

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF THE PRESIDENT'S OFFICE
STATE HOUSE (VOTE 20)**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

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January, 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.

Vision

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

Mission

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

Therefore, our Core Values are

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

We do this by.....

contributing to better stewardship of public funds ensuring that ministries, departments, agencies, and public authorities are accountable for the resources entrusted to them;
helping to improve the quality of public services by supporting innovation on the use of Public;
providing technical advice to our clients on operational gaps in their operating systems;
Systematically involve our clients in the audit process and audit circles;
and
Providing audit staff with adequate working tools and facilities that promote independence;

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Financial Statements, Accounting Policies and Notes to the financial statements

Abbreviations

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

- Responsibility for the Financial statement
- Consolidated cash flow statement
- Statement of losses
- Statement of commitment outstanding
- Statement of Vote A/C Development

These Financial Statements, notes and schedules are attached as annexure No. 1 to this report

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

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

G.N - Government Notice

INTOSAI - International Organization of Supreme Audit Institutions

ISA - International Standards on Auditing

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

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

1.2 Brief History of the Client establishment

The Office of the President- State House was established under government Notice No. 467 Published on 1st December, 2000 within a special supplement, No.4. The instrument noted under this supplement provides a list of responsibilities for the President's Office.

In general these are:-

- **Overseeing Cabinet Affairs**
- **Good Governance matters** - Such as prevention of corruption, monitoring Public leader's ethics and abuse of power, accountability and transparency, coordinating state organs for prevention of corruption and ethics, strengthening of legal regime and inter - facing the government and the civil society.
- Focus on laying down a strong foundation for the country in key areas, including industry, education, health, agriculture, and foreign affairs, which involved the formulation of different Policies.

1.3 Operational Objectives

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

- To promote effective and efficient government decision making at Cabinet level
- To provide quality advise to the President and the Cabinet on Policy matters
- To more effectively monitor and evaluate the implementation of cabinet decisions and Presidential directives.

- To promote good governance.
- To recruit and retain outstanding staff.
- To ensure a conducive working environment and improve State House organizational capacity.
- To maintain State House and State Lodges infrastructure.
- To improve service and reduce HIV/AIDS infection.

These objectives are measurable, meaningful, and focused on major responsibilities.

1.4 Financing

The office of the President - State House is financed entirely by the Government of Tanzania and was allocated Ths. 4,510,392,200 as recurrent expenditure for Vote 20 for the year 2004/05.

1.5 Management Structure

The Office of the President - State House is headed by the Chief Secretary who is also the Head of the Public Service and Secretary to the Cabinet. The Permanent Secretary is the Accounting Officer.

1.6 Internal Control System

Following our previous recommendations; the state house Management has instituted a sound internal control system and has established an audit committee to ensure that the system is operating efficiently.

1.7 Audit Mandate

By virtue of the provision of Article 143 of the constitution of the United Republic of Tanzania, and Section 30(1) and 37(1) of the Public Finance Act No. 6 of 2001, the Controller and Auditor General is the appointed auditor of all government entities, including the Office of the President - State House.

1.8 Audit Objectives

The main objectives of conducting the audit is to enable me to express a professional opinion on the financial statements of the President's Office -State House for the period ended 30th June, 2005 and in particulars:-

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the

books of account, to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Act.

- To determine whether funds have been collected properly and used exclusively to meet eligible expenses as per approved budget and regulations governing government expenditure.
- To ascertain whether relevant supporting documents, records and accounts have been kept in respect of the Office of President - State House activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the government Public Procurement Act of 2004.
- To perform compliance tests to determine whether the management complied in all material respects with the Act and Internal Control procedures.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring activities and that the assets of the office are adequately safeguarded against losses from an authorized use or disposition.
- To determine whether the management of the President's Office - State House has taken adequate corrective action on the previous years audit recommendations.

1.9 Audit Scope

The audit of the President's Office - State House for the year ended 30th June, 2005 was carried out in accordance with ISA. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the President's Office - State House, 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. 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 required to search specifically for fraud, therefore, our audit cannot be relied upon to disclose all such matters. However, our audit was planned such that we would have a reasonable expectation of detecting materials misstatements in the financial statements, including those resulting from fraud or irregularities. The responsibility of detection and prevention of fraud and irregularities rests with the President's Office

State House management who are responsible for setting up and maintaining an effective system of internal control.

1.10 Audit Methodology

In auditing the financial statements together with the related records the following steps were followed:-

- Review of legal documents
- Examination of receipts and disbursements and payment records.
- A review of the internal control structure
- Review of financial statements and progress reports
- Compliance tests
- Interviews and discussions
- Site visits

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 comprise 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,
President's Office -State House
Accounting Officer of Vote 20.**

Re: Audit Report on the Financial Statements of the State House for the year ended 30th June, 2005.

I have audited the financial statements of The State House for the year ended 30th June, 2005.

Responsibilities of the Accounting Officer

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

In addition, Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the State House.

Responsibilities of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures adopted by the State House based on the audit. According to section 30 of the Act my specific responsibilities are to examine, inquire into, audit and report on the accounts of the State House.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with generally accepted accounting practice; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, that the laws, directions and instructions applicable thereto have been duly observed, that all expenditures of public money has been properly authorized; and to satisfy myself whether the funds appropriated to the State House were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency.

Basis of Opinion

The audit was conducted in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. Those standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of The State House 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 State House have been prepared based on the generally accepted accounting standards and that they fairly reflect, in all material respects, the true and fair view of the results of its operations and cash-flows for the year ended on 30th 2005, and the financial position as at that date.

Further to my opinion, the procurement of motor vehicles, specialized instruments, computers, printers, scanners, furnitures, and kitchen utensils was generally done in accordance with the Public Procurement Act No. 21 of 2004.

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

National Audit Office,
Dar es Salaam

January, 2006

3. AUDIT FINDINGS AND RECOMMENDATION'S

3.1 Status of the Previous Year's Audit Recommendations

No matters were raised in the previous year management letter.

3.2 Current Year's Findings

Internal control measures instituted by the State House management were adequate as such all the audit queries raised during the audit were timely replied and cleared.

3.2.1 Statement of Vote Account - Consolidated Fund Services

The year's outturn on the recurrent vote account was Shs.4,505,270,118 against net approved estimate of shs.4,510,392,200. Actual amount received during and in respect of the current financial year amounted to Shs.4,510,392,200 resulting to unspent balance of issues of Shs. 5,122,081 with the Paymaster General's Account.

4. ACKNOWLEDGEMENT

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

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

National Audit Office
Dar es Salaam
January, 2006