

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE PUBLIC DEBT AND
GENERAL SERVICES AND NATIONAL ACCOUNTS
VOTE 22**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

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February, 2006

Office of the Controller and Auditor General

The National Audit Office,
United Republic of Tanzania

(Established under Article 143 of the Constitution of the URT).

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

Our Vision

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

Our Mission

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

Therefore, our Core Values are

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

We do this by.....

- contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of public resources;
- providing technical advice to our clients on operational gaps in their operating systems;
- systematically involve our clients in the audit process and audit cycles; and
- providing audit staff with adequate working tools and facilities that promote independence.

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Definition of terms and Abbreviations:

Financial Statements means the following statements, notes and supporting schedules of the Public Debt and General Services and National Accounts for the year ended 30th June 2005.

- Responsibility for the Financial statement
- Statement of vote Account - Recurrent
- Statement of vote Account - Development
- Cash flow statement for Recurrent Account
- Cash flow statement for Development Account
- Cash flow statement for Deposit Account
- Statement of Composition of Fund
- Summary Recurrent Statement of Revenue - Ministries
- Summary Recurrent Statement of Revenue - Regions
- Development Revenue
- Summary Recurrent Appropriation Account - Ministries
- Summary Recurrent Appropriation Account - Regions
- Summary Statement of Appropriation Account Development Account
- Consolidated Statement of Assets and Liabilities
- Summary Statement of Losses of Public Money and Stores
- Summary Statement of Arrears of Revenue
- Summary Statement of Commitments outstanding
- Summary Statement of Public Debt outstanding
- Statement of Amount of Loan Outstanding by the Government
- Statement of Government Investment
- Statement of Guarantee Issued for Liabilities of Various Parastatals

These Financial Statements 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
BOT	Bank of Tanzania
CFS	Consolidated Fund Services
EAC	East Africa Community
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
IFMS	Integrated Financial Management System
MDA	Ministry Department and Agency
MIS	Management Information System
PFR	Public Finance Regulations
PMG	Paymaster General
PORALG	President's Office Regional Administration and Local Government

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have completed the audit of the Financial Statements of the Public Debt and General Services and National Accounts for the year ended 30th June, 2005. Audit findings arising from examination of accounting records, appraisal of the internal control system which requires management attention and action are set out under part 3 of this report.

1.2 Brief history of client establishment

The Public Debt and General Services (Vote 22) was established for overall debt management in Tanzania in accordance with Loans, Grants and Guarantee Act No. 30 of 1974 which was revised in 2003.

1.3 Operational Objectives and the Role of the Accountant General

1.3.1 Operational Objectives

Operational objectives of the Department include the following:

- To maintain a steady Gross Domestic Product growth
- To promote best practices & stakeholder participation in public financial management
- To improve the delivery of retirement benefit to the government employees
- To enhance efficiency and accountability in resource mobilization, allocation and utilization
- To improve Control and Management of government assets and liabilities
- To improve procurement procedures of goods, works and services for the government
- To develop human resource capacity and promote MIS for improved Public Services delivery
- To develop human resource capacity and promote MIS for improved Public Services delivery.
- To create conducive working environment for efficient and effective delivery of supporting services

1.3.2 The roles of Accountant General

The role of the Accountant General's office is to maintain, manage and monitor government expenditure and liquidity including reporting on Government finances (consolidation of national accounts). In fulfilling this objective the Accountant General's offices is responsible for:

- Servicing and keeping records for all the Government liabilities such as contractual obligations including Public Debt.
- Manage the Government Procurement, Expenditure control, and commitment control and payment system.
- Facilitating the management of Government cash position and bank accounts.
- Issuing funds to all MDAs in the form of Exchequer issues.
- Facilitating the monitoring of the Recurrent and Development budgets through provision of monthly, quarterly and annually consolidation of financial statements.
- Facilitating and strengthening the accountability of the Executive to the Parliament through preparation and submission of the consolidated financial reports.
- Provision of information to internal and external users to facilitate analysis, forecasting and other user needs.
- Supporting the implementation and maintenance of the integrated Financial Management System (IFMS)
- Overseeing the Government accounting activities in order to ensure that they are in compliance with international best practices.

