (A-b)+C+D			(225,052,481.31)	0.00
Receipts and Cash equivalents at the beginning of the period			322,671,492.58	0.00
Cash and Equivalents at the end of the period			97,619,011.27	0.00

NOTES

1. Include receipts and payments from unclaimed salaries, Canteen rent, Malipo maalum, SATCC IMO,ISCOS,Tume ya ajali ya treni, DTC Collection, Retention money, Tacaid collection, General deposits, Y2K Fund and Internal Debt.

15 August 2005

SALIM MSOMA
Accounting officer

THE UNITED REPUBLIC OF TANZANIA
VOTE62 - Ministry Of Communication and Transport

SUMMARY STATEMENT OF REVENUE AS AT 30 JUNE 2005

2003/04			2004/2005			
Actual Collection	Sub Vote Code	Description	Budget Amount 1	Actual Collections 2	Variance (2-1)	Exp. As % of Budget (2/1)*100
15,101,252.55	621001	Administration and General	3,502,000.00	2,306,747.00	(1,195,253.00)	66
36,069,275.70	622001	Transport and Communication	32,550,000.00	41,793,564.65	9,243,564.65	128
1,682,290,197.00	622002	Central Transport and Licensing	1,900,002,000.00	1,742,589,550.00	(157,412,450.00)	92
2,159,073,077.16	623002	Government aircrafts	0.00	0.00	0.00	0
3,892,533,802.41		TOTAL	1,936,054,000.00	1,786,689,861.65	(149,364,138.35)	92

15th August, 2005

SALIM MSOMA
Revenue Collector

UNITED REPUBLIC OF TANZANIA
VOTE 62 – Ministry Communications and Transport
SUMMARY APPROPRIATION ACCOUNT – RECURRENT
As at the end of F/Y 30 Jun. 2005

2003/04	2004/2005					
Actual Expenditure	Code	Description	Approved Estimates June 2005	Actual Expenditure June 2005	Variance	Exp. As % of Appr Estimates
			1	2	3=(1-2)	4=(2/1)*100
1,173,557,883.44	621001	Administration and General	1,166,616,700.00	1,165,986,444.83	630,255.17	99.95
659,708,690.05	621002	Finance and Accounts	692,143,000.00	671,673,684.99	20,469,315.01	97.04
696,956,344.17	621003	Policy and Planning	938,509,600.00	914,594,269.48	23,915,330.52	97.45
64,777,417,159.32	622001	Transport and Communication	25,343,662,000.00	25,322,603,028.27	21,058,971.73	99.92
864,200,849.71	622002	Central Transport and Licensing	941,683,000.00	849,389,275.14	92,293,724.86	90.20
68,171,840,926.69		Total Recurrent Expenditure	29,082,614,300.00	28,924,246,702.71	158,367,597.29	99.46

15th August, 2005

SALIM MSOMA
Accounting Officer

UNITED REPUBLIC OF TANZANIA
VOTE 62-Ministry of Communications and Transport
SUMMARY APPROPRIATION ACCOUNT – Development
As at the end of F/Y 30 –Jun-2005

2003/04	2004/2005					
Actual Expenditure			Approved Estimates June 2005	Actual Expenditure June2005	Variance	Exp. As % of Appr Estimates
			1	2	3=(1-2)	4=(2/1)*100
	Code	Description				
0.00	621003	Policy and Planning	100,000,000.00	94,980,094.60	5,019,905.40	94.98
30,208,502,635.95	622001	Transport and Communication	16,041,821,500.00	13,341,478,447.72	2,700,343,052.28	83.17
2,300,000,000.00	623001	Aerodroms	6,565,000,000.00	6,565,000,000.00	0.00	100.00
32,508,502,635.95		Total Development Expenditure	22,706,821,500.00	20,001,458,542.32	2,700,343,052.28	88.09

