

**THE UNITED REPUBLIC OF TANZANIA**  
**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF THE MINISTRY OF NATURAL RESOURCES  
AND TOURISM AND THE AFFILIATED BODIES  
VOTE 69  
FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

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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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## CONTENTS

	Page
1.0 Background information to the audit	6
1.1 Introduction	6
1.2 Brief history of establishment	6
1.3 Operational objectives	6-7
1.4 Financing	7
1.5 Management structure	7
1.6 Brief description of Internal Control System	7-8
1.7 Audit Mandate	8
1.8 Audit Objectives	8-9
1.9 Scope of Audit	9-10
1.10 Audit methodology	10
1.11 Presentation of audit findings	10
2.0 Audit report and financial statements	11
Audit report	11-12
2.1 Financial Statements	13-32
3.0 Audit Findings and Recommendations	33
3.1 Follow up on Previous Years Audit Reports	33-34
3.2 Audit Queries and Management letters	34
3.3 Late or Non Submission of Accounts and Statements	34-35
3.4 Analytical Review and Performance Evaluation	35
3.4.1 Financial Performance and Budgetary Control - Supply Vote	35-36
3.4.2 Financial performance and budgetary control -Development Vote	36-37
3.4.3 Operational performance issues	37-38
3.4.4-3.11.2 Financial Control Issues	38-47
3.12 Review of Cross cutting issues	47
3.12.1 HIV/AIDS Pandemic	47-48
3.12.2 Governance Arrangements	48-51
3.13 Tanzania Wildlife Protection Fund	52-56
3.14 Mafia Island Marine Parks Development and Conservation Project	56-57
3.15 Natural Forestry Resources Management and Agro forestry Centre	57-58
3.16 Ruvu Fuel wood Project	58
4.0 Conclusion	58-59
5.0 Annexures 1 A and 1 B	60-62

## Definition of terms and Abbreviations

Financial statements means the following statements, notes and supporting schedules of the Ministry of Natural Resources and Tourism for the year ended 30<sup>th</sup> June, 2005.

- Responsibility for the Financial Statements
- Notes to the Financial Statements
- 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 - Development Appropriation Account
- Summary - Recurrent Appropriation Account
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund

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

Ministry -means Ministry of Natural Resources and Tourism

AU -	African Union
AR -	Audit Report
BOT -	Bank of Tanzania
CAWM -	College f African Wildlife Management
EEZ -	Economic Exclusive Zone
FPO -	Forest Project Office
HASHI -	Hifadhi Ardhi Shinyanga
IAS -	International Accounting Standards
INTOSAI -	International Organisation of Supreme Audit Institutions
IPSAS -	International Public Sector Standards
ISA -	International Standards on Auditing
MNRP -	Management of Natural Resources Programme
MTB -	Ministerial Tender Board
NAO -	National Audit Office
NAFRAC -	Natural Forestry Resources Management and Agroforestry Centre
NCAA -	Ngorongoro Conservation Area Authority
NMB -	National Microfinance Bank
PAC -	Public Accounts Committee
PMS -	Performance Management System
PPA -	Public Procurement Act No. 21 of 2004
PPR -	Public Procurement Regulations of 2005
RFO -	Regional Forest Office

SADC - Southern Africa Development Co-operation  
TALA- Tourist Agents Licensing Authority  
TFS- Tanzania Forest Services  
TWPF Tanzania Wildlife Protection Fund  
WMA - Wildlife Management Area

## **1.0 BACKGROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

We have completed the audit of the Ministry of Natural Resources and Tourism (MNRT) Vote 69 for the year ended 30<sup>th</sup> June 2005. Audit findings arising from the examination of accounting records, appraisal of the MNRT 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 Brief History of Establishment**

The Ministry of Natural Resources and Tourism was established by the President of the United Republic of Tanzania on 23<sup>rd</sup> November, 2000 as per special Supplement No. 4 of 1<sup>st</sup> December, 2000 to the Gazette of the United Republic of Tanzania No. 48 vol. 81 dated 1<sup>st</sup> December, 2000 and Government Notice No. 467 and 468 Published on 1<sup>st</sup> December, 2000.

#### **Vision**

The vision of the Ministry is to enhance sustainable Conservation of Natural and Cultural Resources and Development of Responsible Tourism for all.

#### **Mission**

The Ministry's mission is to conserve natural and cultural resources sustainably and develop tourism for national prosperity and for the benefit of Human kind through:

- Development of appropriate policies, strategies and guidelines.
- Formulation of laws and regulations.
- Promotion of quality tourism business.
- Monitoring and evaluation of the implementation of policies.
- Development of human resources and Institutional Capacity Building.

### **1.3 Operational Objectives of the Ministry**

- To coordinate and review policies, develop strategies, review legislation and monitor their implementation in order to ensure sustainable conservation of natural and cultural resources and tourist attractions for the present and future generations.
- To create an enabling environment that will lead to active participation of all relevant stakeholders in the conservation of natural and cultural resources and tourism products for the purpose of reducing poverty and improving the quality of life.
- To undertake human resource development and institutional capacity building at all levels in order to efficiently manage natural and cultural resources and tourism products and meet the needs of stakeholders.

- To protect natural and cultural resources and tourism products from illegal use for the benefit of present and future generations.
- To develop, diversify and promote investments and opportunities in the natural resources sector that could create employment and increase national income.
- To promote and strengthen regional and international cooperation in order to improve the conservation of natural and cultural resources sites and tourism development.
- To ensure effective leadership, management and good governance in order to raise capacity and accountability levels in the delivery of public services.

#### 1.4 Financing of the Ministry

The MNRT like any government Ministry receives funds from Treasury in the form of exchequer issues. The Ministry operates under the retention scheme where expenses relating to other charges (OC) are met using revenue collected by the Ministry where the Treasury remits back to the Ministry part of the revenue collected. During the year under review, a total sum of shs.41,903,857,956.57 was released for the operations of the Ministry as follows:-

Description	Amount
Supply vote	27,510,605,913.30
Development Vote	14,393,252,043.27
<b>Total</b>	<b><u>41,903,857,956.57</u></b>

#### Retention Scheme

#### 1.5. Management Structure

The Ministry is headed by a Minister. The day to day activities of the Ministry are managed by the Permanent Secretary who is also the Accounting Officer of the Ministry.

The Ministry is subdivided into five functional divisions namely:

- Wildlife.
- Forestry and Beekeeping.
- Fisheries.
- Tourism.
- Antiquities

Other supporting divisions relevant for the day-to-day operations include Policy and Planning, Administration & Personnel and Finance & Accounts; each of the above divisions is headed by a director while the Chief Accountant heads the Accounting and Finance division.

## 1.6. Brief description of Internal Control system

- **Accounting System**

The Ministry operates the usual government accounting system based on central payment office in Dar es Salaam and various sub-Treasuries in the 21 mainland regions using Integrated Financial Management System and Epicor accounting packages. The financial statements are being prepared and presented based on the cash basis of accounting pursuant to Public Finance Act No. 6 of 2001 Regulations 53. To promote understanding and comprehension of the data the Ministry has included additional details in compliance with the International Public sector Accounting Standards for the cash basis of accounting.

- **Internal Audit Section**

The Ministry has an Internal Audit Section with two staff. The section is headed by a Principal Auditor. Taking into consideration of the diversity of the Ministry this number of audit staff is not adequate. It is recommended that this number be increased to enhance effectiveness of the internal audit unit.

- **Audit committee**

The Ministry has established an audit committee comprising of three members nominated by the Permanent Secretary and one member from the Treasury. The Committee co-opts 5 other persons from the ministry.

- **Ministerial Tender Board**

The Ministry has a Tender Committee comprising of 8 members, the chairman of the committee is appointed by the Permanent Secretary while the Chief Supplies Officer is the Secretary to this committee. The Ministry has established a procurement management unit which consists of procurement officers from each department and sections.

## 1.7 Audit Mandate

The Controller and Auditor General is the statutory auditor of all Public Revenues and Expenditure by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania, and Section 30(1)(d) of the Public Finance Act No. 6 of 2001.

## 1.8 Audit Objectives

- To enable the Controller and Auditor General to express a professional opinion on the financial Statements of the Ministry of Natural Resources and Tourism for the year ended 30<sup>th</sup> June, 2005.
- To ensure that receipts and revenue due are properly assessed, and collected.
- To determine whether the Appropriation Accounts and other financial statements are prepared in accordance with Instructions/Guidelines and International Public Sector accounting standards (IPSAS).

- To ascertain whether all necessary documents, books, registers, accounts and information have been kept in respect of all transactions.
- To ensure adequate disclosure of assets and liabilities in the appropriation accounts/statements of Assets and Liabilities.
- To verify that payments for goods and services have been made in accordance to the financial regulations.
- To determine whether the Internal Audit Section properly performs its duties with absolute independence and whether the Ministerial Audit committee effectively performs its duties to ensure that the system of internal control is adequate and reliable.
- To determine whether the Internal control structure provides management with a reasonable assurance in regard to the procurement of goods and services to ensure that it is being done in accordance with prescribed procedures and that quality, right quantity and economy, efficiency and effectiveness are being considered in the procurement process.
- To verify whether the Ministerial Tender Board effectively performs its prescribed duties and that proper procurement procedures are being followed in the execution of its duties.
- To determine whether the Ministry is managing or utilizing its resources in an economical and efficient manner and that the causes of any inefficiencies or uneconomical practices are promptly identified reported and corrected.
- To determine whether the desired results or benefits are being achieved, whether the objectives established by the parliament or other authorizing bodies are being met, and whether the Ministry has considered alternative ways to ensure the desired results are attained at lower costs.
- To determine whether the Ministry has taken corrective actions on all matters raised in previous years management audit reports.
- To closely follow-up on the previous year audit findings and recommendations and instructions/directives issued by the Public Accounts Committee (PAC) and to ensure that proper actions have been taken in respect of all matters being raised.
- To ensure that good governance has been enforced in the day-to-day operations of the Ministry and in carrying out the overall strategy of the Ministry.
- To determine whether the Ministry has properly addressed key social problem areas such as HIV AIDS, gender balance, environmental issues etc.

### **1.9 Scope of Audit**

The audit of the Ministry of Natural Resources and Tourism for the period ended 30<sup>th</sup> June 2005 was carried in accordance with International Standards on Auditing (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 MNRT, examination and verification of the accompanying financial statements 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 carried out on a test check basis therefore the audit findings are confined to the extent that records, documents, and information requested for the purpose of audit were made available to us.

As Auditors we are not specifically required to search for fraud, therefore, our audit cannot be relied upon to disclose all such matters. The responsibility for setting up and maintaining an adequate and reliable system of Internal control rests with the Management of the Ministry. Our audit, however, was planned and carried out in such a way that we would have a reasonable expectation of detecting any material misstatement in the financial statements.

#### **1.10 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, policies, procedures and regulations.
- Conducting Interviews and discussions with some of the employees of the Ministry and
- Site visits to selected areas or stations.

#### **1.11 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. AUDIT REPORT AND FINANCIAL STATEMENTS

To the Permanent Secretary,  
Accounting Officer of Vote 69,  
Ministry of Natural Resources and Tourism

**Re: Audit Report on the Financial Statements of the Ministry of Natural Resources and Tourism for the year ended 30<sup>th</sup> June, 2005.**

I have audited the financial statements of Ministry of Natural Resources and Tourism shown on pages 13 through 32 for the year ended 30<sup>th</sup> June, 2005.