1.4 Financing

The Public Debt and General Services gets its finances from the resources available within the Government Budget allocation through the Exchequer Issue System. The net approved estimates for the year 2004/05 was Shs.377,784,533,500 however actual exchequer issues received totaled Shs.337,082,662,100.

1.5 Public Debt Management

Management of the Public Debt Department is provided in part vi of the Loans Grants and Guarantee Act No. 30 of 1974 under sections 16 to 20.

National Debt Management Committee

There is a National Debt Management Committee which was established under section 16 of the Loans, Grants and Guarantee Act No. 30 of 1974. The functions of this committee have been listed under section 17 of this Act which are:-

- to advise the Minister on matters relating to external and domestic borrowing, issuing of government guarantees and acceptance of grants on behalf of Government;
- to monitor the implementation of the Annual Debt Strategy and borrowing plan approved by the Government for the ensuing quarter;
- to advise on the formulation of an Annual Debt Strategy and borrowing plan;

- to monitor, co-ordinate and direct the activities of all government departments and institutions involved in the management of debt, grants and guarantees; and
 - to advise on the measures to be taken against any person for non-compliance of the provisions in the Act.
- **Technical Debt Management Committee**
In addition, there is a Technical Debt management Committee which was established under section 19(1) of the Loans, Grants and Guarantee Act No. 30 of 1974.
The Technical Committee established under sub section(1) have the duty to provide advise to the National Committee in respect of functions outlined in section 17 of the Loans, Grants, and Guarantee Act. The members of the Technical committee are the heads of units involved in debt management from the respective institutions as specified under section 18 of the same Act.

1.6 Internal Control System

- **Internal Audit and Audit Committee**

The Accountant General's Department has an Internal Audit Section, with four staff, headed by Chief Internal Auditor. The Department has also established Audit Committee which comprises of seven members who are appointed by the Accounting Officer. Other members of the committee include invitees from External Audit, Chief Internal Auditor, Officer in charge to the Procurement Management Unit and any head of section who has outstanding query(ies) which is the subject for deliberation.

- **Ministerial Tender Board**

The Ministry of Finance has established a Ministerial Tender Board which deals with procurement of works, goods and services for the Ministry including the Accountant General's Department needs. The Tender Board comprises of six members who are heads of departments and one member from the Accountant General's Department. The chair person to the Board is appointed from among the committee members of a particular meeting, whereby the Officer in charge to the Procurement Management Unit is the Secretary to this Board.

- **Accounting System**

The Accountant General Department operates a Government Accounting System based on Central Payment Office in Dar es Salaam and various Sub-Treasuries in 21 mainland regions using Integrated Financial Management System and Platinum accounting package. The Department also complies with the Provisions of the Public Finance Act No.6 of 2001 and Public Procurement Act No. 21 of 2004.

1.7 Financial Performance

Supply Vote

The supply vote closed with a net expenditure of Shs.329,325,674,633 for the year 2004/2005 against the approved estimates of Shs.377,784,533,500 resulting in an apparent saving of Shs.48,458,854,867. However, exchequer issues received during the year amounted to Shs.337,082,662,100 as against actual expenditure of Shs.329,325,674,633 resulting in a favorable cash balance of Shs.7,756,987,466 with the Paymaster General's Account.

1.8 Statutory Auditor

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 revenue and expenditure including the Accountant General's Department.

1.9 Audit Objectives

The main objective of conducting the audit is to enable the Controller and Auditor General to express a professional opinion on the financial statements of the Public Debt and General Services and National accounts for the period ended 30th June, 2005 and in particular:

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of the account to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Public Finance Act No.6 of 2001 as amended in 2004.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and regulations governing the Government expenditure.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Public Debt and General Services financial activities.
- To perform compliance tests to determine whether the Departmental management has complied in all material respects with the Public Finance Act No.6 of 2001 and Procurement Act No.21 of 2004.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management, for implementing and monitoring activities and that the assets of the Public Debt and General Services are adequately safeguarded against losses from unauthorized use or disposition.

- To determine whether the management of the Public Debt and General Services has taken adequate corrective action on the previous years' audit recommendations.