15th August, 2005

SALIM MSOMA
Accounting Officer

THE UNITED REPUBLIC OF TANZANIA																
VOTE 62 - Ministry of Communication and Transport																
STATEMENT OF COMPOSITION OF FUND																
VOTE	PROJECT	APPROVED ESTIMATES			AMOUNT RELEASED			ACTUAL EXPENDITURE			VARIANCE actual/estimates* 100					
		FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREI GN	LOCAL	TOTAL			
		Name of Donor	Amount	Amount	Amount	Name of Donor	Amount	Amount	Amount	Name of Donor	Amount					
62	6216	BELGIUM	105,000,000.00		105,000,000.00	BELGIUM	102,473,475.06		102,473,475.06	BELGIUM	102,473,475.06		97.59	97.59		
62	6218			100,000,000.00	100,000,000.00			75,000,000.00	75,000,000.00			75,000,000.00	75,000,000.00	100.00	100.00	
62	6224	N'LANDS	5,356,821,500.00		5,356,821,500.00	N'LANDS	5,356,821,500.00		5,356,821,500.00	N'LANDS	5,356,821,500.00		100.00	100.00		
62	6227			150,000,000.00	150,000,000.00			37,500,000.00	37,500,000.00			37,500,000.00	37,500,000.00	100.00	100.00	
62	6228			100,000,000.00	100,000,000.00			25,000,000.00	25,000,000.00			25,000,000.00	25,000,000.00	100.00	100.00	
62	6229	SWEDEN	845,163,900.00	100,000,000.00	945,163,900.00	SWEDEN	20,620,157.00	52,500,000.00	73,120,157.00	SWEDEN	20,620,157.00	52,500,000.00	73,120,157.00	2.44	102.44	
62	6225			6,000,000,000.00	6,000,000,000.00			6,265,000,000.00	6,265,000,000.00			6,265,000,000.00	6,265,000,000.00	100.00	100.00	
62	6226			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00	100.00	100.00	
62	6235			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00	100.00	100.00	
62	6236			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00			100,000,000.00	100,000,000.00	100.00	100.00	
62	6281			100,000,000.00	100,000,000.00			95,000,000.00	95,000,000.00			94,980,094.60	94,980,094.60	99.98	99.98	
62	6282	IDA	9,549,836,100.00		9,549,836,100.00	IDA	7,671,563,315.66		7,671,563,315.66	IDA	7,671,563,315.66		7,671,563,315.66	80.33	80.33	
		TOTAL	6,306,985,400.00	6,750,000,000.00	22,706,821,500.00		13,151,478,447.72	6,850,000,000.00	20,001,478,447.72		13,151,478,447.72	6,849,980,094.60	20,001,458,542.32	208.52	100.00	308.52

15 August 2005

SALIM MSOMA
Accounting
Officer

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow up of Previous audit findings

The Ministry has not finalized replies on the following paragraphs of my previous year's audit report:

Details	Amount reported Shs.	Amount outstanding Shs.
1998/99 Audit report:		
• Arrears of revenue including unverified debtors	694,582,388	694,582,388
• Losses of cash	11,610,500	1,700,000
	Total	<u>696,282,380</u>

Implication

There is obviously inadequate follow up for finalization of the outstanding matters.

Recommendation

Accounting officer's attention is drawn to the advantages of acting promptly on audit findings with a view to securing public accountability by timely arresting financial and accounting control deficiencies. In future, this situation will lead to more serious qualification on audit reports of the Ministry.

Management response

It's true that the outstanding amount of arrears of revenue amounting to Shs.694,582,338 is still outstanding since 1998/99 audit report. Various efforts have been made to collect the amount but our efforts were retarded by reasons beyond our control or explained below:-

Analysis of arrears of Revenue:

- Directorate of Civil Aviation (TCAA) TShs. 663,196,544
 - Directorate of Aerodromes (TAA) TShs. 31,385,844
 - Central Transport Licensing Authority TShs. 1,700,000
- Total TShs. 696,282,388**

(i) Directorate of Civil Aviation (TCAA) Shs. 663,196,544

The amount represent arrears in revenue in respect of packing fees owed by ATC, the debt was taken over by ATHCO who had failed to pay. See Correspondence/reference letters attached.

The progress report for collection of the outstanding amount will be communicated to your office for audit verification.

