CAG Report 2024/25 Tanzania: Contract Management Lessons for Projects

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Key Takeaways

The CAG report 2024/25 on development projects in Tanzania found that most project money is accounted for, but that contract management after award remains the weakest link: changes paid without approval, securities allowed to lapse, certificates paid late and works started before approvals. These are fixable systems issues, and project teams can address most of them with clear approval maps, live registers and a tighter payment workflow before the next audit cycle.

- Unapproved changes are the largest exposure - variations and addenda worth TZS 66.08 billion and USD 2.28 million were approved and paid without the required authorisation.
- Late payment has a direct cost - contractor claims of TZS 81.79 billion were settled late and interest on late payments reached TZS 8.23 billion.
- Securities need active tracking - TZS 11.35 billion was paid while performance securities were absent or expired, and TZS 2.2 billion of advances lacked valid guarantees.
- TACTIC shows the local government angle - works of TZS 30.12 billion started before tender board approval and two councils executed TZS 7.12 billion of additional works without PO-RALG approval.
- Follow-up is the long-term test - only 36.7% of 38,181 earlier CAG recommendations had been fully implemented across all audits.

Introduction

Each year the Controller and Auditor General (CAG) of Tanzania publishes a general report on the audit of development projects. The CAG report 2024/25, submitted to the President on 30 March 2026 and tabled in Parliament on 10 April 2026, covers projects financed by development partners and by the Government. Its message for implementing agencies is consistent with earlier years: financial statements are generally sound, yet value is lost in the way works and consultancy contracts are run after signature.

This article summarises the contract management findings, looks at the Tanzania Cities Transforming Infrastructure and Competitiveness (TACTIC) project as a worked example, connects the audit to the Public Procurement Regulatory Authority's (PPRA) latest performance report and the National e-Procurement System of Tanzania (NeST), and sets out practical steps project teams can take now. The findings are treated as evidence about systems, not about individuals.

What the CAG Report 2024/25 Found on Development Projects

The report covers financial audits of 331 development projects, all of which received unqualified opinions. That is a real achievement in financial reporting. The picture changes when the auditors look at compliance. Of 320 projects assessed for procurement compliance, 213 generally complied and 107, about 34%, complied only with exceptions. Of 319 entities assessed for budget compliance, 54 complied with exceptions.

Across the National Audit Office's wider set of 2024/25 reports, the CAG also drew attention to weak contract management in energy, roads and sports facilities, with delays, cost increases and quality problems linked to supervision and contract administration. In other words, the issue is not whether money is recorded correctly but whether each payment was due, authorised and protected.

Variations and Change Control: The Largest Exposure

Two findings deal with changes to contracts. First, variations and addenda worth TZS 66.08 billion and USD 2.28 million, across four projects, were approved and paid without the required authorisation, and some lacked the development partner's no-objection. Second, additional costs, variations and overpayments amounted to TZS 5.93 billion and USD 1.52 million, including TZS 1.57 billion overpaid on a road lot that the auditors asked to be recovered.

Unapproved variations usually start with a genuine site problem: a design gap, a quantity error in the bill of quantities or a request from a local authority. The contractor is instructed to proceed so that work does not stop, and the paperwork follows later, sometimes after payment. The audit risk comes from the order of events, not only from the change itself.

What good change control looks like

- A written request that states the reason, the contract clause and the estimated cost and time effect
- Confirmation of budget and of the approving authority before any instruction
- Development partner no-objection where the financing agreement requires prior review
- Valuation from contract rates first, then fair valuation with evidence
- A variation register showing cumulative changes against the original contract price

Performance Securities and Advance Payment Guarantees

Securities protect the employer if a contractor fails. The CAG found that TZS 11.35 billion was paid to contractors while their performance securities were absent or had expired, out of contracts where securities totalling about TZS 17.06 billion were affected. Advance payments of TZS 2.2 billion were made without securing or renewing guarantees, and TZS 751.24 million of advances remained unrecovered.

The usual cause is a lack of tracking. Securities are filed at signature, but contracts are extended and nobody checks whether the guarantee still covers the new completion date. A simple register with expiry dates, linked to the payment approval step, would stop most of these cases. No interim certificate should be approved while the contractor's security is invalid.

Interim Payments, Late Settlement and Interest

Delays in paying contractors create a cost that appears nowhere in the project budget. The CAG found that claims of TZS 81.79 billion and USD 107,315 were settled late, with delays ranging from 5 to 1,161 days beyond the 56-day period set in the general conditions of contract. Interest on late payments totalled TZS 8.23 billion: about TZS 6.69 billion on airport projects, led by Mwanza at TZS 3.52 billion, and about TZS 1.54 billion on three road projects.

Late payment rarely has a single cause. Certificates wait for measurement checks, then for the project team, then for finance, then for funds. PPRA has linked part of the problem to procurement starting without a secured budget line. Its response through NeST is that no institution can start a procurement unless the approved budget line is secured in the system at the outset. For project teams, the practical step is to measure how long each approval stage

takes and to plan cash so that certified amounts can be paid on time.

Works Before Approval: The TACTIC Example

TACTIC (P171189) is a World Bank-financed project with a US$278 million credit and a closing date of 30 June 2028, coordinated by the President's Office, Regional Administration and Local Government (PO-RALG) with participating urban councils. It finances urban infrastructure in many towns, which means many contract teams working under one set of rules.

The CAG report 2024/25 records several TACTIC findings. Works worth TZS 30.12 billion under one contract started before tender board approval. In Arusha, Geita, Mbeya and Dodoma, cost escalation of TZS 10.98 billion was linked to inadequate feasibility studies, design deficiencies and errors in bills of quantities. Kigoma Ujiji Municipal Council and Mbeya City Council executed additional works worth TZS 7.12 billion without PO-RALG approval and without committed funds. Due diligence on contractor capacity was not carried out in the eight councils audited, contributing to cash-flow problems and delays.