1.10 Audit Scope

The audit of the Public Debt and General Services financial statements and National Accounts for the period ended 30th June 2005 was carried out in accordance with 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 Public Debt and General Services, examination and verification of the accounting, financial statements of the vote, and appropriation account and other auditing procedures as was considered necessary under the circumstances for the purposes of forming an opinion on the financial statements. The audit was carried out on 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 in such away that we would have a reasonable expectation of detecting material misstatement including those resulting from fraud or irregularities. The responsibility for detecting and prevention of fraud and irregularities rests with the Accountant General's Department management who are responsible for setting up and maintaining an adequate system of internal control.

1.11 Audit methodology

Our audit included substantive tests of the accounting records, verification of the balances reported by the Public Debts and General Services and other procedures in order to satisfy the objective of the audit. Our audit procedures included the following:

- Carrying out substantive verification of the balances reported by the Public Debt and General Services in order to obtain reasonable assurance regarding the amounts and disclosure included in the financial statements.
- Review the internal control system in place and testing whether it is in compliance with the financial legislation.
- Examination of payment vouchers with their related supporting documents.
- Planning the audit to obtain an adequate understanding of the Public Debts and General Services, its activities and operations and obtaining an assessment of the major risk areas.
- Comparing budgets against actual revenue or expenditure and investigate the variance.

- Obtaining bank reconciliation statements for the Accounts and note any exceptions regarding reconciling items.
- Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit exercise respectively.
- Appraisal of previous audit recommendations to determine whether the management has taken adequate corrective action.

1.12 Presentation of audit findings

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation. The audit findings are divided into two parts.

The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

**To: Accountant General and Accounting Officer of Vote 22
The Treasury.**

**Re: Audit Report on the Financial Statements of the Public Debt
and General Services for the year ended 30th June, 2005.**

I have audited the financial statements of the Public Debt and General Services shown as annexure I 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 statement based on the 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 entity.

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 Public Dept and General Services 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 Public Debt and General Services.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with generally accepted accounting practice; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the laws, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorized; and to satisfy myself whether the funds appropriated to the Public Debt and General Services 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 Public Debt and General Services 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 recognized when they are received and cash payments are recognized when they are paid.

Qualification

In my opinion, except for the matters specified below, the financial statements of the Public Debt and General Services (Vote 22) comply with the generally accepted accounting practice; and that they fairly reflect, in all material respect, the result of its operations and cash-flow for the year ended on 30th 2005, and the financial position as at that date.

Limitation of scope of Audit and Non compliance with the law:

- (1) Audit findings relating to financial year 2002/2003 audit report involving an amount of Shs.9,082,458,102 have not been finalized.
- (2) There are large amounts of uncleared items in the bank reconciliation statement.
- (3) Payments totalling Shs.29,386,850,335 to various Institutions were not supported with acknowledgement receipts.
- (4) The amount of arrears of revenue of Shs.193,307,583 in the summary statement of arrears of revenue outstanding in respect of previous years was less by Shs.12,822,641,905 as compared with the amount of shs.13,015,949,489 which was outstanding as at 30th June 2004.

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

Office of the Controller and Auditor General
National Audit Office
Dar es Salaam

February 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow up on our Previous Audit Reports

In the previous audit report for the year 2003/2004, 14 audit recommendations were issued out of which 5 were satisfactorily implemented while 9 were either partly or not implemented. The position of the outstanding audit findings including those of the year 2002/2003 is as shown below:

2002/2003 Report

Para	Details	Audit Comment
48.4	Un-refunded debts of Shs.1,578,084,594 in respect of the Commodity Import Support Fund Account by BOT	Refund not made and the matter is still not resolved
41.2	Revenue not transferred to Exchequer Account Shs.7,504,373,508	Transfer particulars not submitted

2003/2004 Report

3.1.	Audit Queries	20 audit queries are still outstanding
4.2	Exchequer Releases in Excess of the Approved Estimates: Recurrent Shs.12,769,665,496 Development Shs.18,670,087,342 Total Shs.31,439,752,838	Confirmation on regularization of the over issue by the National Assembly not provided
4.3 & 5	Un-reconciled differences: Actual Expenditure Shs.8,071,693.13 Deposit Account Shs.1,670,236,931.61	Reconciliation details not submitted.
6.0 & 11.1	Un-cleared Bank Reconciliation items CFS Account No.18:13 and Consolidated bank reconciliation Statements (Recurrent, Development and Deposit) as at 31 st Dec. 2004.	Still outstanding (some of which were outstanding since 2000/2001)
13	Overdue loans Shs.396,990,293,749.39	Recovery particulars not provided
14	Outstanding arrears of Revenue Shs.13,015,949,488.93	Collection details not provided
15	Un-paid commitments to foreign organizations Shs.323,278,873,167	Settlement details not provided.