- (ii) **Directorate of Aerodromes (TAA) TShs. 31,385,844**
This amount being rent owed by Aircraft Engineering (T) Ltd.

We were unable to recover any sum because the debtor was taken to court. However, the judgement has been delivered in our favour. We will let you know of any collection progress for your audit verification.

- (iii) **Losses of Cash TShs. 1,700,000**
Auditor's observation is valid. However all documents were submitted to OCD/CID Kilimanjaro for investigation and the case is still pending. We will let you know any progress of the case.

Comment

We are waiting to receive finalization and clearance particulars of the amounts outstanding or in case of the amounts have been collected or recovered produce exchequer receipt vouchers for audit scrutiny.

3.2 Current audit findings

3.2.1 Non-submission of Audited accounts

During the year under review the Ministry paid Shs.678,134,600 and 1,782,666,900 to M/S DMI and NIT respectively, to facilitate training activities. However, no audited accounts as at 30th June 2005 have been submitted by the two institutions to confirm whether the Government funds they received were properly accounted for and used as intended.

Implication

Proper accountability of the Public funds received by the institutions could not be ascertained.

Recommendation

The Ministry Management should obtain from the Institutions the audited accounts, and submit the same to the Controller and Auditor General for audit review.

Management response

We have instructed the respective institutions to submit the audited financial statements for the year ended 30th June 2005, we will notify you once we receive (see reference letter attached).

Comment

As at 17th March 2006 the Management of the Ministry had not yet submitted the required audited accounts to the Controller and Auditor general for audit review.

3.2.2 Audit queries

A test check of the accounts and related records for the financial year under review resulted in the issue of twenty-seven audit queries. As at the time of writing this report December 2005, seven queries had been replied satisfactorily and closed.

In addition, seven audit queries relating to previous financial years are still outstanding as shown below:

Financial year	Number of audit queries outstanding
2002/03	2
2003/04	5
Total	7

Management response

The auditor's revelation is true but more effort has been made to arrest the situation of status of audit queries, currently out of twenty-seven queries issued, thirteen audit queries have been closed, fourteen audit queries are under audit verification.

Also there were seven audit queries outstanding in respect of previous years, one audit query has been closed remaining six audit queries are under audit verification. The status of audit queries as at 14th Feb. 2006 is depicted below.

PREVIOUS YEARS

FINANCIAL YEAR	AUDIT	CLOSED	OUTSTANDING
2002/03	2	1	1
2003/04	5	-	5
CURRENT YEAR			
2004/05	27	13	14
TOTAL	34	14	20

Comment

As at the date of verifying the Ministry's Management reply 17th March 2006, nine queries had been replied satisfactorily and closed. However, the current status of the previous audit queries remained the same as per my paragraph 3.2.2 above.

3.2.3 Revenue collected apparently not banked Shs.1,516,000

During the year under review, CTLA collected a total amount of Shs.1,516,000 being motor vehicle licensing fees. It was, however, noted that the collections were neither recorded in the Revenue collector's Cash Books nor banked.

Implication

It appears that the amount of Shs.1,516,000 has been misappropriated.

Management response

The auditor's observation is valid, efforts have been to collect revenue and banking particulars from upcountry stations, particulars obtained have been submitted for audit verification.

Recommendation

The Ministry management should ensure that the revenue collected was properly accounted for and submit banking particulars for audit verification.

Comment

Out of the reported amount of Shs.1,516,000 banking particulars of the sum of Shs. 945,000 have been submitted and verified. However, bank statements worth Shs.571,000 are still outstanding.

3.2.4 Direct to project funds not accounted for Shs.357,063,585

The statement of composition of funds reflected an amount of Shs.13,151,478,447 being actual expenditure of direct to project funds that was received from donor countries. Although, the expenditure in respect of such projects has been adjusted and shown in the books of accounts, there was no statement of expenditure and relevant supporting documents to support the expenditure of Shs.357,063,585 and there is no evidence to confirm delivery and proper utilization of the goods/Assets or services received in the projects.

In addition, out of the amount of Shs.357,063,585, a total amount of Shs.5,759,100 was paid for goods/assets or services supplied for rehabilitation of power supply system at KIA. However, KIA now is a private institution, which does not fall under the management of the Ministry.