### **Responsibilities of the Accounting Officer**

Section 25(4) of the Public Finance Act places responsibility to the Accounting Officer to prepare the financial statement based on the Generally Accepted Accounting Standards.

In addition, PFR 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 based on the audit. According to section 30 of the Act 2001 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 practices; all reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, all expenditures of public money have been properly authorized; and to satisfy myself whether the funds appropriated to the Ministry, were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency.

### **Basis of Opinion**

The audit was conducted in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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 Natural Resources and Tourism (Vote 69) 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.

### **Opinion**

In my opinion, the financial statements of the Ministry of Natural Resources and Tourism have been prepared based on the generally accepted accounting standards; and they fairly reflect, in all material respects, the results of its operations and cash-flows for the year ended on 30<sup>th</sup> June, 2005, and the financial position as at the date.

Further to my opinion, the procedures for procurement of Computers, Motor vehicles, motor cycles, boats, construction of buildings, consultancy and other services were generally done in accordance with Public Procurement Act No 21 of 2004 and the related Regulations.

### **Matters of Emphasis**

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

1. Revenue collected from sale of confiscated timber and logs are not properly being managed. Receipts and issues/sales of logs and timber confiscated by the surveillance units are not recorded in a register.
2. Most revenue collection centres operate without sound cash boxes to keep monies collected, contrary to the Public Finance Regulations.
3. Motorcycles costing Shs. 70,980,000 paid for in advance have not been delivered.
4. Financial performance in respect of development vote was only 74.8% indicating that some of the planned activities were not implemented as per the annual action plan.
5. The Ministry does not maintain a register of contracts for proper management of contracts.

**Dr. Frank Mosses Hiza Mhilu**  
**ACTING CONTROLLER AND AUDITOR GENERAL**

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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 30<sup>TH</sup> JUNE, 2005**

These Financial Statements have been prepared by the management of the Ministry Natural Resources and Tourism 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 Natural Resources and Tourism 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 Natural Resources and Tourism.

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.

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**Signed by Accounting Officer**

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**Date**

## Notes to the Financial Statements

### 1.0 Accounting Policies

- 1.1 This financial statement is prepared and presented based on the cash basis of accounting pursuant of Public finance Regulation 53. However, additional details have been included to promote understanding and comprehension of the data as required and in compliance with the International Public sector accounting Standards for the cash basis of accounting.
- 1.2 The accounting policies used have been applied consistently throughout the reporting period consistent with previous periods.
- 1.3 Procurement of goods, works, consultancy, and non-consultancy services to the extent that they are reflected in this financial statement have been done in accordance with the Public Procurement Act No. 4 of 2004.
- 1.4 This financial statement has been prepared in accordance with International Public sector Accounting Standards (IPSAS) on Financial reporting under the cash Basis Accounting and it complies with the requirements of the Public Finance Act No. 6 of 2001.

THE UNITED REPUBLIC OF TANZANIA  
VOTE69 - Ministry of Tourism, Natural Resources

RECURRENT EXPENDITURE STATEMENT OF VOTE ACCOUNT  
FOR THE FY YEAR ENDED 30-JUNE 2005

2003/2004		Description		2004/2005
26,375,251,400.00		Original Approved Estimates		28,153,392,700.00
25,000,000.00		Add Reallocation Warrants	1	20,000,000.00
-1,131,758,200.00		Add Reallocation Warrants	3	1,136,256,700.00
1,009,019,608.00		Less Reallocation Warrants	3	-1,439,657,900.00
<b>26,277,512,808.00</b>	<b>26,277,512,808.00</b>	Total Net Approved Estimates		<b>27,869,991,500.00</b>
				<b>27,869,991,500.00</b>
26,277,512,807.50		Issues received during and in respect of the Current Financial Year		27,510,605,913.30
26,251,273,121.41	26,251,273,121.41	Less: Net Expenditure		27,500,664,428.69
<b>26,239,686.09</b>	<b>26,239,686.59</b>	Unutilized Budget /Issues		<b>369,327,071.31</b>
				<b>9,941,484.61</b>
		<b>Represented by:</b>		
	0.00	Less: Advances		0.00
	20,160,355.67	Cash in Hand with the PMG as per Vote Account Cash Book		7,013,244.61
	<b>26,239,686.59</b>			<b>9,941,484.61</b>

DATE

S.ODUNGA  
Accounting Officer

THE UNITED REPUBLIC OF TANZANIA  
VOTE69 - Ministry of Tourism, Natural Resources

DEVELOPMENT EXPENDITURE STATEMENT OF VOTE ACCOUNT  
FOR THE F/Y YEAR ENDED 30-JUNE 2005

2003/2004	Description			
28,933,027,206.13	Original Approved Estimates		18,970,499,400.00	
0.00	Add Reallocation Warrants		0.00	
28,933,027,206.13	28,933,027,206.13 Total Net Approved Estimates		18,970,499,400.00	18,970,499,400.00
	Less: Reallocation Warrants			0.00
7,892,233,006.36	7,892,233,006.36 Issues received during and in respect of the Current Financial Year		14,393,252,043.27	14,393,252,043.27
7,892,233,006.36	Less: Net Expenditure			14,393,252,043.27
0.00	21,040,794,199.77 Utilizes Budget /Issues		4,577,247,356.73	0.00
<b>Reprinted by:</b>				
	0.00 Less: Outstanding Imprests			0.00
	0.00 Less: Advances			0.00
	21,040,794,199.77 Cash on Hand with the PMG as per Vote Account Cash Book			0.00
	0.00			0.00

DATE

S. ODUNGA  
Accounting Officer

MINISTRY OF NATURAL RESOURCES AND TOURISM

SUMMARY CASHFLOW STATEMENT FOR RECURRENT ,DEVELOPMENT AND DEPOSITFOR THE YEAR ENDED 30 JUNE 2005

Actual Expenditure June 2004	Cash flow from Operating activities	Note	Actual Expenditure June 2005	Approved Estimates 2004/2005	Variance Approved/Actual
	<b>Receipts</b>		0.00	0.00	0.00
	Taxation		0.00	0.00	0.00
	Non tax		0.00	0.00	0.00
	Grants		0.00	0.00	0.00
26,277,512,807.50	Exchequer Issues		41,903,857,956.57	46,840,490,900.00	4,936,632,943.43
	Interest Received		0.00	0.00	0.00
	Other receipts		4,035,297,724.92	0.00	0.00
<b>26,277,512,807.50</b>	<b>Total Receipts</b>		<b>45,939,155,681.49</b>	<b>46,840,490,900.00</b>	<b>901,335,218.51</b>
	<b>Payments</b>			0.00	0.00
5,949,809,000.00	Personal Emoluments		5,064,134,567.19	5,062,514,600.00	-1,619,967.19
	Pensions		0.00	0.00	0.00
13,076,984,121.41	Suppliers-goods, works & C/Services		25,720,672,923.17	15,299,795,300.00	-10,420,877,623.17
3,058,934,000.00	Current transfers and subsidies		5,774,420,516.85	6,106,355,600.00	331,935,083.15
	Interest paid		0.00	0.00	0.00
6,079,330.92	Other Payments	<b>1</b>	4,011,770,785.78	0.00	-4,011,770,785.78
<b>22,091,806,452.33</b>	<b>Total Payments</b>		<b>40,570,998,792.99</b>	<b>26,468,665,500.00</b>	<b>-14,102,333,292.99</b>
<b>4,185,706,355.17</b>	<b>Net Cash flow from operating activities</b>		<b>5,368,156,888.50</b>	<b>20,371,825,400.00</b>	<b>15,003,668,511.50</b>
	<b>Cash flow from Investing activities</b>				
-4,165,546,000.00	Purchases of Assets		5,334,688,464.75	20,371,825,400.00	15,037,136,935.25
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	Purchases of foreign currency securities		0.00	0.00	0.00

0.00	Capital grants		0.00	0.00	0.00
-4,165,546,000.00	<b>Net cash flow from Investing activities</b>		-5,334,688,464.75	-20,371,825,400.00	-15,037,136,935.25
	<b>Cash flow from Financing activities</b>				
0.00	Proceeds from borrowings		0.00	0.00	0.00
0.00	Repayment of borrowings		0.00	0.00	0.00
0.00	<b>Net cash flow from Financing activities</b>		0.00	0.00	0.00
20,160,355.17	<b>Net Increase/ (decrease) in cash and cash equivalents</b>		33,468,423.75	0.00	-33,468,423.75
0.00	Receipts and Cash equivalents at the beginning of the period	2	70,960,669.41	0.00	0.00
20,160,355.17	Cash and Equivalents at the end of the period		104,429,093.16	0.00	-33,468,423.75

**NOTE 1** Amount of outstanding imprests as at 30-June 2005 PLUS deposit expenditure

**NOTE 2** Cash in hand with the PMG Account for Deposit and Recurrent

DATE

S.ODUNGA  
Accounting Officer

**MINISTRY OF NATURAL RESOURCES AND TOURISM**  
**CASHFLOW STATEMENT FOR RECURRENT FOR THE YEAR ENDED 30 JUNE 2005**

Actual Expenditure June 2004	Cash flow from Operating activities	Note	Actual Expenditure June 2005	Approved Estimates 2004/2005	Variance Approved/Actual
	<b>Receipts</b>		0.00	0.00	0.00
	Taxation		0.00	0.00	0.00
	Non tax		0.00	0.00	0.00
	Grants		0.00	0.00	0.00
26,277,512,807.50	Exchequer Issues		27,510,605,913.30	27,869,991,500.00	359,385,586.70
	Interest Received		0.00	0.00	0.00
	Other receipts		0.00	0.00	0.00
<b>26,277,512,807.50</b>	<b>Total Receipts</b>		<b>27,510,605,913.30</b>	<b>27,869,991,500.00</b>	<b>359,385,586.70</b>
	<b>Payments</b>			0.00	0.00
5,949,809,000.00	Personal Emoluments		5,062,514,567.19	5,062,514,600.00	32.81
	Pensions		0.00	0.00	0.00
13,076,984,121.41	Suppliers-goods, works & C/Services		15,266,605,431.45	15,299,795,300.00	33,189,868.55
3,058,934,000.00	Current transfers and subsidies		5,774,420,516.85	6,106,355,600.00	331,935,083.15
	Interest paid		0.00	0.00	0.00
6,079,330.92	Other Payments	<b>1</b>	2,928,240.00	0.00	-2,928,240.00
<b>22,091,806,452.33</b>	<b>Total Payments</b>		<b>26,106,468,755.49</b>	<b>26,468,665,500.00</b>	<b>362,196,744.51</b>
<b>4,185,706,355.17</b>	<b>Net Cash flow from operating activities</b>		<b>1,404,137,157.81</b>	<b>1,401,326,000.00</b>	<b>-2,811,157.81</b>
	<b>Cash flow from Investing activities</b>				
-4,165,546,000.00	Purchases of Assets		1,397,123,913.20	1,401,326,000.00	4,202,086.80
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	Purchases of foreign currency securities		0.00	0.00	0.00
0.00	Capital grants		0.00	0.00	0.00
<b>-4,165,546,000.00</b>	<b>Net cash flow from Investing activities</b>		<b>-1,397,123,913.20</b>	<b>-1,401,326,000.00</b>	<b>-4,202,086.80</b>
	<b>Cash flow from Financing activities</b>				
0.00	Proceeds from borrowings		0.00	0.00	0.00
0.00	Repayment of borrowings		0.00	0.00	0.00
<b>0.00</b>	<b>Net cash flow from Financing activities</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>20,160,355.17</b>	<b>Net Increase/ (decrease) in cash and cash equivalents</b>		<b>7,013,244.61</b>	<b>0.00</b>	<b>-7,013,244.61</b>
0.00	Receipts and Cash equivalents at the beginning of the period		0.00	0.00	0.00
<b>20,160,355.17</b>	<b>Cash and Equivalents at the end of the period</b>		<b>7,013,244.61</b>	<b>0.00</b>	<b>-7,013,244.61</b>