3.2 Current Audit findings

3.2.1 Audit Queries and Management Audit Letters

A test check of the accounts and the related records for the year resulted in the issue of 5 queries and one management letter. At the time of writing this report (January 2006) no replies have been received from the management. In addition 20 queries relating to previous years are still outstanding as shown below:

Year	Outstanding as per previous report	Outstanding as per this report	Clearance %
1999/2000	1	1	0
2000/2001	2	2	0
2001/2002	7	5	29
2002/2003	8	7	13
2003/2004	<u>10</u>	<u>5</u>	<u>50</u>
	<u>28</u>	<u>20</u>	<u>29</u>

3.2.2 Statement of miscellaneous Deposit Account

Out-Turn

Audit examination of statement of receipts and payments of Miscellaneous Deposit Account noted that total receipts during the year including last year's balance of Shs.13,599,021,163, was Shs.41,172,995,185. However, a total amount of Shs.40,479,578,705 was used during the year leaving a balance of Shs.693,416,480, which represent a cash book balance as at 30th June 2005.

It was noted that, the statement of Miscellaneous Deposit Account for the year ended 30th June 2005 reflected the value of unpaid deposits of Shs.671,105,769 resulting in an unreconciled difference of Shs.22,310,711 as follows:

(i) Deposit cash book balance as at 30 th June, 2005		693,416,480
(ii) Less: Value of unpaid deposits:		
226930D01001 stale cheques	54,157,571.76	
226930D01002 stale drafts	6,222,726.95	
226930D01004 EAC Terminal benefits	<u>610,725,470.45</u>	<u>671,105,769.16</u>
Difference		<u>22,310,710.84</u>

The difference was not yet reconciled as at the time of writing this report, February 2006.

Implication of finding

It seems that some deposit transactions have not been posted in the deposit accounts.

Audit Recommendation

The management should reconcile the difference and adjust the accounts accordingly.

3.2.3 East Africa Community Terminal benefits balance in Deposit Account Shs.610,725,470

The Statement of Miscellaneous Deposit Account for the year ended 30th June 2005 disclosed a balance of Shs.610,725,470.45 being terminal benefits payable to EAC ex-servants.

However, as the Government is currently paying terminal benefits to staff of the defunct EAC there is no need to continue keeping the money in the deposit account.

Implication of finding

Since the purpose for which the money was deposited is being fulfilled, funds will remain in the deposit account without no particular purpose.

Recommendation

The amount should be transferred to the Exchequer Account to pay for other commitments.

3.2.4 Recurrent cash flow statement

Audit examination of Recurrent Account cash flow statement for the year ended 30th June 2005 noted that the amount of approved estimates was shown as Shs.382,341,865,200 instead of the correct figure of Shs.377,784,533,500. This wrong amount reflected in the recurrent cash flow statement affected also the consolidated cash flow statement for Recurrent and Deposit Accounts.

Implication of finding

Measurement of financial performance of the Department could be distorted as a result of reporting incorrect amount of estimates.

Recommendation

Management should adjust the cash flow statement to reflect the correct amount of estimates.

3.2.5 Statement of losses

The statement of losses for the year ended 30th June 2005 reported losses amounting to Shs.15,922,828 occurred between 1996 and 1999

and all events were reported to relevant authorities but no actions have been taken to write off the losses from the books of accounts.

Implication of finding

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

Recommendation

Appropriate action should be taken to finalize all outstanding losses.

3.2.6 Un-cleared items in bank reconciliation statement

Audit review of the Bank Reconciliation Statement of the Consolidated Fund Services (CFS) Account No.18:13 disclosed the following un-cleared items as at 30th June 2005.

