

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE MINISTRY OF SCIENCE,
TECHNOLOGY AND HIGHER EDUCATION
VOTE 68

FOR THE YEAR ENDED 30TH JUNE 2005

The Controller and Auditor General
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DAR ES SALAAM

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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Definition of terms and Abbreviations

Financial Statements - means the following statements notes and supporting schedules of Ministry of Science, Technology and Higher Education for the year ended 30th June, 2005.

- Responsibility for the Financial Statements
- Statement of Vote Account - Supply
- Statement of vote account development
- Cash flow Statement - Recurrent,
- Cash flow Statement - Development
- Cash flow Statement - Deposit
- 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
- Notes to the Financial Statements

These financial statements are attached as annexure No.1 to this report.

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

Ministry	- means Ministry of Science, Technology and Higher Education
Act	- Public Finance Act No.6 of 2001 as amended in 2004
CAG	- Controller and Auditor General
CBE	- College of Business Education
COSTECH	- Commission for Science and Technology
DIT	- Dar es Salaam Institute of Technology
HEAC	- Higher Education Accreditation Council
INTOSAI	- International Organization of Supreme Audit Institutions.
ISA	- International Standard on Auditing
MSTHE	- Ministry of Science, Technology and Higher Education
MU	- Mzumbe University
MUCHS	- Muhimbili University College of Health Science
NACTE	- National Council for Technical Education
NIT	- National Institute of Transport
OUT	- Open University of Tanzania
PMG	- Paymaster General
SUA	- Sokoine University of Agriculture.
UCLAS	- University College of Land and Architectural
UDSM	- University of Dar es Salaam

1.0. BACK GROUND IN FORMATION TO THE AUDIT

1.1. Introduction

We have completed the audit of the financial statements of the Ministry for the year ended 30th June 2005. Audit findings arising from examination of accounting records and appraisal of the Ministry's activities as well as evaluation of the internal control system which require management attention and action are set out under part 3 of this report.

1.2. Brief History of the Client Establishment

The Ministry of Science, Technology and Higher Education was established by the President of United Republic of Tanzania on 23rd November, 2000. The President re established the Ministry of Science, Technology and Higher Education Pursuant to Article No. 55 of the constitution of United Republic of Tanzania 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.

1.3. Operational objectives

To facilitate realization of the set mission, the Ministry of Science, Technology and Higher Education has formulated the following objectives:-

- To facilitate the increase in gender equity enrolment in Higher and Technical Institutions.
- To facilitate the improvement of quality of Technical and higher education.
- To facilitate the promotion of science and technology and enhance high quality research capacity, capability and out reach activities.

1.4 Financing

The main source of funds for the budget of the Ministry is through appropriation from Exchequer and Development partners/donors. Budget against actual expenditure for the year 2004/2005 was as follows:

	Estimates Shs.	Actual Shs.
Recurrent Expenditure	78,599,459,500	78,534,183,714.60
Development Expenditure	<u>25,630,450,800</u>	<u>24,449,908,554.17</u>
Total	<u>104,229,910,300</u>	<u>102,984,092,268.77</u>

1.5 Management Structure

The Ministry is headed by the Minister and the day to day activities are managed by the Permanent Secretary who is also the Accounting Officer for Vote 68. The following departments and units exist within the Ministry:

Departments

- (i) Science and Technology
- (ii) Technical and Vocational Education and
- (iii) Higher Education.

Units

- (i) Policy and Planning
- (ii) Administration and Personnel
- (iii) Accounts and Internal Audit
- (iv) National Commission for UNESCO

The organization structure of the Ministry is shown at Annexure I attached.

1.6 Brief description of Internal Control System

1.6.1 Accounting System

The Ministry 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 Practices.

1.6.2 Internal Audit

The Ministry has an Internal Audit Section which reviews the day to day operations so as to evaluate the adequacy and effectiveness of internal controls.

1.6.3 Audit Committee

The Ministry has already established Audit Committee as per requirement of Public Finance Regulation No.30

1.7 Financial Performance

(i) Statement of Vote Account

Supply Vote

The Supply vote closed with a net expenditure of Shs.78,534,183,714 against the approved estimates of Shs.78,599,459,500 resulting in an apparent saving of Shs.65,275,786. The amount of Exchequer issues received during and in respect of the year under review amounted to Shs.78,539,652,859 leaving a balance of Shs.5,469,144 being cash with the PMG's Vote Account.

(ii) Statement of Vote Account

Development Vote

The out turn of the development vote account was a net expenditure of Shs.24,449,908,554 against the net approved estimates of Shs.25,630,450,800 resulting in a difference of Shs.1,180,542,246 being Development funds which have not been released. However, as issues received during and in respect of the year under review was Shs.24,449,908,554, there was NIL cash balance with the PMG' Vote Account.