**NOTE 1**

*Amount of outstanding imprests as at 30-June 2005*

MINISTRY OF NATURAL RESOURCES AND TOURSIM

CASHFLOW STATEMENT FOR DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2005

Actual Expenditure June 2004	Cash flow from Operating activities	Note	Actual Expenditure June 2005	Approved Estimates 2004/2005	Variance Approved/Actual
	<b>Receipts</b>				
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
7,892,233,006.36	Exchequer Issues		14,393,252,043.27	18,970,499,400.00	4,577,247,356.73
0.00	Interest Received		0.00	0.00	0.00
0.00	Other receipts		0.00	0.00	0.00
<b>7,892,233,006.36</b>	<b>Total Receipts</b>		<b>14,393,252,043.27</b>	<b>18,970,499,400.00</b>	<b>4,577,247,356.73</b>
	<b>Payments</b>				
0.00	Personal Emoluments		1,620,000.00	77,820,000.00	76,200,000.00
0.00	Pensions		0.00	0.00	0.00
7,892,233,006.36	Suppliers-goods,works & C/Services		10,454,067,491.72	13,723,623,905.42	4,501,047,356.73
0.00	Current transfers and subsidies		0.00	0.00	0.00
0.00	Interest paid		0.00	0.00	0.00
0.00	Other Payments		0.00	0.00	0.00
<b>7,892,233,006.36</b>	<b>Total Payments</b>		<b>10,455,687,491.72</b>	<b>13,801,443,905.42</b>	<b>4,577,247,356.73</b>
<b>0.00</b>	<b>Net Cash flow from operating activities</b>		<b>3,937,564,551.55</b>	<b>5,169,055,494.58</b>	<b>0.00</b>
0.00	<b>Cash flow from Investing activities</b>				
0.00	Purchases of Assets		-3,937,564,551.55	5,169,055,495.00	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	Purchases of foreign currency securities		0.00	0.00	0.00
0.00	Capital grants		0.00	0.00	0.00
<b>0.00</b>	<b>Net cash flow from Investing activities</b>		<b>-3,937,564,551.55</b>	<b>5,169,055,495.00</b>	<b>0.00</b>

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
<b>0.00</b>	<b>Net cash flow from Financing activities</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
0.00	<b>Net Increase/ (decrease) in cash and cash equivalents</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
0.00	Receipts and Cash equivalents at the beginning of the period			0.00	0.00	0.00
<b>0.00</b>	<b>Cash and Equivalents at the end of the period</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**MINISTRY OF NATURAL RESOURCES AND TOURISM**  
**CASHFLOW STATEMENT FOR DEPOSIT FOR THE YEAR ENDED 30 JUNE 2005**

Actual Expenditure June 2004	Cash flow from Operating activities	Note	Actual Expenditure June 2005	Approved Estimates 2004/2005	Variance Approved/Actual
	<b>Receipts</b>		0.00	NIL	NIL
	Taxation		0.00	NIL	NIL
	Non tax		0.00	NIL	NIL
	Grants	XXXXX	0.00	NIL	NIL
0.00	Exchequer Issues		0.00	NIL	NIL
0.00	Interest Received		0.00	NIL	NIL
1,878,422,681.30	Other receipts		4,035,297,724.92	NIL	NIL
<b>1,878,422,681.30</b>	<b>Total Receipts</b>		<b>4,035,297,724.92</b>	NIL	NIL
	<b>Payments</b>			NIL	NIL
0.00	Personal Emoluments		0.00	NIL	NIL
0.00	Pensions		0.00	NIL	NIL
0.00	Suppliers-goods,works & C/Services		0.00	NIL	NIL
0.00	Current transfers and subsidies		0.00	NIL	NIL
0.00	Interest paid		0.00	NIL	NIL
2,045,231,285.24	Other Payments		4,008,842,545.78	NIL	NIL
<b>2,045,231,285.24</b>	<b>Total Payments</b>		<b>4,008,842,545.78</b>	NIL	NIL
<b>-166,808,603.94</b>	<b>Net Cash flow from operating activities</b>		<b>26,455,179.14</b>	NIL	NIL
	<b>Cash flow from Investing activities</b>			NIL	NIL
0.00	Purchases of Assets		0.00	NIL	NIL
0.00	Proceeds from sale of Assets		0.00	NIL	NIL
0.00	Proceeds from sale of Investments		0.00	NIL	NIL

0.00	Purchases of foreign currency securities		0.00	NIL	NIL
0.00	Capital grants		0.00	NIL	NIL
<b>0.00</b>	<b>Net cash flow from Investing activities</b>		<b>0.00</b>	NIL	NIL
	<b>Cash flow from Financing activities</b>			NIL	NIL
0.00	Proceeds from borrowings		0.00	NIL	NIL
0.00	Repayment of borrowings		0.00	NIL	NIL
<b>0.00</b>	<b>Net cash flow from Financing activities</b>		<b>0.00</b>	NIL	NIL
<b>-166,808,603.94</b>	<b>Net Increase/ (decrease) in cash and cash equivalents</b>		<b>26,455,179.14</b>	NIL	NIL
237,769,273.35	Receipts and Cash equivalents at the beginning of the period		70,960,669.41	NIL	NIL
<b>70,960,669.41</b>	<b>Cash and Equivalents at the end of the period</b>		<b>97,415,848.55</b>	NIL	NIL

THE UNITED REPUBLIC OF TANZANIA  
VOTE69 - Ministry of Tourism, Natural Resources  
SUMMARY STATEMENT OF REVENUE AS AT 30-  
Jun-2005

2003/2004			2004/2005			
Actual Collections	Sub Vote Code	Sub Vote Description	Budget Amount	Actual Collections	Amount Over Collected	Amount Under Collected
201,963,887.60	691001	Administration and General	19,304,000.00	28,601,203.20	9,297,203.20	0.00
5,858,783,277.40	692001	Wildlife	9,829,300,000.00	6,231,165,882.82	0.00	3,598,134,117.18
4,549,774,631.30	693001	Forestry and Beekeeping	5,912,102,000.00	9,726,724,378.33	3,814,622,378.33	0.00
9,545,960,425.85	693002	Fisheries	8,200,001,000.00	9,224,090,388.68	1,024,089,388.68	0.00
960,312,350.00	694001	Tourism	880,213,000.00	1,051,202,804.00	170,989,804.00	0.00
0.00	694002	Antiquities Unit	135,751,000.00	0.00	0.00	135,751,000.00
<b>21,116,794,572.15</b>		<b>TOTAL</b>	<b>24,976,671,000.00</b>	<b>26,261,784,657.03</b>	<b>5,018,998,774.21</b>	<b>3,733,885,117.18</b>

**Note: Revenue collected and retained at source**

3,695,189,702.40	692001	Wildlife	4,232,913,738.30
1,268,378,594.00	693001	Forestry and Beekeeping	1,676,225,727.40
152,448,366.95	693002	Fisheries	180,996,791.95
<u>132,658,384.25</u>	694002	Antiquities Unit	<u>199,566,436.88</u>
<b>5,248,675,047.60</b>	<b>Sub Total</b>		<b>6,289,702,694.53</b>
<b>26,365,469,619.75</b>	<b>TOTAL VOTE</b>		<b>32,551,487,351.56</b>

DATE

S.ODUNGA  
Receiver of Revenue

UNITED REPUBLIC OF TANZANIA  
VOTE69 - Ministry of Tourism, Natural Resources  
SUMMARY-DEVELOPMENT APPROPRIATION ACCOUNT  
As at the end of F/Y 30-Jun-2005

Amount TZS

Actual Expenditure			Approved Estimates	Actual Expenditure		Exp. As % of Appr Estimates
June 2004			June 2005	June 2005	Variance	
	Code	Description	1	2	3=(1-2)	4=(2/1)*100
3,036,921,602.00	691003	Policy and Planning	3,319,541,400.00	2,875,995,327.00	443,546,073.00	86.64
2,811,913,000.00	692001	Wildlife	2,709,102,000.00	2,709,102,000.00	0.00	100.00
1,514,220,100.00	693001	Forestry and Beekeeping	10,387,011,800.00	7,430,391,775.41	2,956,620,024.59	71.54
0.00	693002	Fisheries	300,000,000.00	300,000,000.00	0.00	100.00
481,903,100.00	694001	Tourism	668,436,600.00	407,900,800.00	260,535,800.00	61.02
47,275,204.36	694002	Antiquities Unit	1,586,407,600.00	669,862,140.86	916,545,459.14	42.23
<b>7,892,233,006.36</b>		<b>Total</b>	<b>18,970,499,400.00</b>	<b>14,393,252,043.27</b>	<b>4,577,247,356.73</b>	<b>75.87</b>

DATE

S.ODUNGA  
Accounting Officer

**UNITED REPUBLIC OF TANZANIA**  
**VOTE69 - Ministry of Tourism, Natural Resources**

**SUMMARY RECURRENT APPROPRIATION ACCOUNT**  
**As at the end of F/Y 30-Jun-2005**

Amount in TZS

Exp. As % of Appr Estimates

Actual Expenditure June 2004	Code	Description	Approved Estimates June 2005 1	Actual Expenditure June 2005 2	Variance 3=(1-2)	4=(2/1)*100
1,279,472,950.19	691001	Administration and General	1,497,618,304	1,497,581,659.46	36,644.54	100.00
585,593,840.39	691002	Finance and Accounts	666,415,733	666,415,732.91	0.09	100.00
463,379,216.90	691003	Policy and Planning	488,473,254	488,473,253.98	0.02	100.00
7,586,736,364.09	692001	Wildlife	7,289,478,916	7,192,789,258.09	96,689,657.91	98.67
7,633,912,218.67	693001	Forestry and Beekeeping	7,807,058,181	7,664,964,362.07	142,093,818.93	98.18
4,648,202,050.76	693002	Fisheries	5,851,529,848	5,762,778,475.79	88,751,372.21	98.48
2,880,761,652.23	694001	Tourism	3,151,400,432	3,151,400,390.42	41.58	100.00
1,179,294,158.20	694002	Antiquities Unit	1,118,016,832	1,079,189,535.97	38,827,296.03	96.53
<b>26,257,352,451.43</b>		<b>Total</b>	<b>27,869,991,500</b>	<b>27,503,592,668.69</b>	<b>366,398,831.31</b>	<b>98.69</b>