Implication

Verifications of goods or assets procured, in order to ascertain whether they were received and used as intended, could not be done.

Recommendation

The Ministry Management should account for the goods or Assets acquired for these projects. Management should also recover Shs.5,759,100 from KIA and submit the respective documents and recovery particulars for audit verification.

Management Response

The Ministry has already obtained receipt particulars from various project beneficiaries' accounts for goods/assets received whose particulars have been submitted to your office for audit verification.

The TShs. 5,759,100 spent on rehabilitation of KIA could not be recovered due to the fact that Kilimanjaro International Airport operations were leased to Kilimanjaro Airport Development Company (KADCO) but the responsibilities for infrastructure development and rehabilitation remains with the government of the United Republic of Tanzania, therefore it was proper for the government to spend such amount at KIA.

Comment

Verification of accountability of assets is in the process as sum of the assets purchased are located at various up country stations. However, the Ministry should submit the contract between M/S KADCO and the Government in order to substantiate the propriety of the amount paid for in favour of KIA Shs. 5,759,100.

3.2.5 Losses of cash Shs. 1,700,000

The Statement of losses of cash showed that there were no losses outstanding as at 30th June 2005. However, in our audit examination on the Ministry's accounting records we noted that there were losses of cash amounting to Shs.1,700,000 relating to the previous years, which had not yet been finalized as at the date of writing this report.

Implication

It appears that there is inadequate follow up to ensure that losses of cash are finalized.

Recommendation

The outstanding losses of cash Shs.1,700,000 in respect of the previous years, should be disclosed in the appropriation accounts until they are finalized.

Management response

We regret for the omission of disclosure of the losses on the footnote of appropriation account for the year ended 30th June 2005 however all documents pertaining the losses have been submitted to the OCD/CID for investigation of the matter. The letter entailing the development of the case has been forwarded to you for future reference. The progress of the case will be communicated to you.

Comment

The management of the Ministry should follow up for early finalization of the outstanding losses of cash of Shs. 1,700,000.

3.2.6 Bank Reconciliation Statements

Bank reconciliation statements for the PMG Revenue accounts No. 2011000008 and 14:19 as at 30th June, 2005 disclosed the following outstanding items.

	PMG A/C No. 2011000008 Shs.	PMG A/C No. 14:19 Shs.
Credits in bank not in cash book	38,840,950	1,601,300
Credits in bank (F/Y 2003/04)	16,746,000	-
Receipts in cash book not in bank	4,101,500	-
Amounts overstated in cash book	1,250	
Transfers to A/C 13:32	1,785,352,750	
Transfers to A/C 17:29	-	45,702,211
Debits in bank not in cash book	54,000	-

Implication

It is clear that revenue collection returns from upcountry stations were not received in time, and revenues receipted were not banked timely.

Recommendation

The Ministry Management should ensure that the outstanding items in the bank reconciliation statements are cleared.

Management response

The Ministry made effort to clear outstanding items on the bank reconciliation statements as at 31st December 2005 and the position is as follows:

Details	PMG A/C No. 2011000008 Shs.	PMG A/C No. 14.10 Shs.
Credit in PMG not in cash book	8,173,450	NIL
Credit in Bank (F/Y 2003/04)	16,799,000	
Receipt in cash book not in bank	1,920,000	
Amount overstated in cashbook	NIL	
Transfer to A/C 13.12	1,803,250	
Transfer to A/C		45,702,211
Debit advice in PMG	54,000	

Comment

The Ministry's Management should ensure that all the outstanding items shown above are reconciled, and submit reconciliation particulars for audit verification.

3.2.7 Shortfall in Revenue collections

A total amount of Shs.1,786,689,862 was collected during the year under review against approved revenue estimates of Shs.1,936,054,000 resulting in a shortfall of Shs.149,364,138 or 8% of the estimated revenue. This is a reflection of the details of paragraph 3.2.8.

Implication

The revenue estimates might have been overstated or there were no enough efforts in collection of revenue.