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) 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 Ministry of Science, Technology and Higher Education.

1.9 Audit objectives

The main objectives of conducting the audit is to enable the Controller and Auditor General to express a professional opinion on the financial statements of the Ministry of Science Technology and Higher Education for the period ended 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 the International Accounting Principles and the requirements of the Act.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses as per approved budget and regulations governing government expenditure.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Ministry of Science, Technology and Higher Education activities.

- To verify whether goods and services bought were acquired through laid down procurement procedures and the public procurement Act of 2004.
- 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 loss from unauthorized use or disposition.
- To determine whether the management of the Ministry of Science, Technology and Higher Education has taken adequate corrective action on the previous years audit recommendations.

1.10 Audit Scope

The audit was carried out in accordance with the ISA and the 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 in the circumstances. Therefore, the audit findings are confined to the extent that records, documents and information requested for the purposes 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 misstatement in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Ministry of Science, Technology and Higher Education who are responsible for setting up and maintaining an adequate system of internal control.

1.11 Audit Methodology

Our audit included substantive tests of the accounting records, verification of the balances reported by the Ministry of Science, Technology and Higher Education and other procedures in order to satisfy the objective of the audit. Our audit procedures included the following:

- Carrying out substantive verification of the balances reported by the Ministry of Sciences, Technology and Higher Education in order to obtain reasonable assurance regarding the amounts and disclosure included in the financial statements.
- Review the internal control system in place and testing whether it is in compliance with the Public Finance Act No. 6 of 2001 and Public Procurement Act No. 3 of 2001.

- Examination of payment vouchers with their related supporting documents.
- Planning the audit to obtain an adequate understanding of the Ministry of Science, Technology and Higher Education its, activities and operations and obtaining an assessment of the major risk areas.
- Comparing budgets against actual revenue or expenditure and investigate the variance.
- Obtaining bank reconciliation statements for the Accounts and note any exceptions regarding reconciling items.
- Site visits to Technical Colleges and Higher Learning Institutions
- 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 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 ON FINANCIAL STATEMENTS

To: Dr. Naomi Katunzi,
Accounting Officer of Vote 68,
Ministry of Science, Technology and Higher Education.

Re: **Audit Report on the Financial Statements of the Ministry of Science, Technology and Higher Education for the year ended 30th June, 2005.**

I have audited the financial statements of Ministry of Science, Technology and Higher Education shown as annexure attached 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 Science, Technology and Higher Education.

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 Science, Technology and Higher Education 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 Science, Technology and Higher Education.

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 laws, 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 Science, Technology and Higher Education 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 Ministry of Science, Technology and Higher Education 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 Science, Technology and Higher Education 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 the date.

Limitation of scope of audit and disagreements in best practices on records keeping:

1. Ten matters relating to previous years' audits involving an amount totaling Shs.50,797,364,876 were not yet acted upon.
2. Projects funds, as shown below, were not adequately accounted for;
 - D-funds of Shs.10,372,192,948 and Norwegian Kronor 35,548,267 were not recorded in the books of account.
 - Statement of expenditure submitted to support the expenditure of C-Funds amounting to Shs.9,035,153,730 were not adequate in that they did not show particulars of actual payments made and balance of unused funds.
 - A total amount of Shs.6,684,966,910 shown as D-fund in the Development Vote of the Ministry were not supported by documents that show delivery of goods/services to respective projects.

3. A list of beneficiaries for whom a total amount of Shs.12,758,829,595 was paid in respect of meal and overseas bursary allowances and tuition fees (abroad) was not submitted for audit verification.
4. Signed paylists, acknowledgment receipts, invoices etc. were not attached to payment vouchers to support payments amounting to Shs.6,111,161,561.

Without prejudice to the qualified opinion stated above, the procedures applied for procurement of stationeries and furniture equipment were generally done in accordance with the Public Procurement Act No. 21 of 2004 and the 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 findings