The World Bank's November 2024 implementation support mission had flagged related risks. Tier 1 Package 1 works, worth US$105 million, were 30-70% complete against 75% of elapsed time, and four contracts in Kahama, Morogoro, Kigoma and Dodoma, each worth about US$9.9 million, needed extensions to 15 December 2025. Design reviews found completeness and quality problems that would require variations. Payment delays affected several councils with a risk of penalty interest, and a US$3.2 million advance in Geita was under verification. At the same time, the mission rated the project Satisfactory overall and planned contract management training for project teams, which shows that the issues are recognised and being worked on.

PPRA Findings and the NeST E-Contract Management Module

PPRA's 2024/25 performance and value-for-money report, presented on 30 March 2026, put compliance at 79% across 943 audited entities, up from 76% the year before. It also reported TZS 12.6 billion paid for unexecuted work on 39 contracts, contracts worth TZS 101.3 billion awarded without budget approval, and 8% of assessed contracts failing to deliver expected results. The President directed PPRA to name poor performers in its next report.

NeST, introduced under the 2023 procurement law, now has six modules: e-registration, e-tendering, e-complaints, e-auction, e-payment and e-contract management. The Open Contracting Partnership reports that the e-contract module was added in December 2024 and that about 62,000 procuring entities are registered. PPRA says NeST is now integrated with 21 government systems, with more links under way.

For contract managers, the module is a chance to keep contract events, certificates and changes in one record that auditors and managers can see. It will only reduce findings if teams enter approvals at the time they happen and use the record to check validity before each payment.

Practical Fixes for Project Teams

The table links each recurring CAG finding to a control that a project team can introduce within one quarter.

Beyond the table, three habits make a difference. First, hold a short monthly contract review in which engineering, procurement and finance look at the same register. Second, check contractor capacity at award and again at mobilisation, using bank statements, equipment lists and key staff. Third, prepare the audit file as the contract runs, not at the end.

Closing the Loop on Audit Recommendations

The CAG reported that only 36.7% of 38,181 recommendations from earlier years had been fully implemented across all audits, with some outstanding for many years. For development projects alone, 746 of 1,688 earlier recommendations, or 44%, had been implemented and a further 30% were under implementation.

A recommendation stays open when it has no owner, no date and no evidence of closure. Teams that turn each finding into a dated action, assign it to a named role and keep the proof in the contract file are far more likely to see it closed at the next visit. Linking the action plan to the procurement plan and the NeST record helps keep it visible.

Critical Questions Government and Project Leaders Should Be Asking

Do we know every variation that has been instructed but not yet approved?

If the answer depends on asking site engineers, the register is not working. A single variation register, reviewed monthly, should show every pending change and its approval status.

Which performance securities and advance guarantees expire in the next 90 days?

This should be a two-minute question. If it takes longer, set up a securities register with expiry alerts and link it to the payment approval step.

How long does an interim certificate take from submission to payment?

Measure each step. If the total exceeds the contractual period, interest is likely, and the delay point can usually be fixed with clearer delegation or better cash planning.

Can any site start work before all approvals are in place?

If it can, introduce a mobilisation checklist that requires tender board approval, signed contract and valid securities before site handover.

Are we using NeST's e-contract management module as our main contract record?

A parallel paper file invites gaps. Agree which records go into NeST, who enters them and when.

Who owns each open audit recommendation, and by when will it close?

Every recommendation needs a named role, a date and the evidence that will prove closure to the auditor.

How Risalat Can Help

Risalat Consultants International works with ministries, agencies and project teams to strengthen contract administration. Our Contract Management for Donor-Funded Works Training in Dubai uses the patterns described above as case material and gives teams ready-to-use registers and trackers. Before deciding where to start, teams can take the free project health check to see where contract delivery is most at risk.

Frequently Asked Questions

What did the CAG report 2024/25 find on development projects?

All 331 projects audited received unqualified financial opinions, but 107 of 320 complied with procurement rules only with exceptions, with weaknesses in variations, securities and payment times.

How much interest did late payments cost?

The CAG reported TZS 8.23 billion of interest on late payments, about TZS 6.69 billion of it on airport projects.

What did the CAG find on the TACTIC project?

Works of TZS 30.12 billion started before tender board approval, cost escalation of TZS 10.98 billion in four councils, and TZS 7.12 billion of additional works without PO-RALG approval.

What is the NeST e-contract management module?

It is one of six NeST modules, added in December 2024, that lets procuring entities manage contract records within the national e-procurement system.

Sources

- CAG Annual General Report on the Audit of Development Projects FY2024/25 (NAOT)
- TACTIC (P171189) implementation support mission aide-memoire, November 2024 (World Bank)
- CAG reports 99% clean audit opinions (Diramakini, April 2026)
- Tanzania boosts procurement compliance to 79% (The Chanzo, March 2026)
- NeST to tackle payment delays for tenderers (PPRA, February 2026)
- President commends PPRA: NeST saves over TZS 13.5 billion (PPRA, March 2026)
- Transforming Africa's procurement: a case study from Tanzania (Open Contracting Partnership, March 2026)
- New financing to improve public finance management and procurement systems (World Bank, March 2024)

Related Risalat programmes

- Contract Management for Donor-Funded Works Training in Dubai, Dubai (25 Jan 2027)
- Procurement, Contract Management & Effective Negotiation Training, Sofia (1 Feb 2027)
- Effective Contract Management Training in Manama, Manama (8 Feb 2027)
- Training on Quality Assurance in Donor-Funded Development Projects, Belgrade (1 Feb 2027)

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