(i)	Receipts in bank not in cash book	35,954,704,542.91
(ii)	Un-presented cheques	30,264,234,646.97
(iii)	Payments in cash book not in bank	40,138,710.90
(iv)	Payments in Bank Statement not in cash book	112,171,313,510.50
(v)	Receipts in cash book not in bank	178,626,544.05

However, the current position of the above figures cannot be established in the absence of the revised bank reconciliation statement as at 31st December 2005. In addition, some of the reported transactions relate to financial years 2000/2001.

Implication of finding

It appears that there is no effective mechanism in place to facilitate the clearance of the outstanding items.

Recommendation

The management should take appropriate action to ensure that all long outstanding items are cleared.

3.2.7 Inadequately vouched expenditure Shs.29,386,850,335

Audit examination of payment vouchers made during the year disclosed payments totaling Shs.29,386,850,335 to various Institutions without being supported with acknowledgement receipts, contrary to Public Finance Regulation No. 86.

Implication of finding

The payments may not have reached the bonafide payees and that record keeping is not adequate.

Recommendation

The management should ensure that all missing documents are obtained and submitted to audit for verifications. In addition, the management should improve the record keeping system.

3.2.8 Nugatory Expenditure Shs.27,018,889

A test check of payments made during the year under review revealed payments amounting to Shs.27,018,889 being penalties (interest) imposed for late payments of government debts due to Russia. This expenditure was not disclosed in the footnotes to the Appropriation Account under nugatory expenditure.

Implication of finding

The government did not receive any benefit from this expenditure. In addition, there is no provision for payment of such expenditure.

Recommendation

The management should treat the amount paid as nugatory expenditure and disclosed in the footnotes to the Appropriation Account.

NATIONAL ACCOUNTS**3.2.9 Statement of Road Fund Account**

Statements of Road Fund Account No.13:08 for the year ended 30th June, 2005 reflected total receipts of Shs.73,605,260,859 out of which Shs.47,869,579,174, Shs.20,515,677,192 and Shs.5,220,004,493 were paid to Ministry of Works, PORALG and Exchequer Account respectively leaving the account with a nil balance at the year end.

Implication of finding

The amount of Shs.5,220,004,493 intended to finance roads maintenance activities was not remitted to Road Fund Board account to be used for such activities.

Recommendation

The amount of Shs.5,220,004,493 should be remitted to the Roads Fund Board to be used for roads maintenance activities.

3.2.10 Statement of Retention Fund

Audit examination of the statement of retention fund noted the following anomalies

Errors in Vote numbers

The following vote numbers were incorrectly recorded in the statement of retention fund as shown below:-

Ministry	Vote number shown in the statement	Correct Vote
Energy and minerals	54	58
Comm. Transport	58	62
Natural resources	64	69
Immigration Division	69	93

3.2.11 Variances between revenue retained by MDAs and Exchequer Issues retention

The following variances were noted between the amounts of revenue retained by MDAs and the amounts of Exchequer Issues to the respective MDAs in respect of retention;

Exchequer Issues - Retention

Vote	MDA	Actual amount Reference retained	Exchequer retention Amount Shs.	Variance
28	Police	2,076,581,747	2,076,581,747	-
41	Justice General Adm.	286,729,537	286,729,537	-
48	Land	3,754,116,928	4,074,834,128	320,717,200
51	Home Affairs	362,950,894	362,950,894	-
58	Energy & Minerals	5,138,944,550	5,606,121,350	467,176,800
62	Comm. & Transport	5,608,832,330	5,946,431,454	337,599,124
93	Immigration	4,163,690,765	4,547,479,651	383,788,886
37	Prime Minister's Office	2,067,524,207	2,488,860,907	421,336,700
47	Works	1,897,616,603	2,018,796,603	121,180,000
49	Water	37,607,747	-	
64	Commercial Court	385,774,838	-	
69	Natural Resources	18,748,503,100	20,361,167,800	1,612,664,700

Implication of finding

It is apparent that records kept by the Accountant General's Office relating to revenue retained by MDAs are not correlated with those used for issuance of Exchequer Issues (retention)

Recommendation

The management should reconcile the variances; should also ensure that in future the records are harmonised

3.2.12 Approved estimates and revenue retention scheme

The approved estimates of revenue retention scheme for year 2004/05 as shown in the cash flow statement was Shs.103,170,262,000 the summary statement of retention revenue shows a total sum of Shs.90,052,665,000 resulting in a variance of Shs.10,231,908,601.