Para	Financial Year	Details	Amount Involved Shs.	Value of outstanding matters Shs.	Comments
528	2001/02	Accountability of Subvention	50,613,095,978	NIL	Cleared. Refer PAC report 2002/03
531.1	2001/02	Arrears of Revenue	117,686,474	1,882,500	Shs.15,588,500 abandoned vide resolution No.9/2005 of National Assembly
534	2001/02	Improperly vouched expenditure	4,804,035,302	33,650,259	
487	2002/03	Unvouched and Improperly vouched expenditure	16,027,412,396	238,380,563	
489	2002/03	Loans to students	8,666,268,981	1,440,389,601	
491	2002/03	Losses of stores	6,995,601	6,995,601	
507.3	2003/04	Direct to projects expenditure	8,442,604,225	2,711,870,663	
509	2003/04	Statement of arrears of revenue	20,145,500	4,557,000	Shs.15,588,500 has been cleared by National Assembly 9/2005
510	2003/04	Improperly vouched expenditure	3,618,145,402	408,828,208	
511	2003/04	Accountability of subvention	43,493,813,428	21,483,119,168	
		Total	135,810,203,287	26,325,573,563	

Recommendation

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

3.2 Current audit findings

3.2.1 Reallocation Warrant No.4 of 2004/05 Shs.2,502,636,200

According to Reallocation Warrant No. 4 of 2004/05 for Shs.2,502,636,200, an amount of Shs.2,000,000,000 was to be reallocated from item No.1001-250300-250309 for Housing to 3001-

280900-280946 for overseas Bursary allowance. It was, however, noted that the reallocation was not effected and that the original approved estimates under item No. 1001-250300-250309 was Shs.1,683,622,000 only therefore, could not accommodate the reallocation of Shs.2,000,000,000 from this item.

Implication

The approved estimates under the two items of expenditure remained as they were, no under or over expenditures were noted under these items.

Recommendation

The Accounting Officer should review the matter in order to ascertain the position of the Reallocation Warrant No.4 of 2004/05.

Management Response

You are advised that the above mentioned Reallocation warrant was executed accordingly but the reallocation warrant has an error of Shs.2,000,000,000 because the amount was already in reallocation warrant NO. 2 of 2004/2005 between Vote. Therefore the correct amount of reallocation warrant NO. 4 within is Shs.502,636,200.

Audit Comment

Treasury's decision on this matter is awaited.

3.2.3 Development Funds not shown in the Ministry Accounts Shs.4,267,972,767 and NOK 35,548,267

In our audit test check we noted that development projects funds amounting to Shs.12,317,150,316 were paid by various external donors directly to Higher Learning Institutions during the year under review. However, it was noted that an amount of Shs.7,807,057,796 only was recorded in the books of account of the Ministry leaving a balance of Shs.4,267,972,767 unrecorded.

Further, it was observed that seven projects at the University of Dar es Salaam were financed by NUFU Programme (Norway) for the period of 5 years from 2002/2006. The total amount financed of Norwegian Kronor (NOK) 35,548,267 was not recorded in the books of account of the Ministry.

In addition no information was made available showing yearly allocation of this amount. Furthermore, I have not received audited financial statements for the year 2004/05 in respect of these projects.

Implication

The financial and physical aspect of development projects was under reported in the Ministry's Financial Statements by Shs.4,276,972,767 and NOK 35,548,267. Further, future monitoring of these projects might be difficult due to lack of records at the Ministry level.

Recommendation

The management should ensure that the omitted development funds are recorded in the books of account and that the records of the project at the Ministry are updated.

Management response

The omission has been noted with regret. However, the amount omitted will be shown as footnote to the revised appropriation account.

Audit Comment

The matter will be verified during the audit of the accounts of 2005/06.

3.2.4 Direct to Project Funding - Shs.9,068,158,720

Expenditure of Shs.9,068,158,720 was shown in the Development Vote as direct-to-project funds (i.e. D-Funds). The expenditure was made through two dummy payment vouchers which were not supported by documents that show delivery of goods/services to the respective development projects. In addition, only three progress reports were received from the FOCAL Programme Project of SUA, SIDA/SAREC co-operation Programme and the NUFU Programme Project of UDSM. The audit received and verified progress report and audited accounts for the year 2004/05 for the Sida/SAREC project worth Shs.2,552,301,102 leaving a balance of Shs.6,515,857,618.

Implication

Store/equipment acquired using development funds could not be verified.

Recommendation

The missing supporting documents and progress reports should be produced for audit examination.

Management response

I will be forwarding to you in the near future the following:

- Documents to authenticate delivery of goods/services to the projects
- Progress reports.

Audit Comment

The submitted Progress Reports from SUA (Shs.2,114,948,610) and Ministry Headquarters (Shs.268,243,200) were verified and accepted leaving a balance of Shs.6,684,966,910 outstanding. The Accounting Officer should clear the matter by submitting the projects accounts and progress reports for examination.