DATE

**S.ODUNGA**  
**Accounting Officer**

MINISTRY OF NATURAL RESOURCES AND TOURSIM								
STATEMENT OF LOSSES FOR THE YEAR ENDED JUNE 30,2005								
YEAR WHICH LOSSES OCCUR	CODE	DESCRIPTION	CATEGORY OF LOSSES				TOTAL	ACTION /EFFORTS TAKEN TO RECOVER
			CASH	STORES	ABANDONMENT	ADJUSTMENT		
	<b>A</b>	<b>Balance outstanding From previous year</b>						
	<b>3001</b>	<b>FORESTRY &amp; BEEKEEPING</b>						
	3001	Zonal Forestry Management		50,626,756.00	NIL	NIL	50,626,756.00	Filled case in court
19998/19999	3001	FPO Catchment Tanga	31,313,900.00	NIL	NIL	NIL	31,313,900.00	Filled case in court
19998/19999	3001	Morogoro Catchment	2,646,835.00	NIL	NIL	NIL	2,646,835.00	Filled case in court
19999/2000	3001	Ministry HQ	252,171.00	NIL	NIL	NIL	252,171.00	Filled case in court
	<b>3002</b>	<b>FISHERIES</b>						
2002/2003	3002	Mbegani	22,580,571.00	NIL	NIL	NIL	22,580,571.00	Filled case in court
19999/2000	3002	Ministry HQ	6,297,960.00	NIL	NIL	NIL	6,297,960.00	Filled case in court
	<b>4001</b>	<b>TOURISM</b>						
19999/2000	4001	Ministry HQ	7,478,404.00	NIL	NIL	NIL	7,478,404.00	Filled case in court
	<b>Previous year total</b>		<b>70,569,841.00</b>	<b>50,626,756.00</b>	<b>0.00</b>	<b>0.00</b>	<b>121,196,597.00</b>	Filled case in court
2004/2005	<b>B</b>	<b>CURRENT LOSSES</b>						
	<b>3001</b>	<b>FORESTRY &amp; BEEKEEPING</b>						
2004/2005	3001	Sao Hill		17,833,140.00	NIL	NIL	17,833,140.00	Loss report submitted to treasury
2004/2005	3001	Ministry HQ		15,774,000.00	NIL	NIL	15,774,000.00	Loss report submitted to treasury
	<b>3002</b>	<b>FISHERIES</b>						
2004/2005	3001	Nyegezi		600,000.00	NIL	NIL	600,000.00	Loss report submitted to treasury
	<b>TOTAL LOSSES</b>		<b>70,569,841.00</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>121,196,597.00</b>	



**MINISTRY OF NATURAL RESOURCES AND TOURSIM**

STATEMENT OF COMPOSITION OF FUND																
VOTE	PROJECT	APPROVED ESTIMATES				AMOUNT RELEASED				ACTUAL EXPENDITURE				VARIANCE		
		FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL			
		Name of Donor	Amount		Name of Donor	Amount		Name of Donor	Amount							
	<b>POLICY &amp; PLANING</b>															
69	4620- Management of Natural Resources Program	Norway	2926855800	392685600	3319541400	Norway	2483309727	392685600	2875995327	Norway	2483309727	392685600	2875995327	443546073	0	443546073
	<b>SUB-VOTE TOTAL</b>		2926855800	392685600	3319541400		2483309727	392685600	2875995327		2483309727	392685600	2875995327	443546073	0	443546073
	<b>WILDLIFE DIVISION</b>								0				0	0	0	0
	4805- Community Wildlife Management	Germany	480000000	0	480000000		480000000	0	480000000		480000000	0	480000000	0	0	0
	4806- Katavi Rukwa Conservation and Dev. Prog	Germany	480000000	0	480000000		480000000	0	480000000		480000000	0	480000000	0	0	0
	4809- Watland Mgt. and Sustainable Development	Belgium	500000000	0	500000000		500000000	0	500000000		500000000	0	500000000	0	0	0
	4810- Management of the Malagarasi Moyowosi	Denmark	849102000	0	849102000		849102000	0	849102000		849102000	0	849102000	0	0	0
	4817- Support to Tanzania Game Reserve	EU	400000000	0	400000000		400000000	0	400000000		400000000	0	400000000	0	0	0
	<b>SUB-VOTE TOTAL</b>		2709102000	0	2709102000		2709102000	0	2709102000		2709102000	0	2709102000	0	0	0

	<b>FORESTRY &amp; BEEKEEPING</b>														
	4627-Forestry Policy Implementation Support	GTZ	131505000	20000000	151505000	131505000	20000000	151505000	131505000	20000000	151505000	0	0	0	
	4628-Participatory Forestry Management	Norway	1186000000	0	1186000000	1073084872	0	1073084872	1073084872	0	1073084872	112915128	0	112915128	
	4629-Support to Forestry (National Programme)	Finland	349600000	125000000	474600000	122523483	125000000	247523483	122523483	125000000	247523483	227076517	0	227076517	
	4630-Forestry Conservation Mgt. Project	IDA	8296906800	150000000	8446906800	5808278420	150000000	5958278420	5808278420	150000000	5958278420	2488628380	0	2488628380	
	4815-Support to Forestry College-SADC Region	Finland	128000000	0	128000000	0	0	0	0	0	0	128000000	0	128000000	
	<b>SUB-VOTE TOTAL</b>		10092011800	295000000	10387011800	7135391775	295000000	7430391775	7135391775	295000000	7430391775	2956620025	0	2956620025	
	<b>FISHERIES</b>														
	4816-Conservation of Mnazi Bay Marine Project	UNDP	300000000	0	300000000	300000000	0	300000000	300000000	0	300000000	0	0	0	
	<b>SUB-VOTE TOTAL</b>		300000000	0	300000000	300000000	0	300000000	300000000	0	300000000	0	0	0	

<b>TOURISM</b>																
<b>6299-National College of Tourism</b>	France	260535800	407900800	668436600		0	407900800	407900800		0	407900800	407900800	260535800		0	260535800
<b>SUB-VOTE TOTAL</b>		260535800	407900800	668436600		0	407900800	407900800		0	407900800	407900800	260535800		0	260535800
<b>ANTIQUITIES</b>													0	0	0	0
<b>4813-House and Culture Project</b>	Sweden	1000000000	230000000	1023000000		95159179	230000000	118159179		95159179	230000000	118159179	904840821		0	904840821
<b>6280-Capacity building of Antiquities Dept.</b>	Sweden	400000000	0	400000000		400000000	0	400000000		400000000	0	400000000	0		0	0
<b>6295-Rehabilitation &amp; Promotion of the Kilwa</b>	France	145407600	18000000	163407600		133702962	18000000	151702962		133702962	18000000	151702962	11704638		0	11704638
<b>SUB-VOTE TOTAL</b>		1545407600	41000000	1586407600		628862141	41000000	669862141		628862141	41000000	669862141	916545459		0	916545459
<b>VOTE TOTAL</b>		<b>17833913000</b>	<b>1136586400</b>	<b>18970499400</b>		<b>13256665643</b>	<b>1136586400</b>	<b>14393252043</b>		<b>13256665643</b>	<b>1136586400</b>	<b>14393252043</b>	<b>4577247357</b>		<b>0</b>	<b>4577247357</b>

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Follow up on Previous Year's Audit Reports

The following matters raised in my previous years audit reports have not been cleared:

##### 1998/1999 Audit report

Para	Details	Amount Reported (Shs)	Amount outstanding(Shs)
494	Irregular Compensation Payments	126,285,815	18,050,369

##### 1999/2000 Audit report

Para	Details	Amount Reported	Amount outstanding(Shs)
498.2.1	Motorcycles (Honda) bought but not yet delivered	15,774,000	15,774,000
499.5	Motor vehicles paid for but not delivered	194,308,118	194,308,118

##### 2002/2003 Audit report

Para	Details	Amount Reported (Shs)	Amount outstanding (Shs)
505.1	Loss of Cash at Mbegani Fisheries Dev. Centre	22,580,571	22,580,571
559.10.4	Advance of money not refunded by CAWM-Mweka	266,000,000	36,000,000

##### 2003/04 Audit report Tanzania Wildlife Protection Fund

Para	Details	Amount Reported	Amount outstanding
525.1.3	Stolen motor vehicle STJ.3996 at Malihai Clubs - Arusha	31,000,000	31,000,000
<b>Catchments Forestry Project</b>			
526.8.1	Mapping activity paid for but not done	99,990,000	99,990,000

### **Implication**

- Delayed corrective action by management.
- Problems not timely corrected may conceal misconduct acts thus extending the effects of the problem.

### **Recommendation**

The management should clear all outstanding matters raised in the previous audit reports.

## **3.2 Audit queries and Management letters**

A test check of the accounts and related records for the year ended 30<sup>th</sup> June 2005 resulted in 11 audit queries and 15 management letters relating to projects and Special Funds being issued. As at the date of this audit, 4 audit queries and 5 Management letters had not been satisfactorily replied; and most significant issues raised thereon have been referred to in this report.

## **3.3 Late or Non Submission of Accounts and Statements**

The following Public institutions have not submitted their financial statements for the year ended 30<sup>th</sup> June 2005.

- (i) Marine Parks Reserve Unit
- (ii) National Fund for Antiquities
- (iii) Amani Nature Reserve

### **Implication**

The audit cannot give assurance on the operations and financial position of these Public Institutions for the year 2004/2005.

### **Recommendation**

The Ministry should ensure that the above Institutions submit their financial statements for audit and ensure future adherence to the set submission date.

### **Management Response**

- Marine Parks Reserve Unit  
The new appointed Board of Trustees will seat on 30<sup>th</sup> December, 2005 when the Financial Statements for 2004/2005 will be tabled for approval and signed by the chairman. Please be ensured that they will be submitted as soon as they are signed for your audit verification.
- The Financial Statements for the National Fund for Antiquities and the Amani Nature Reserve are ready for submission and we apologize for the delay.

### **Comment**

Financial statements for the National Fund for Antiquities and for the Amani Nature Reserve have been received and audit matters arising thereon will be

incorporated in the next audit report. We are still awaiting for the submission of accounts relating to the Marine Parks Reserve Unit.

### 3.4 Analytical Review and Performance Evaluation

#### 3.4.1 Financial Performance and Budgetary Control - Supply Vote

The Supply vote account closed with an apparent saving of Shs. 369,327,071 arising from a net expenditure of Shs. 27,500,664,429 against net approved estimates of Shs.27,869,991,500.

Exchequer issues received during the year totalled Tshs. 27,510,605,913 against a net expenditure of Tshs. 27,500,664,429 while outstanding imprest balances amounted to Shs. 2,928,240 thereby leaving cash balance of Tshs.7,013,244 with the Paymaster General's Account at the Bank of Tanzania (BOT). The overall actual performance on the recurrent account was 98.7% of the annual budget as depicted in the table below:

Description	Approved Estimates	Actual expenditure	Variance	Actual budgeted %
Admin. and General	1,497,618,304	1,497,581,660	36,644	99.997
Finance and Accounts	666,415,733	666,415,733	0	100
Policy and Planning	488,473,254	488,473,254	0	100
Wildlife	7,289,478,916	7,192,789,258	96,689,658	98.674
Forestry & beekeeping	7,807,058,181	7,664,964,362	142,093,819	98.18
Fisheries	5,851,529,848	5,762,778,476	88,751,372	98.483
Tourism	3,151,400,432	3,151,400,390	42	100
Antiquities Unit	1,118,016,832	1,079,189,536	38,827,296	96.527
<b>Total</b>	<b>27,869,991,500</b>	<b>27,503,592,669</b>	<b>366,398,831</b>	<b>98.685</b>

#### Implication

A saving of Shs. 369,327,071 implies that activities planned were not implemented or the budget was not realistic.