Recommendation

The management should reconcile the difference.

3.2.13 Incomplete Summary Statement of Retention Revenue

The amount of the actual collection of Shs.92,519,705,345.89 shown in the summary statement of retention revenue did not include total collection of Shs.418,648,052.89 collected by the following MDAs:

Vote	Department	Amount
43	Agriculture PH	85,432,539.54
44	Industry and trade	197,215,513.35
54	Radio Tanzania	<u>136,000,000.00</u>
	Total	<u>418,648,052.89</u>

Recommendation

Management should ensure that the statements are adjusted accordingly.

3.2.14 Statement of Development Revenue-Out-Turn

Development revenue approved estimates for year 2004/05 were Shs.1,091,590,589,700 while the actual collections totaled Shs.1,095,913,511,836, registering over-collection of Shs.4,322,922,136. However, the Statement of Development Revenue Receipts reported that the approved estimate was Shs.1,502,014,600,000 which differs by Shs.410,424,010,300 when compared with the amount of Shs.1,091,590,589,700 passed by the National Assembly.

Recommendation

Management should revise the statement of Development Revenue Receipts.

3.2.15 Incomplete Bank Statements

Bank reconciliation statements were requested for verification of monthly bank balances reported in statement of development revenue account. It was however noted that reconciliation statements submitted were supported by incomplete bank statements which showed closing and opening balances only.

Implication of finding

Verification of unreconciled items was not possible.

Recommendation

Management should be requesting monthly bank statements to allow smooth verification of cash book balance.

NATIONAL CONSOLIDATED FINAL ACCOUNTS

3.2.16 Statement of Vote Account - Development (Balance Sheet)

The Statement of Vote Account Development (Balance Sheet) as at 30th June 2005 reflected net approved estimates of Shs.1,137,505,507,700, exchequer issues during the year of Shs.852,187,673,241 and net expenditure of Shs.850,353,139,955, resulting in unutilized budget of Shs.287,152,367,745 (25.25%) and cash in hand with PMG of Shs.1,834,533,285.

However, audit review of estimates approved by the National Assembly noted that a total sum of Shs.1,091,590,589,700 was approved for development votes for Ministries, Departments and Regions and not Shs.1,137,505,507,700 reflected in the submitted statement hence registering a difference of Shs.45,914,918,000.

Implication of finding

Reporting of incorrect approved estimate figures in the financial statements might affect assessment of financial performance.

Recommendation

The management should correct the wrong amount and adjust the statement accordingly.

3.2.17 Statement of Vote Account - Recurrent (Balance Sheet)

The Statement of Vote Account Recurrent (Balance Sheet) as at 30th June 2005 reflected approved estimates of Shs.2,210,033,501,000, exchequer issues received during the year of Shs.2,155,328,037,439 and net expenditure of Shs.2,141,257,712,765 resulting in unutilized budget of Shs.68,775,788,235 and cash in hand with PMG of Shs.14,070,324,674. Furthermore the statement reflected outstanding imprest of Shs.2,397,368,969.

However, audit review of recurrent estimates passed by the National Assembly noted that Shs.2,205,092,018,933 was approved for Supply Votes for Ministries, Departments and Regions against Shs.2,210,033,501,000 reflected in the submitted statement hence registering a difference of Shs.4,405,334,234.

Implication of finding

Reporting of incorrect amounts of estimates might affect assessment of financial performance in expenditure. In addition, since imprest are charged direct to expenditure the outstanding imprests of Shs.2,397,368,969 means that the amount of net expenditure has been overstated by the same amount.

Recommendation

The incorrect amounts should be rectified and the statement amended accordingly. In addition, the outstanding imprest should be retired and retirement particulars should be forwarded to audit for verification.