3.2.5 C. Funds not accounted for Shs.9,285,153,730

A total amount of Shs.14,812,986,452 was paid in respect of C. Funds to various higher learning institutions to finance development projects out of which a sum of Shs.5,527,832,722 has been accounted for. However, as at the time of writing this report the University of Dar es Salaam has not submitted detailed Progress and status reports including adequate statement of expenditure to support the amount of Shs.9,285,153,730 received by them for the implementation of development projects. The statement of expenditure submitted were deficient in that particulars of actual payments made and balance of unused funds were not shown.

Implication

The disbursed funds might not have been used for the intended purpose or possibly not properly supported.

Recommendation

The Accounting Officer should make follow up to obtain and forward the required detailed Projects' Progress and Status Reports and expenditure documents for examination.

Management response

Progress reports on capital funds paid to the following institutions, MUCHS TShs.1,200,000, UCLAS Tshs.150,000,000 and COSTECH TShs.200,000,000 have been received which shows that the funds have not been utilized. I am waiting for progress report from UDSM on how they spent Tshs.9,035,153,730 and will be submitted to you as soon as I get it.

Audit Comment

The amount of Shs.9,035,153,730 is still outstanding.

3.2.6 Revenue Account

Revenue collections during the year 2004/05 amounted to Shs.201,737,820.18 against the budgeted amount of Shs.134,175,000 resulting in over collection of Shs.67,562,820 or 50% above the revenue estimates.

3.2.6.1 Bank Reconciliation Statement

The Bank Reconciliation Statement for the Revenue Account showed the following outstanding items as at 30th June, 2005.

(i) Transfer of revenue in bank statement not shown in the cashbook	5,170,000
(ii) Receipts in cashbook not in bank statement	<u>1,346,850</u>
Total Shs.	<u>6,516,850</u>

Recommendation

The Accounting Officer should follow up and clear the outstanding items

Management response

Shs.5,170,000 which was shown as outstanding as at the time of drawing up the statement has now been transferred to the exchequer account vide letter ref. No. EA/AG/40/01/Vol.2/160 of 30/06/2005. Copy of the bank statement is attached for ease of reference.

Treasury has been reminded to effect the adjustment between Recurrent Expenditure A/C 18.1201 and recurrent revenue A/C 14.60 vides my letter reference NO. CA 272/285/01/24 OF December, 15th 2005.

3.2.7 Unsupported Local and Overseas Students Bursaries -

Shs.12,758,829,595

A total amount of Shs.12,758,829,595 was paid during the year under review in respect of the following:

Meal allowances for students of high learning	
Institutions in Tanzania	10,625,829,596
Overseas bursary allowances	2,070,000,000
Education and Tuition fees (abroad)	<u>62,999,999</u>
Total Shs.	<u>12,758,829,595</u>

However, the lists of names of beneficiaries, showing amounts paid to each, were not submitted for audit examination.

Implication

The reported expenditure might include payments made to unintended persons.

Recommendation

The Accounting Officer should confirm that the whole amount of Shs.12,758,829,595 was utilized for intended purpose and submit the students lists for audit scrutiny.

Management response

Not given.

Audit Comment

The management has not responded to the audit finding.

3.2.8 Improperly Vouched Expenditure Shs.5,336,987,846

A test audit of payment vouchers for the year 2004/05 revealed improperly vouched expenditure amounting to Shs.5,336,987,846 as shown below:

S. No	A/C Particulars	No. of AQ Issued	Amount (Shs.)
1.	Supply Vote	10	5,310,819,596
2.	Development Vote	1	26,159,250
		11	5,336,987,846

Implication

The huge amount of improperly vouched expenditure indicates that there was a weakness in financial controls and records keeping in the Ministry. In addition the genuineness of the expenditure incurred could not be ascertained.

Recommendation

The Accounting Officer should strengthen controls to ensure that all payments made are properly supported in accordance with regulation 86(1) of the Public Finance Regulations. In addition, the missing supporting documents should be traced and submitted for examination.

3.2.9 Internal Audit Reports

Internal audit reports for the year 2004/05 were not availed to audit despite being requested for them to be submitted. These reports were requested in order to assess the work performed by the Ministry's Internal Audit Unit, particularly on matters involving internal control systems, and whether the internal audit recommendations were implemented by the management of the Ministry. Further, cooperation between the external audit and the Internal Audit Unit was apparently not satisfactory.

Implication

Some audit areas might have been audited by the Internal Auditors as well as the external auditors within the financial year 2004/2005 thus this misuse of manpower and financial resources.

Recommendation

The Accounting Officer should ensure that in future the Internal Audit Unit interacts with the external Audit in order to avoid repetitive of audit work in some audit areas.

Management response

Internal Audit report for the year ended June 30th 2005 has been submitted to you for your consumption and records and will continue doing so in future.

Audit Comment

A review of the internal audit reports revealed unsettled matters in respect of unsupported expenditure.