#### Recommendation

The management should ensure that planned activities are implemented.

#### Management Response

The saving was a result of less exchequer issue being issued compared to the approved estimates. Outstanding imprest balances amounting to TShs.2,928,240 have now been cleared

#### Comment

Response is noted.

### 3.4.2 Financial performance and budgetary control

#### Development Vote

The Statement of vote account closed with a net expenditure of Shs.14,393,252,043 against net approved estimates of Shs. 18,970,499,400 resulting into an apparent saving of Shs. 4,577,247,357. Exchequer issues received during the year under review also amounted to Shs. 14,393,252,043 leaving a NIL cash balance with the paymaster General's Account at the BOT.

<i>Description</i>	<i>Actual funds Released</i>	<i>Actual expenditure</i>	<i>Variance</i>	<i>Actual / Budget %</i>
Policy & Planning	3,319,541,400	2,875,995,327	443,546,073	86.64
Wildlife	2,709,102,000	2,709,102,000	0	100
Forestry & beekeeping	10,387,011,800	7,430,391,775	2,956,620,025	71.54
Fisheries	300,000,000	300,000,000	0	100
Tourism	668,436,600	407,900,800	260,535,800	61.02
Antiquities	1,586,407,600	669,862,140	916,545,460	42.23
<b>Total</b>	<b>18,970,499,400</b>	<b>14,393,252,042</b>	<b>4,577,247,358</b>	<b>75.87</b>

The financial performance under the Development vote showed marginal performance under the Antiquities (42.2%) followed by Tourism (61%) and Forestry and Beekeeping (71.5%).

#### Implication

The intended targets of the Ministry might not be attained.

#### Recommendation

The reasons for not attaining targeted budget should be stated by the Management.

#### Management Response

The Ministry failed to attain fully the intended targets under development vote due to the reason that the Treasury, Donors and other Funding Agents managed only to release cash and direct to Projects funds amounting to Tshs.14,393,252,043. This release represent 75.9% of the approved Budget of Tshs.18,970,499,400.

However, the Ministry implemented planned activities to the level of the funds received leaving out unimplemented activities equal to 24.1% of the planned which was caused by the short release of Tshs. 4,577,247,357.

Specific reasons for under performance under these divisions are as follows:

#### Antiquities Unit

- The funds from the donor were received in May 2005.
- The funds are issued for a Calendars year that is from January to December; according to the Financial year of the Donor.

### **Tourism**

The under performance was caused by non performance of the contractor to renovate the National College of Tourism. The contractor was terminated and a process of selecting another contract has started.

### **Forestry and Beekeeping**

The procurement process of goods, consultants and construction services took long time to finalize that in turn delayed the procurement of goods and consultancy services provided in the annual work plan for 2004/2005.

- Construction of TFS headquarters, checkpoints in Dar es Salaam and Mwanza were also not done. Construction of TFS Headquarters Building started in the beginning of the Financial year 2005/06.
- Procurement of most of the consultants' services was not done and some project activities were dependent on the results/findings from the respective consultancy work.

### **Comment**

In future, the Management should take necessary precaution to ensure that activities are implemented as planned.

### **3.4.3 Operational performance issues**

During the year under review most of the recurrent activities which were planned to be implemented were carried out in accordance with the annual action plan except for the few items shown under Annexure I A.

Several Development projects were not implemented in accordance with their respective annual plans. Funds allocated for these projects were used to carry out other activities . We were not availed with the authority to divert these funds to other activities. Refer Annexure I B.

We also noted that there is lack of close follow up and effective monitoring and evaluation system over Development projects, which is likely to have contributed to non Implementation of some of the planned activities.

### **Implication**

Funds might be diverted from the intended activities to less priority areas. The Strategic objectives of the Ministry may not be achieved.

### **Recommendation**

- The ministry should ensure that physical achievement in terms of targets clearly matches their respective annual plans and budgets
- The Ministry is advised to implement an adequate system of Monitoring and Evaluation to ensure all the planned activities are well coordinated and adequately monitored to ensure desired goals are attained.

### **Management Response**

The reasons for non implementation of these activities are given under each respective project in the statement of performance.

### **Comment**

The system of Monitoring and Evaluation within the Ministry should be strengthened.

#### **3.4.4 Non Disclosure of C Funds totaling Shs. 899,792,289**

An amount of Tshs 899,792,289 was received by the Ministry in respect of Marine and Coastal Environment Management Project. However the amount was not disclosed as a note to the Appropriation Accounts.

### **Implication**

Non disclosure of the amount received understates total income and expenditure reported.

### **Recommendation**

The Management should disclose the funds received as a note to the financial statements.

### **Management Response**

It is true that Shs. 899,792,289.00 being development expenditure by the Marine and Coastal Environment Management Project was not reflected in the Ministry's Development Appropriation Account. This was because the signing of the loan for the intended project was done after budget preparation. Therefore, there was no expenditure item in the Development Approved budget for the financial year 2004/2005.

Project implementation is about to takeoff after opening the special Accounts. The amount will be reflected in the 2005/2006 financial statements. In addition, a note to the financial statement to disclose these funds has been included in the financial statements.

### **Comment**

Agreed, these funds should be included in total development expenditure for the next financial year.

#### **3.5 Statement of Revenue**

The statement of revenue reflected a total collection of Shs. 32,551,487,551 against an annual budget of Shs. 24,979,671,000 resulting into an over collection of Shs.7,571,816,551.

### **Implication**

Over collection of revenue may not necessarily imply efficiency in the revenue collection but might be as a result of under budgeting.

## **Recommendation**

The management should explain the variances

## **Management Response**

Some of the major reasons which gave rise to the variances include:

### **Division of Wildlife**

- Diversified sources for Game licenses which led to increase in the number of clients including those from the Far East giving rise to an over collection of Shs 58,205,751.50
- Increase in the number of hunting blocks resulting to an over collection of Shs 555,771,543 from issuance of hunting licenses
- An over collection of Tshs. 11,585,919 in capture permits was caused by increase of clients

### **Forestry and Beekeeping**

- An over collection of Tshs 74,114,313 in forestry export certificate and permit was caused by some of Forest Product exporting companies being given special permits to export logs including teak and paurosa.
- An under collection of Tshs 300,900,598 in receipts from registration fees was due to Government order temporarily stopping harvesting of forest products from natural forests.
- An over collection of Tshs 46,245,597 was due to revenue collected from communication companies allowed to establish their transmission towers within forest reserves also from Geita Gold Mine Co. permitted to establish an air strip within Geita Forest Reserve.

### **Fisheries**

- There was an over collection of Tshs 574,714,215 in fish Export Licenses due to increase in fish and fishery products exporters and increase in licenses issued for fishing in the EEZ.
- An over collection of Tshs 533,382,673 was caused by the increase in fish processing industries export products.
- Increase of services provided by Mbegani Fisheries Development Center especially to the SADC Project of Monitoring Control Surveillance brought about over collection of Tshs 99,299,322.

### **Tourism**

- An over collection of Tshs 170,989,804 due to increase of Investors in Tourism business also due to inspection carried out in the Northern Zone

### **Antiquities**

- An over collection Tshs 67,762,210 was caused by the increase in number of residents and non residents tourists who visited antiquities sites.

### 3.6 Revenue collection and Cash management

A review of the revenue collection system was designed with a view of assessing the adequacy and reliability of the internal controls regarding cash collection and handling system. A sample of four revenue collection stations were visited these are: Ministry Head quarters, Ruvu Wood Fuel, Forest surveillance Unit and Forest Project Office- Shume. The following observations were noted:

#### (i) Ruvu Wood Fuel

There is inadequate follow up of revenues collected at the check points

Collectors of revenues at the check points take long time between 2 - 5 weeks to remit the money collected at those check points

There is no adequate security of the money collected at check points

Money are kept under the drawers at the check points and at Ruvu wood fuel for some days before they are handed over to the main cashier

#### (ii) Forest surveillance Unit

Collection of confiscated timber and logs are not entered in the appropriate register and there is no evidence of the issues or sales of timber and logs

The station has no cash box/safe, and the Revenue collection is being kept under the drawers.

The revenue collection office is constructed of soft wood and has neither secured windows nor door grills.

#### Implication

- Control over confiscated timber and logs is likely to be inadequate. Loss or unauthorized issues or sales may go undetected.
- Keeping cash under office table drawers is very unsafe; funds are susceptible to loss through theft or fire.

#### (iii) Forest project office- Shume

A cash count conducted at FPO-Shume revealed a difference amounting to Shs 1,169,226.50 between the physical cash balance and the related Exchequer receipts records as analyzed below. No sufficient reason was given to explain this variance. In addition, cash collected are not timely being banked. Cash collected take up to twelve days before they are banked.

Date	ERV No.	Amount as per ERV Shs	Physical cash Balance Shs	Difference
8-20/12/05	23266816-40	4,486,851.50	3,317,625.00	1,169,226.50
12-20/12/05	23266656-69	1,346,080.00	1,346,080.00	0
<b>Total</b>		<b>5,832,931.50</b>	<b>4,663,705.00</b>	<b>1,169,226.50</b>

#### Implication

- In the absence of proper reconciliation of the cash balances to the related records, misappropriation of these funds cannot be ruled out
- Late banking of revenue collected can lead to teaming and lading

#### (iv) Cash office Head quarters

A cash survey and cash count conducted at the Ministry head quarter cash office revealed no discrepancies between the physical cash balance and the cash book balances. However the following internal control weaknesses were noted:

- The Ministry has a defective Dollar counting machine, the cashier depends on the bank facility to detect counterfeit notes
- The local currency machine in use lacks several security features including: a magnifier, scanning and counterfeit detectors.
- Lack of dual control of safe keys, the only key in use is handled by the Cashier, the other key is not in use because the second safe keyhole is not functioning
- One safe being used by the Chief Cashier is not built in walls
- The cash office is not adequately secured, windows have no grills

#### Implication

- Vulnerability of receiving fake notes is inevitable due to lack of cash counting machines fully equipped with the necessary security features
- Loss of cash in the circumstances of untrustworthy officers being responsible for cash handling due to lack of dual control of safe keys
- Easy and unrestricted access to the safe due to lack of adequate security including window grills and non wall-in-built safes.

#### Recommendation

The Ministry should institute the relevant control measures to mitigate these risks including but not limited to;

- Securing a proper Dollar counting machine adequately equipped with all the necessary security features and equipping the same to the local currency counting machine
- Repair the safe in use and institute a dual control of safe keys
- Fix window grills to the cash office and ensure all the safes are built into walls
- Make regular follow up of the revenue collected at the collection/check points

- Purchase and provide cash safes at the Forest surveillance unit and other revenue collection stations/check points.

#### **Management Response**

- The Ministry has a Dollar counting machine and local currency machine. These machines have minor defects they lack several security features as observed by the Auditor. Arrangement are on the way to repair them. However, the Ministry has advised and instructed the customers to pay money by use of Bankers cheques rather than cash. This procedure is aiming at reducing the cash handling risks to both payers and receiving agent.
- The Ministry from time to time has been conducting regular follow up of revenue collected at the collecting/check points using accounting staff and the internal Audit.
- To enhance security of cash and accountable documents, the Ministry has already ordered and paid for 28 pieces of safes and 16 pieces of cash boxes from the Treasury.
- All irregularities noted by the Auditor will be dealt with accordingly.