3.2.18 Summary Statement of Recurrent Revenue 2004/05

The Summary Statement of Recurrent Revenue for the year ended 30th June 2005 reflected total actual collection of Shs.1,832,134,669,291.52 as against approved estimates of Shs.1,749,402,700,000 hence registering over collection of Shs.82,731,969,291.50 which is 4.73% of the approved estimates. The amount of actual collection of Shs.1,832,134,669,291.52 include a sum of Shs.1,697,788,437,913.28 (92.67%) collected by Tanzania Revenue Authority.

3.2.19 Statement of Exchequer Account

(i) Recurrent Account - Ministries and Regions

The Statement of Exchequer Account, Recurrent Account for Ministries and Regions reflected total issues of Shs.2,155,328,037,439 against total approved estimates of Shs.2,210,033,501,000 resulting in under issue of exchequer issues amounting to Shs.54,705,463,561(2.48%).

(ii) Development Account - Ministries and Regions

The statement of exchequer account, Development Account for Ministries and Regions reflected total issues of Shs.852,187,673,240.58 against total approved estimates of Shs.2,275,011,015,400 resulting in non issue of exchequer issues amount to Shs.1,422,823,342,159.42 (62.55%).

Implication of finding

Non implementation of planned activities under recurrent account and development projects

Recommendation

Management should ensure that the budgets prepared and submitted to the Parliament for deliberation are realistic.

3.2.20 Un-cleared items in the Consolidated Bank Reconciliation Statements

Audit review of the submitted Consolidated Bank Reconciliation Statements in respect of the Recurrent, Development, Miscellaneous Deposit and Mirathi Deposit Accounts as at 30th June 2005 noted the following un-cleared items, some of which were not cleared since the year 2000/2001.

Items	Supply Account No.18:12 (Shs.)	Development Account No. 19:01 (Shs.)	Miscellaneous Deposit Account No. 16:140 (Shs.)	Mirathi Deposit Account No.16:143 (Shs.)
Receipt in Bank not in cash book	510,915,381,655.50	152,454,186,560.64	324,519,586,856.05	1,907,617,038.11
Un-presented cheques	68,164,499,083.46	51,448,381,120.09	20,297,800,002.32	1,337,803,547.01
Payments in cash book not in Bank	172,219,746,517.88	87,601,286,024.44	49,215,677,704.66	26,299,830.90
Payments in Bank not in cash book	507,073,461,525.34	274,256,909,672.85	146,980,083,295.07	1,442,682,284.77
Receipts in cash book not in bank	256,332,758,899.50	124,693,152,022.97	331,463,323,570.04	2,574,556,443.77

Implication of finding

Mispasted, erroneous and unintended transactions could not be detected and adjusted to the relevant bank accounts due to passage of time.

Recommendation

Management should take appropriate remedial actions to clear these outstanding items.

3.2.21 Understatement of Arrears of revenue Shs.12,822,641,905.58

The amount of arrears of revenue as at 30th June 2005 of Shs.18,655,730,342.66 seem to have been understated by Shs.12,822,641,905.58 as follows:

Amount of arrears of revenue as at 30 th June, 2004	13,015,949,488.93
Add: Amount of Arrears of revenue for the year 2004/2005	21,133,220,683.50
Sub total	34,149,170,172.43
Less: Amount collected or written off during the year 2004/2005	2,670,797,924.19
Amount of Arrears of revenue outstanding as at 30 th June 2005	31,478,372,248.24
Less: Amount reported as at 30 th June 2005	18,655,730,342.66
Amount of Arrears of revenue understated	<u>12,822,641,905.58</u>

The understatement of Shs.12,822,641,905.58 is a result of Arrears of revenue outstanding in respect of MDAs listed as annexure II which were not reported in the summary statement of Arrears of revenue for the year ended 30th June 2005.

Implication of finding

The understated amount of Shs.12,822,641,905.58 may not be collected if it is not included as outstanding as at 30th June 2005.

Recommendation

Management should adjust the summary statement of arrears of revenue for the year ended 30th June 2005 to include the omitted Arrears of revenue which were outstanding as at 30th June 2004.