3.2.10 Existence and Effectiveness of Audit Committee

The Audit Committee of the Ministry was established in December, 2004 and held its first meeting on 14th December 2004 after the first meeting, we were not informed of any other Audit Committee's meetings held. However, was learnt that three more meetings were held by August, 2005 but we were not invited instead we were told that we shall be provided with the minutes of these meetings.

Implication

The audit committee was not advised by the External Resident Auditor on how to deal on matters raised in the audit reports and queries.

Recommendation

The Accounting Officer should ensure that the Controller and Auditor General is represented in all meetings of the Audit Committee

Management response

According to the Public Finance Regulations 2001, regulation 31 & 32, the Audit Committee is required to meet quarterly. The first meeting was on December 14th 2004. The committee has since met three times on 23/12/2004, 11/02/2005 and 12/08/2005.

I am enclosing minutes of the meetings for your perusal and record.

Audit Comment

A review of the minutes of the meetings of the Audit committee revealed that matters raised in the internal audit reports were not addressed adequately.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Ministry of Science, Technology and Higher Education during exit meeting. Management of the Ministry of Science, Technology and Higher Education has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the action 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

The Permanent Secretary and Paymaster General,
Ministry of Finance,
P.O. Box 9111,
Dar es Salaam

5.0 ANNEXURES

Financial statements, accounting policies and notes to the financial statements.

Annexure III

**DEVELOPMENT PROJECT FUNDS NOT REPORTED
IN THE MINISTRY ACCOUNTS FINANCIAL YEAR 2004/05**

S/N	Project Particulars	Figures in Institutions books Shs.	Figure in Appropriation Account Shs.	Variance not reported Shs.
1.	TARP.II-LOCAL SUA	943,066,082	398,230,615	544,835,467
2.	AICAD-SUA	45,496,590	43,952,098	1,544,492
3.	RESEARCH (Main Grants A/C) SUA	1,982,220,171	214,789,388	1,767,430,783
4.	VLIR-Local Components-SUA	580,351,674	588,005,880	(7,654,206)
5.	DGISP-SUA	111,900,411	111,125,287	775,124
6.	Sida/SAREC Co-op. Programme-UDSM	2,552,301,102	-	2,552,301,102
7.	REDET-IV (DENMARKE)-UDSM	676,610,916	588,854,100	87,756,816
7.	FRAME AGREEMENT- UDSM	1,740,972,860	-	1,740,972,860
8.	RESEARCH SUPPORT (NUFU)-UDSM	856,557,870	-	856,557,870
9.	RESEARCH SUPPORT (SWEEDEN)-UDSM	1,528,259,640	-	1,528,259,640
10.	INSTITUTION SUPPORT CARNEGIE- UDSM	1,149,413,000	-	1,149,413,000
11.	INNOVATION OF UDSM-ROCKFELLER F.	150,000,000	-	150,000,000
		12,317,150,316	1,944,957,368	10,372,192,948

**IMPROPERLY VOUCHERED EXPENDITURE FINANCIAL YEAR 2004/05
RECURRENT VOTE ACCOUNT**

S/N	Amount Shs.	Amount settled (Shs.)	Amount outstanding (Shs.)
1.	1,668,622,000	1,187,086,000	481,536,000
2.	328,162,962	-	328,162,962
3.	8,435,832	-	8,435,832
4.	2,712,125,536	297,305,735	2,414,819,801
5.	1,085,171,694	1,059,948,331	25,223,363
6.	39,910,450	-	39,910,450
7.	574,651,000	105,000,000	469,651,000
8.	515,768,900	-	515,768,900
9.	2,000,000,000	498,394,909	1,501,605,091
10.	8,910,412	-	8,910,412
11.	78,705,500	69,611,000	9,094,500
12.	359,324,000	77,440,000	281,884,000
	9,379,788,286	3,294,785,975	6,085,002,311

DEVELOPMENT VOTE ACCOUNT

AQ. NO.	AMOUNT SHS.	AMOUNT SETTLED (SHS.)	AMOUNT OUTSTANDING SHS.
20	375,000,000	348,840,750	26,159,250
Total	375,000,000	348,840,750	26,159,250

Management response

The position of improperly vouched expenditure is as follows:

AQ No.	Amount queried	Amount settled	Amount outstanding
	9,890,989,136.47	5,902,259,724.72	3,988,729,411.75

Audit Comment

The correct outstanding balances is Shs.6,111,161,561. The Ministry's balance of Shs.3,988,729,411.75 does not include an outstanding amount of Shs.2,414,481,801 against audit query No. 5 of 2004/2005.