#### **Comment**

The Ministry's reply is accepted. Follow up should be made to ensure the safes and cash boxes are delivered and put into use

### **3.7 Review of Bank Reconciliation Statements**

#### **3.7.1 Timeliness of Bank Reconciliation**

A review of the monthly reconciliations of the three Revenue bank accounts revealed that there were some delays in preparing the monthly reconciliations, it took up to 55 days after the closure of each respective month to reconcile the bank account balances to the related Ministry records.

#### **Implication**

Untimely preparation and review of bank reconciliations deny time for the management to identify and resolve discrepancies to ensure that bank balances are reported correctly in the accounting records.

#### **Recommendation**

The Management should ensure that bank reconciliations are timely prepared and reviewed.

### **Management Response**

It is true that there were delays in preparing the monthly reconciliations in the previous months. The delays were mainly caused by an inadequate number of staff we had. To date the section has at least sufficient staff and the reconciliation will be prepared timely.

### **Comment**

We expect future adherence by the Ministry to the requirement of timely preparing and submission of the bank reconciliation statements.

### **3.7.2 Non reconciling Items not cleared**

A review of the Revenue Bank Reconciliation Statements as at 30<sup>th</sup> June, 2005 for the Retention Revenue-General A/C No. 2061100044, Recurrent Revenue (Tshs) Account No.14:69 and the Recurrent Revenue (US\$) Account disclosed the following outstanding and non reconciling items:

- (i) **Retention Revenue-General A/C**
  - Credits in Bank statements; not in the Cash book Tshs.386,051,787.95
  - Debits in bank statements but not in cash book Tshs.8,232,611.00
  - Receipts in cash book but not in bank statements  
Tshs.803,001,137.00
  
- (ii) **Recurrent Revenue (Tshs) Account**
  - Credits in Bank Statements not in Cash book Shs 5,897,773.65
  - Receipts in Cash book not in Bank Statements Shs 5,897,773.65
  
- (iii) **Recurrent Revenue (US\$) Account**
  - Credits in Bank Statements not in Cash book US\$ 1,749,605
  - Receipts in Cash book not in Bank Statements US\$ 361,009

### **Implication**

- Delay in banking of revenue may lead to loss of revenue collected.
- Debits in bank statements but not in cashbook amounting to Shs.8,232,611.00 represent double charges by the bank to the revenue account as transfer fees including bank charges are settled by the Treasury.

### **Recommendation**

The Ministry is urged to clear the outstanding amounts with the bank and accordingly record any amount(s) reflected in the bank statements not in the cashbooks.

## **Management Responses**

### **Retention Revenue General A/C**

- **Credits in Bank statements not in Cash Book Tshs. 386,051,787.95**  
This is due to the deposits made by up - Country collection centres but the collection documents have not yet reached us as at 30<sup>th</sup> June, 2005. The whole amount is now cleared after receiving the collection documents from Up - Country stations.
- **Debits in Bank Statements not in Cash Book Tshs. 8,232,611**  
This amount represent bank charge as transfer fee, the letter was written to the Bank to request them to reverse the entries and the amount was reversed to revenue a/c on 14<sup>th</sup> September, 2005.
- **Receipts in cash Book not in Bank Statements Tshs. 803,001,137**  
This was due to the Cheques deposited by up country stations to the Ministry's Account on the last day of the month financial year i.e 30 June 2005. All cheques were cleared in July 2005.

### **Recurrent Revenue A/C 14:69**

- **Receipts in Cash book not in Bank Statements Tshs.5,897,773.65**  
The total amount of Tshs.5,897,773.65 is cleared up to September 2005

### **Recurrent Revenue (US \$) Account**

- **Credits in Bank Statements not in Cash Book US \$ 1,749,604**  
The amount of US \$ 1,749,605 has already been entered in the Cash Book.
- **Receipts in Cash Book not in Bank Statements US \$ 361,009**  
The amount of US\$ 361,009 has already been cleared in our account. Bank reconciliation have already been submitted to the External Auditors.

### **Comment**

The Ministry's reply is accepted. All the outstanding issues have now been cleared.

## **3.8 Statement of Miscellaneous Deposit**

The Miscellaneous Deposit Account for the year ended 30<sup>th</sup> June 2005 ended with a balance of TShs 97,415,848.55. However we have not been provided with the cash books containing analysis of receipts and payments giving rise to this balance.

### **Recommendation**

The Ministry should submit the cash books containing analysis of receipts and payments, which gave rise to the cash balance.

### **Implication**

Expenditure reported may not be reliable and correct.

**Management response**

The cashbooks have now been submitted

**Comment**

Cashbooks reviewed and the observation cleared

**3.9 Statement of Losses Tshs 155,403,737**

The Statement of Losses submitted reflect a total loss amounting to Tshs 155,403,737 including losses of Tshs 121,196,597 relating to previous years which are still under court proceedings and TShs. 34,207,140 reported during the year 2004/05 perpetrated through loss of stores at three stations as listed below:

Station	Amount(Tshs)	Management Response
Sao Hill	17,833,140	Loss report submitted to Treasury
Ministry HQ	15,774,000	Loss report submitted to Treasury
Nyegezi Fisheries Institute	600,000	Loss report submitted to Treasury
<b>Total</b>	<b>34,207,140</b>	

We have not been provided with sufficient evidence regarding action taken to officers responsible for the losses incurred during the year 2004/05.

**Implication**

Losses of stores signifies inadequate stores management controls such as periodic or regular stock checks.

**Recommendation**

The ministry should request the Treasury to give its stand on the status of these losses.

**Management response**

The status of the losses is as shown above.

**Comment**

We insist the management to comply with our recommendation.

**3.10 Management of Stores, property, plant and equipment**

A review of the Statement of assets revealed that there are remarkable improvements in the recording and management of fixed assets owned by the Ministry compared to previous years. However scrutiny of the fixed assets register noted the following:

- Several assets, including computers, motor vehicles, furniture etc. had no unique identification numbers i.e. type, model, registration numbers etc

shown in the statement to facilitate easy identification during physical verification.

- Assets with different values were grouped together without specifically identifying their book values.
- Location and condition of some assets were not clearly indicated in the statement
- The stations do not maintain a plant and equipment register

#### **Implication**

Lack of proper coding of assets makes it difficult in locating them leading to possible losses or misappropriation.

#### **Recommendation**

A proper fixed Assets register should be maintained to indicate location of assets, class of assets, code numbers and value.

#### **Management response**

No management response was given.

### **3.11 Procurement Management and controls**

A review of the procurement system within the Ministry including tendering procedures disclosed some divergences contrary to the Public Procurement Act no. 21 of 2004 as follows:

#### **3.11.1 Payments made in advance Tshs. 674,268,543**

During the year under review, a sum of Tshs. 674,268,543 was paid to various suppliers of goods and services in advance. No evidence has so far been obtained to confirm delivery of the goods /services paid for. Four audit queries raised seeking confirmation of the receipt and accountability of the goods and services paid for in advance are still outstanding. (Refer AQ nos 3, 5, 7 & 11).

#### **Implication**

There is a likelihood that the suppliers selected were not evaluated based on the required criteria.

#### **Recommendation**

- The Ministry should confirm the receipt of the items paid for in advance.
- In future, suppliers of goods and services should submit performance bonds before the Ministry effect advance payments.

#### **Management Response**

Goods worth Shs. 431,087,194 have been accounted for. In addition the ordered vehicles costing Shs. 89,999,999 have already arrived at DSM Port and a lorry costing Shs. 82,201,350 bought by the Department of Forestry is at quality motors workshop for body works. Single Bills of entry, Invoices,

customs clearance forms and bills of lading for each vehicle have been submitted to auditors. However, Motor cycles worth Shs. 70,980,000 are yet to be delivered.

**Comment**

The Management should ensure that motor vehicles and motor cycles worth Shs.70,980,000 are delivered and accounted for in the plant and equipment register.

**3.11.2 Non Maintenance of a Register of Contracts**

The ministry does not maintain a register of contracts for both supply of goods, consultancy services and works. This is contrary to regulation 35 (n) of the Public Procurement Act No. 21 of 2004. In the absence of this register, we were unable to ascertain the names of contractors, dates for completion of the contracts, Contracts sums, total payments to date, and any amounts due to suppliers or retentions etc.

**Implication**

Non-maintenance of an asset register poses a risk of double or fictitious payments being made to contractors or suppliers.

**Recommendation**

The ministry is advised to introduce a register of contracts for consultancy services, goods and works to strengthen control over contracts management.

**Management Response**

It is true that the Ministry does not maintain a register of contracts. A contract register will be introduced soon.

**Comment**

Implementation of this recommendation will be verified in the next audit.

**3.11 Review of Cross cutting Issues**

**3.12.1 HIV/AIDS Pandemic**

We reviewed the extent to which the Management has addressed the issue of HIV/AIDS within the Ministry so as to raise awareness of the problem among the Ministry's employees and other stakeholders. After review, we noted that the Ministry is facing difficulties in getting reliable data to facilitate ascertaining the extent of the problem. We also noted that the Ministry does not have a budget to assist HIV Victims.

**Recommendation**

The Management is advised to look for ways of obtaining reliable data to determine the extent the pandemic has affected the Ministry and it's stake holders, and ways of assisting them.

## Management Response

The following activities have been carried out to address the problem:

(i) Training on Peer educators

A six days training was held in Dar es Salaam from 18/04 to 23/04/2005 and a total of 25 participants attended. The participants were from various departments of the Ministry and some came from outer stations.

(ii) Training in Voluntary Counseling and Testing

- 15 Clinical Officers attended a 28 days training on Voluntary Counseling and Testing in Dar es Salaam at AMREF Center between 09/05/2005 to 07/06/2005.

(iii) Training course for HIV/AIDS, to Managers/ Coordinators and Technical Aids Committee members.

- The training to Technical Aids Committee members, Coordinators from projects and training institutions under the Ministry was held in Dar es Salaam.
- 25 MNRT Staff trained in planning and implementing HIV/AIDS strategies at workplace from 27-30/06/2005.

(iv) Sensitization and awareness seminars on HIV/AIDS Education for MNRT stakeholders in the Tourism Sector.

- Target group: Tour guides, Tour Operators, Hoteliers, Drivers and Potters.
- 49 stakeholders from the Tourism sector were sensitized on HIV/AIDS mitigation from 10/03 to 11/03/2005 in Arusha.

## Comment

The Management should establish proper arrangements to ensure all employees who are detected with the pandemic are assisted.

### 3.12.2 Governance Arrangements

A review of the system of governance arrangements within the ministry as well as implementation of the National Anti-Corruption strategy and sector specification plans issued by the president's Office was done to check whether the management acts in the following manner:

- Decisions are undertaken without any impartiality and rules and regulations are properly followed.
- Public accountability is enhanced to ensure that plans and policies are properly implemented
- Decisions are undertaken with maximum transparency

- Management is not at a position to override the controls which it has itself set up
- The resources entrusted to it have been utilized with due efficiency and economy to ensure that the desired output is achieved.
- Information is freely available and directly accessible to those who will be affected by such decisions and their enforcement.
- The ministry produces results that meet the needs of the society while making the best use of the resources at their disposal.
- Management ensures sustainable use of natural resources

The review revealed the following weaknesses.