3.2.22 Debts due to government - Shs.1,414,024,330,638.14

Audit examination of statement of amounts of loans outstanding issued by the Government to Parastatals and various companies disclosed that the correct balance outstanding was Shs.924,328,312,528.4 as at 30th June 2005 and not Shs.939,939,361,857.97 as reported in the statement.

In addition, a total amount of Shs.489,696,018,109.74, made up of arrears of principal Shs.197,687,203,619.36 and arrears of interest Shs.292,008,814,490.38, was due during the year 2004/2005 but was not yet repaid as at 30th June 2005.

Implication

Delay in repayment of the loans might lead to loss to the Government as a result of some of the loans to be irrecoverable due to passage of time.

Recommendation

Management should ensure that conditions of loan agreement are adhered to and the overdue loans are collected.

3.2.23 Un-paid commitment shs.518,997,249,107

Audit review of Statement of Government Investments disclosed a total amount of Shs.518,997,249,107 as unpaid commitment in respect of foreign organizations as at 30th June 2005.

Recommendation

Management should ensure that these outstanding commitments are fulfilled.

3.2.24 Losses of public money and stores Shs.8,262,038,051

The Summary Statement of Losses showed that losses amounting to Shs.8,262,038,051 were outstanding as at 30th June 2005. However, it was not possible to ascertain as to how this figure was arrived at since no relationship was established with the following total amounts shown in the statement:

Description	Total amount (Shs.)
(i) Losses/Description of losses	4,181,016.45
(ii) Losses of cash	1,787,179,187.33
(iii) Losses of stores	617,711,307.55
(iv) Abandonment	5,894,444,639.90
(v) Adjustments	44,019,043.00

Implication

The amount of outstanding losses shown in the statement as at 30th June 2005 is not correct.

Recommendation

Management should ensure that the summary statement of losses of public money and stores is adjusted to show the correct amount of losses outstanding as at 30th June 2005.

3.2.25 Outstanding Public Debts Shs.6,656,824,522,883

A review of the summary statement of Public Debt as at 30th June 2005 disclosed outstanding debts amounting to Shs.6,656,824,522,883 made up of Shs.5,487,548,446,077 and Shs.1,169,276,076,806 being foreign and domestic debts, respectively.

3.2.26 Differing tax exempted Shs.518,211,140

A difference of Shs.518,211,140 was noted between the amount of Shs.15,970,913,769 shown in the Treasury Voucher Report provided by the Ministry of Finance and the amount of Shs.15,452,702,629 reflected in the Revenue collection statement for the year ended 30th June 2005 prepared by Tanzania Revenue Authority.

Implication

The tax exempted amount for 2004/05 might be incorrectly reported.

Recommendation

Management should reconcile the amount of tax exempted during the year 2004/05.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Public Debts and General Services during exit meeting. Management of the Public Debts and General Services has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the action taken in this respect.

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

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

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Dar es Salaam

The Permanent Secretary and Paymaster General,
Ministry of Finance,
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Dar es Salaam

5.0 ANNEXURES

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

ANNEXURE II

OUTSTANDING ARREARS OF REVENUE REPORTED AS AT 30TH JUNE, 2004

Vote	30 th June 2004 Amount (Shs.)	30 th June 2005 Amount (Shs.)	Difference (Shs.)
28	50,548,868.60	-	50,548,868.60
29	419,136,565.55	-	419,136,565.55
37	1,554,379,139.00	-	1,554,379,139.00
42	7,188,490.04	-	7,188,490.04
44	50,344,000.00	-	50,344,000.00
47	1,561,782,842.40	-	1,561,782,842.40
50	7,846,814,659.15	-	7,846,814,659.15
52	-2,295,349.40	-	-2,295,349.40
54	832,484,501.89	-	832,484,501.89
58	420,201,984.35	190,760,583.35	229,441,401.00
62	237,592,746.61	-	237,592,746.61
68	20,145,500.00	-	20,145,500.00
70	4,790,490.74	-	4,790,490.74
74	2,547,000.00	2,547,000.00	-
79	3,205,344.00	-	3,205,344.00
84	2,209,800.00	-	2,209,800.00
85	3,762,906.00	-	3,762,906.00
87	1,110,000.00	-	1,110,000.00
Total	13,015,949,488.93	193,307,583.35	12,822,641,905.58