Recommendation

The management of the Ministry should have a realistic revenue budget and increase efforts in the collection of the revenue by strengthening internal controls

Comment

The Ministry did not respond.

3.2.8 Statement of arrears of revenue

In our examination of statement of arrears of revenue as at 30th June, 2005 we have noted that there was no outstanding amount of arrears of revenue in respect of previous years. However, further review revealed that a total amount of revenue of Shs.694,582,388 relating to the previous years was not collected by two directorates within the Ministry as follows:-

Civil Aviation Directorate	Shs.663,196,544
Aerodromes Directorate	<u>31,385,844</u>
Total	Shs <u>694,582,388</u>

Implication

It is obvious that no enough efforts were made to recover the uncollected arrears of revenue.

Recommendation

The Ministry should take appropriate action to recover the amount of arrears of revenue and submit recovery particulars for verification.

Management response

The Ministry regrets for failure to disclose the arrears of revenue totalling TShs.694,582,388 in the footnote of the appropriation account

for the year ended 30th June. However, the balances have been transferred to TCAA, TAA and SUMATRA for accountability purposes and the balances are to be reflected on the financial statements of the respective authorities for the year ended 30th June 2005.

Comment

The management of the Ministry of communication and Transport should follow up to ensure that the uncollected revenue outstanding of Shs.694,582,388 has been reflected in the financial statements of the respective Institutions.

3.2.9 Improperly vouched expenditure Shs.121,918,298

The footnotes to the appropriation accounts did not reflect any improperly vouched expenditure. However, audit examination of the Ministry payment vouchers for the year under review noted improperly vouched expenditure amounting to Shs. 121,918,298.

Implication

The Public funds might have been used without authority or approval.

Recommendation

The Ministry Management should ensure that all payments are properly supported and all missing supporting documents should be traced and produced for audit verification.

Management response

Out of TShs.121,918,298 questioned TShs.87,448,298, has been obtained and submitted for audit verification. The Ministry is embarking on aggressive effort to recover the amount of TShs.34,470,000, once the particulars are obtained will be submitted for audit scrutiny.

Comment

We are waiting to receive the outstanding missing particulars of Shs.49,665,000.

3.2.10 Outstanding imprests Shs.19,392,106

The Ministry financial statements reflected no outstanding imprests as at 30th June 2005. However, in our audit examination of the payment vouchers and related accounting records we have noted that imprests amounting to Shs. 19,392,106 were still outstanding.

Implication

As imprests are now charged direct to expenditure items, the amount of expenditure for the year 2004/2005 has been overstated by the amount of Shs. 19,392,106.

Recommendation

The Ministry Management should follow up the recovery or retirement particulars of the outstanding imprests and submit clearance to audit for verification.

Management response

The Ministry Management should follow up the recovery of retirement particulars of the outstanding imprests and submit clearance to audit for verification.

Recommendation

The Ministry management should follow up the recovery or retirement particulars of the outstanding imprests and submit clearance to audit for verification.

Management response

The Ministry made effort to ensure that imprests are recovered as per detailed schedule below:-

Payee	Amount queries	Amount recovered	Status of audit query
Director of Finance NMB Bank House	12,000,000	6,000,000.00	Under audit verification
PS Ministry of Comm. and Transport	5,500,000	5,500,000	-do-
PS	3,500,000	3,500,000	-do-
Paschal Kavuta	573,718	573,718	-do-
Abas Juma	573,718	573,718	-do-
Waziri Juma	374,360	374,360	-do-
PS Comm. and Transport	2,870,391	2,870,391	-do-
Total	19,392,106	19,392,106	

Comment

We are waiting to receive retirement particulars of imprests outstanding totalling Shs. 20,919,327.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of Ministry of Communications and Transport during exit meeting held on 25h January 2005. Management of the Ministry of communications and Transport has promised to take appropriate action with a view of rectify the situation. We should appreciate to receive formally the action taken in this respect.

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

Dr. Frank Mosses Hiza Mhilu
ACTING CONTROLLER AND AUDITOR GENERAL

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**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF COMMUNICATIONS AND TRANSPORT
ORGANISATION STRUCTURE**