- Inadequate sensitization of Public to create awareness on services provided by the Ministry as well as procedures, regulations and guidelines to be followed by customers.
- Inadequate qualified staff across the Ministry especially in the fields of procurement accounting and Internal audit.
- Low motivation due to inadequate remuneration.

#### **Recommendation**

The Management should explain how it has addressed these issues and problems within the Ministry.

#### **Management response**

The Ministry organized seminars and workshops for top management and operational staff at work place to implement anti-corruption strategy

The application of Good governance in the Ministry of Natural Resources and Tourism can be summarized as follows:

#### **(a) Clients Service Charter**

MNRT established its Clients Service Charter in 2001, the main purpose was to improve awareness on the availability and quality of the services offered by five technical divisions. (Forestry and Beekeeping, Wildlife, Fisheries, Antiquities and Tourism), two supportive divisions Policy and Planning and Administration and Personnel and three units (Accounts legal and Internal Audit)

In accomplishing our mission in the Medium term strategic plan 2001 - 2006 we commit ourselves to meet the following 12 goals met as follows:

- Ensure that MNRT programmes are implemented on a sound policy base.
- Ensure that a legal framework for natural and cultural resources management and Tourism development is clear and responsive.

- Achieve high protection level of natural and cultural resources
- Ensure that utilization of natural and cultural resources is based on correct information and laid down procedures.
- Raise revenue collection and institute proper control of expenditure.
- Institute proper measure to expand the tourism base.
- Raise the level of various stake holders participation in the MGT of Natural and resources.
- Ensure that decision making is based on correct and timely information.
- Develop human resources capacity in order to deliver quality public services.
- Put in place adequate physical facilities and equipment which are critical to the successful implementation of MNRT plans and programmes.
- Raise MNRT`s capacity and accountability levels in the delivery of Public Services.
- Ensure active participation in International treaties to which MNRT is an implementing agency

**(a) Circulation of circulars**

All government circulars and staff circulars received from the President office, Management of Public Service, Treasury etc. are circulated to all MNRT`s employees in order to inform them about changes occurred within the Government.

**(b) Workers council**

The MNRT was active workers council which was established according to section number 7 and 20 of President`s circular of 1970, regulation No. 102 of Public Service Act of 2003 and employment Act No.8 of 2004 section No. 60 members of this Council meet at least 2 times annually to discuss MNRT Budget grievances and dispute arised and come up with agreed resolution

**(c) Employment Board**

The MNRT has establish board of Employment according to Public Service Regulation Section Number 127. The main functions of this Board are to observe the Public Service management and Employment Policy, scheme of service and Guideline issued by the commission, abide by principles of quality and transparency in staff appointments and abstain from being influenced by anybody outside the Board, Observe principle of equal opportunity to all, including gender equality hence good governance.

**(d) Establishment of Ministerial Tender Board**

MNRT MTB is the sole Board which verifies all requests of purchases of goods and services from all Divisions and Units. Only accepted requests by the Board are allowed to continue with other steps.

### **Implementation of Good Governance activities in the sector**

In order to improve service delivery, the Ministry has reviewed and revised policies for Fisheries, Forestry, Beekeeping, Wildlife and Tourism. Further, some of these policies were translated into Kiswahili so that they may be read by a common man in rural and urban areas where resources are.

Some of the laws have been reviewed (Fisheries Act 2003, Forestry and Beekeeping Acts 2002) while others are under review, (Wildlife and Tourism Acts) so as to be in compatible with the new policies that are community oriented.

Regulations and guidelines in natural resources utilization and management have been introduced in problematic areas of business, so that all possible loopholes are dealt with squarely. Refer to Tourist Hunting Regulation 2002, Tourism - TALA Regulations 2004 and the forthcoming Photographic Tourism Regulations likely to be introduced in 2005.

Problems which were identified in training, promotion and recruitment of staff have been solved through formulation of training programmes, accelerated promotions (to due staff) and advertisement of all vacant posts coupled with applicants to be interviewed by external panel of experts respectively.

The question of licensing, issuance of permits and certificates of standards has been taken care of by the new regulations and guidelines in natural resources utilization and management.

The strategic Plan of the Ministry was formulated in 2001/2002 and it is already being implemented. The ministerial Strategic plan led to the following important steps:

- Production of the Ministry Clients Service Charter
- It integrated good governance and anti - corruption activities with other day to day activities as directed by Government
- It has a Performance Appraisal System which is one of the pillars of Performance Management System (PMS)

#### **Comment**

Efforts made by Management to enhance good governance within the Ministry have been noted. However, the management need to address the staff qualifications and incentive challenges.

### **3.13 Tanzania Wildlife Protection Fund (TWPF)**

#### **3.13.1 Non Preparation of the Cash Flow Statement**

According to the International Accounting Standards No 1 all reporting entities are required to prepare financial statements including a Profit and Loss Account/Income and Expenditure Statement, Balance Sheet, Cash Flow

Statement, Statement of Changes in Equity and the Notes comprising a summary of significant policies and other explanatory notes.

However, the statements submitted by the Fund did not include; a cash flow statement and the notes with a summary of significant Accounting Policies. Further, no trial balance was prepared and the Fund does not maintain the necessary ledger accounts such as the General ledger, Nominal Ledger, individual debtors/creditors and the Control Accounts including age analysis of debtors and creditors.

**Implication**

Non-preparation of cash flow statement conceals the real movement of cash within the organization during any particular reporting period. Similarly, non-maintenance of the individual debtors and creditors accounts may result in loss of vital information such as receipts from customers or payments to the suppliers respectively.

**Recommendation**

The management should prepare all the necessary financial statements, primary books of account and ledgers so as to comply with the relevant International Financial Reporting Standards and to ensure that information reported are correct, accurate and reliable.

**Management response**

We concur with the recommendations of the auditors, in future we shall abide by the recommendations

**Comment**

We expect the management to include all the necessary information in the Ministry’s financial reports.

**3.13.2 Un authorized Conversion of foreign currency US\$. 2,125,397**

We noted that though the ministry maintains a forex bank account, funds transferred to the ministry in US dollar by TWPF were being converted and deposited in Local currency account contrary to Regulations 62, (5) of the Public Finance Act No. 6 of 2001 which provides that “no officer shall convert public moneys received in foreign currency into local currency or vice versa.”

Pv	Chq	Amount US\$
1/8	000308	1,011,142
10/11	000363	495,777
2/10	000339	331,768
4/9	000324	286,710
<b>Total</b>		<b><u>2,125,397</u></b>

### **Implication**

Apart from violation of the law, there is a risk of understating or overstating revenue due to exchange losses or gains as well as fraud.

### **Recommendation**

The Ministry is advised to acknowledge and deposit foreign currency transfers in the US\$ bank account and transfers to the Bank of Tanzania should also be in forex.

### **Management response**

In actual facts no conversions of foreign currency were made in transferring revenue by TWPF to Ministry Revenue Collection Account. The deposits were normally made in US \$ and credited to Ministry's Bank Account in US\$. It is the receipts which were written showing US\$ and its equivalent Tshs. This anomaly has been noted and in future the acknowledgement receipts will be raised in US\$ only to minimize confusion.

### **Comment**

The management should strengthen control over these transactions and also observe the provisions of the law.

### **3.13.3 Accounting for Investments**

The Fund management invested a sum of Shs 2,787,814,850 in Treasury bills and Shs.2,847,713,920 in Fixed Deposits as detailed below. We noted that the Fund has no clear investment policy or portfolio rules defining types of investments the Fund can undertake, setting limits the Fund can tie its funds in each particular investment portfolio, spelling types of insurance cover required for different levels of investments and setting risk evaluation criteria and guidelines for managing various types of risks associated with these investments.

As a result we noted that the Fixed Deposits are not adequately covered against the following risks:-

- **Custodial credit risk**  
In the event of the banker going bankrupt, the Fund will not be able to recover the total deposits of shs. 2,847,713,920 since there is no collateral or insurance cover. Moreover, no credit relating in respect of the Banks/Financial Institutions were made before the fund had invested its moneys in those Financial Institutions.
- **Interest rate risk**  
Whereby changes in interest rates adversely affects the fair value of investments. We noted that the Fund management has not set out maturity limits for funds to be invested in a single financial institution.

- **Pooling of credit risk**

The risk of loss attributed to the magnitude of the funds invested in a single bank.

We also noted that the securities are not kept in safe custody and no certificates of deposits from the external holders of securities for reconciliation and acknowledgement purposes.

#### Treasury Bills

T/Bill No.	Amount invested Shs.	Maturity Date	Amount at maturity Shs.	Interest Revenue Shs.
04123	280,050,000	26/9/2004	297,007,500	16,957,500
04218	186,020,000	31/10/2004	197,903,300	11,883,000
04277	483,497,425	18/11/2004	513,360,113.75	29,862,688
575	451,000,000	01/12/2005	500,000,000	49,000,000
577	452,000,000	15/2/2005	500,000,000	48,000,000
578	451,750,000	22/12/2005	500,000,000	48,250,000
	<b><u>2,787,814,850</u></b>		<b><u>2,508,270,914</u></b>	<b><u>203,953,189</u></b>

#### Fixed Deposits

FDR No.	Amount invested Shs.	Maturity Date	Amount at maturity Shs.	Interest Revenue Shs
025986	424,995,671	22/10/2004	433,500,101	8,504,430
026039	176,740,122	1/12/2004	181,248,040	4,507,918
026040	70,831,018	1/12/2004	72,637,628	1,806,610
026041	73,753,724	1/12/2004	75,163,698	1,409,974
026042	185,151,462	1/12/2004	189,873,919	4,722,457
026043	204,608,775	1/12/2004	209,827,509	5,218,734
026044	60,182,557	1/12/2004	111,333,087	51,150,53
026045	63,291,001	1/12/2004	64,500,956	1,209,955
026169	209,972,460	3/2/2005	214,299,158	4,326,698
026262	166,566,320	1/4/2005	170,213,161	3,646,841
032219	205,092,746	9/7/2005	210,315,721	5,222,975
032302	270,364,058	28/8/2005	547,616,053	277,251,995
032303	123,974,995	31/8/2005	251,108,442	127,133,447
032304	74,148,945	31/8/2005	150,186,905	76,037,960
032305	104,539,964	31/8/2005	211,743,183	107,203,219
032375	433,500,102	25/10/2005	444,539,797	11,039,695
	<b><u>2,847,713,920</u></b>		<b><u>3,538,107,358</u></b>	<b><u>639,242,908</u></b>

#### Implication

Lack of proper and defined investment policy impairs control over the management and investment strategy and poses a high risk of losses.

#### Recommendation

The Management is advised to undertake the following:

- (i) Implement a clear and well defined investment policy which will identify all the risks and the ways to manage them,
- (ii) Ensure the securities are kept in safe custody,
- (iii) Obtain certificates of holding from external custodians,
- (iv) Provide an insurance cover for any risky security to ensure that the funds are not lost in case of bank failures,
- (v) Provide maturity limits of the investments to ensure that the Fund is well covered against interest rates volatility and
- (vi) Implement an investment portfolio adequately covered against risks.

#### **Management response**

TWPF Financial Regulations provide for various investments including Fixed Deposits and Treasury Bills. These investments are reliable and risk free because we invest through National Microfinance Bank (for fixed deposits) and Bank of Tanzania (for Treasury Bills) which are all Government Financial Institutions.

The management and control of the investments in both Fixed Deposit and Treasury bills is good and reliable. Current status of the investments including interest earned, dates to maturity and total investments can easily be obtained from the registers which is frequently being updated. Also all security documents from custodians are in place.

However, we concur with the auditor that we have to prepare an investment policy which will guide us through a wider scope of investments. In order to do this, we will have to engage a consultant who among other things, will advise us on risk assessment.

#### **(i) Custodial Credit Risk**

##### **Response**

TWPF Management has taken a proactive measure on this aspect by using all the funds of the matured fixed deposits to purchase Treasury Bills. As it can be seen from the register, the last fixed Deposit matured on 25/10/2005 and there was no renewal. The money was used to purchase Treasury bills. Comparatively, the interests for the Treasury bills are higher. Treasury Bills are purchased through the Bank of Tanzania, (BOT) which is a government institution and a regulator of all the Financial Institutions in the country, hence, risk free.

#### **(i) Pooling of credit risk, that is, the risk of loss attributed to the magnitude of the investment in a single bank.**

##### **Response**

Investments were done through two Financial Institutions: National Microfinance Bank (NMB) for fixed deposits. The investment in this Bank could not be said to be 100% risk free. Therefore, we stopped to go on

with such type of investment in late October, 2005 by not renewing the last matured fixed deposit.

Bank of Tanzania (BoT) for Treasury bills. The investment in this institution is risk free and accrue a very favorable high interest.

### **3.14 Mafia Island Marine Park Development and Conservation Project**

#### **3.14.1 Stale cheque not adjusted Shs. 3,052,668**

A review of the bank reconciliation statements carried out in November, 2005 revealed a stale cheque no. 0234703 in respect of one payment amounting to Shs. 3,052,668.58 paid in June 2004 but still appearing as unrepresented cheque. As a result closing cash book balance as at 30<sup>th</sup> June 2005 was understated by Shs. 3,052,668.

#### **Implication**

Management may lose sight of the payment and dishonour fresh claims from the creditor. Invalid transaction appearing in the books of account.

#### **Recommendation**

The Project management should adjust the accounting entries in the books of account.

#### **Management response**

We concur with the auditors' recommendation. The adjustment have now been effected in the books of account (cash book) in December 2005

#### **Comment**

The adjustment will be verified during next audit.

#### **3.14.2 Defects on Constructed building not rectified**

The Project management signed a contract No. 10003/2003/2004 with M/s. Canopies International (T) Ltd to construct a boat house, workshop and administration buildings at a contract price of Shs. 119,019,439.20. The contract amount was later revised to Shs. 134,747,606.40. An audit inspection of the buildings noted several wall cracks implying that the quality of the works was below standard. However, no efforts have been taken to quantify and rectify those defects

#### **Implication**

The expected value for money may not be achieved and there is a risk of further cracking of walls.

#### **Recommendation**

The defects should be quantified by the supervising engineer and the project management should require the contractor to rectify all defects before the defects liability period expires.

**Management response**

The cracks were duly reported to the Project Architect who in turn ordered the respective contractor to rectify the defects before the expiry of the liability period.

In addition, retention of 10% of the contract sum will be paid after the final inspection and certification by the Architect.

**Comment**

Verification will be carried out after rectification of the noted defects

**3.15 Natural Forestry Resources Management and Agroforestry Project****3.15.1 Funds paid but not acknowledged shs. 73,400,000**

An amount of Shs.73,400,000 was paid to various regional forest officers and to the Principal of the Beekeeping Management Institute to carter for various activities. During audit inspection we noted that the payment had not been acknowledged. In the absence of acknowledgement receipts it was not possible to confirm whether the funds were received by the intended payees. The following are details of the payments.

PV	Chq NO.	Amount Shs.	Payee	Remarks
118/7	035863	10,000,000	RFO - Mwanza	Acknowledgement receipt is missing
160/7	035880	42,200,000	The Principal Beekeeping MGT Institute - Tabora	Acknowledgement receipt is missing
167/7	035882	3,200,000	RFO - Mwanza	Acknowledgement receipt is missing
31/9	035934	8,000,000	RFO - Bukoba	Acknowledgement receipt is missing
80/10	035969	10,000,000	The Principal Beekeeping Mgt Institute Tabora	Acknowledgement receipt is missing
<b>Total</b>	<b>73,400,000</b>			

**Implication**

The payment control circle is incomplete, hence a risk of loss of funds without management detection.

**Recommendation**

The project management should obtain the missing acknowledgement receipts for verification.

**Management response**

The Project is making follow up of the acknowledgement receipts from the upcountry stations to which the funds were transferred to ensure that they are submitted in time.

### **Comment**

Verification will be made once receipts are submitted.

### **3.15.2 Expenditure for which the project did not obtain value Shs 1,149,000**

The Project management terminated two employment contracts of the then Hifadhi Ardhi Shinyanga (HASHI) employees without issuing termination notice. As a result Natural Forestry Resources Management and Agroforestry Centre (NAFRAC) was required to pay damages of Shs. 1,149,000; following judgement of labour case No. 1 of 2004 in favour of the claimants.

### **Implication**

The Project Management lacks expertise in contract management.

### **Recommendation**

In future the project management should seek appropriate advice from the Ministry's Legal officer before making decisions on matters related to staff welfare and contracts.

### **Management response**

Unfortunately we did not seek advice from the Ministry, and we concur with the auditors recommendation.

### **Comment**

Future contracts determination should be exercised with due care.

## **3.16 The Ruvu Fuel Wood Project**

### **3.16.1 Slow performance of contracted works**

The project management signed a contract No.CR/RBE/B.30/2002 on 30<sup>th</sup> July, 2002 with M/S. Tanzania Building Agency, for construction of a conference hall at Ruvu Farmers Centre at a contract sum of Shs.66,040,127 with a contract period of 2 years. An audit inspection carried in November, 2005 noted that the works had been suspended by the Contractor. The Level of implementation of the contracted works is estimated to be less than 50% where as amount spent amounted to Shs. 44,518,436 or 67.4%.

We further noted that the same contractor was awarded consultancy contract of supervising the former construction contract. In principal these are two independent roles which should have been separated to avoid conflict of interest. It is obvious that the contractor may not resume works and complete the outstanding works without surpassing the contract sum.

### **Implication**

The system of contracts award does not observe the requirements of procurement legislation of economy and efficiency. In addition, the intended objectives have not been met besides the failure to obtain value for money. Possible further incurrence of more cost through price escalations can not be ruled out.

### **Recommendation**

The project management should remedy the situation by involving the relevant contract clauses including surcharging liquidated damages for the contractor.

### **Management Response**

It is true that TBA had been slow in the performance of the contract. The project was not completed within the agreed period of two years.

Virtually, that anomaly was noted by Management which in turn raised great concern on the fault and through dialogue, remedial measures had already been taken. TBA had resumed construction by sub contracting its work to another contractor who is doing well.

However, despite the positive response by TBA, the Ministry is preparing to engage another contractor for the remaining uncontracted portion of the building.

### **Comment**

We are still waiting for the Ministry to take appropriate measures towards completion of the building as well as remedial measures in the award and execution of the contracts.

## **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to the Management of the Ministry during our exit meeting held on 27<sup>th</sup> December 2005. Management of the Ministry 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 relationship will be extended during future audits.

Dr. Frank Mosses Hiza Mhilo  
**Ag. CONTROLLER AND AUDITOR GENERAL**

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**Recurrent Activities partly or not implemented**

**Subvote 1003: Policy and Planning**

	<b>Planned Target/Activities</b>	<b>Remarks</b>
<b>Strategic Objective G: Improvement of quality of services</b>		
<b>1</b>	Client Service Charter guidelines formulated by June 2005	Funds for this activity reallocated to complete other activities
<b>2</b>	20 Division staff motivated in non monetary incentives	Funds for this activity reallocated to complete other activities
<b>Subvote 2001: Wildlife</b>		
<b>Strategic Objective D: Protection, development &amp; sustainable utilization of natural and cultural resources and other tourism products</b>		
<b>1</b>	Guidelines for all types of investments and development activities in Game Reserves and areas other than National Parks and NCA developed and operationalised	Funds for this activity reallocated to complete other activities
<b>Subvote 3001: Forestry and Beekeeping</b>		
<b>Strategic Objective B: Creation of an enabling environment for increased stakeholders participation in the management of natural &amp; cultural resources and tourism</b>		
<b>1</b>	Investment Opportunities in forest and bee resources in 9 regions promoted	Funds for this activity reallocated to complete other activities

## Annexure I B

### Projects Performance

<b>Project: Conservation of the Mnazi Bay Marine</b>		
<b>Segment code</b>	<b>Project Activity</b>	<b>Status/Remarks</b>
B03S03	To participate in planning, management and establishment of Park field centre	Not implemented. Funds for this activity reallocated to complete other activities
<b>Project: National college of Tourism</b>		
C02C04	To build the College of Tourism	Not implemented. No funds were released during the period
<b>Project: Capacity building for the Antiquities Department</b>		
D01S02	To restore some of the historical buildings and document AU liberation movements camps by 2006	Reallocation of local funds were done to facilitate other activities
<b>Rehabilitation and promotion of Kilwa</b>		
C02So1	To maintain sufficient levels of utilities, communication and information, office supplies and equipment for efficient running of research project operations	Not implemented. Funds released was not sufficient enough to carry out the activity
<b>Project: Wetland Management an sustainable development</b>		
B03S01	To establish and implement a sustainable management framework for Kilombero valley wetland by 2006	Not implemented. Funds available were use to account for goods an services received
B03S04	To develop and implement plan for Rufiji Delta	Not implemented.
<b>Project: Management of Malagarasi Muyovozi</b>		
B02S02	To support and monitor establish of 16 pilot WMA within the 40 districts for 192 field days	Not implemented. Funds available were use to account for goods an services receive in the project
B02S07	To facilitate training of 160 Accounts staff on WMA regulations	Not implemented.
B03S01	To undertake inventory of	Not implemented.

	wetlands country wide	
Co2C01	To carry out regular maintenance of buildings, office, vehicles and plant	Not implemented.
A04S04	To support wildlife protection and management activities in Moyowosi Kigosi game reserves	Not implemented.
D05S03	To facilitate procurement of goods and services in 16 game reserves for 600 person days.	Not implemented.
<b>Project: Community Wildlife Management.</b>		
B02S02	To support establishment of WMA and review of Wildlife Conservation Act 2005	Funds available were used to account for the goods and services received in the project.
B02S03	To support preparation of land use plan to communities established a WMA	Not implemented.
B02S07	To train staff on WMA regulations	Not implemented.
<b>Project : Support To Forestry (National Programme)</b>		
<b>Segment 2 code</b>	<b>Project Activities</b>	<b>REMARKS</b>
B01S01	Support eco tourism in East Usambara	Not implemented
B01S01	Support Farm Forestry	Not implemented
B01S02	Support administrative and monitoring activities	Not implemented
C01S01	Initiation of institutional capacity building	Not implemented
<b>Project : Wetlands Management And Sustainable Development</b>		
<b>Segment 2 Code</b>	<b>Project Activities</b>	<b>Physical Implementation</b>
B03S01	To establish and Implement a Sustainable management framework for Kilombero Valley Wetland by June 2006	Not implemented Funds available were used to account for the goods and services received in the project
B03S04	To develop and implement intergated management plan for Rufiji Delta	Not implemented