

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF THE PRIME MINISTER'S OFFICE**

**VOTE 25**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> 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 Dar es Salaam Region 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
- Summary Statement of Losses
- Statement of composition of Fund

These Statements and notes form part of this report.

Act	Means Public Finance Act No.6 of 2001 as amended in 2004
CAG	Controller and Auditor General
CPO	Central Payment Office
GN	Government Notice
ISA	International Standard on Auditing
INTOSAI	International Organization of Supreme Audit Institutions
PMO	Prime Minister's Office
PAC	Public Accounts Committee

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

### **1.1 Introduction**

We have completed the audit of the Prime Minister's Office (Vote 25) for the year ended 30<sup>th</sup> June, 2005. Audit findings arising from the examination of the appraisal of the Prime Minister's Office 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 Client Establishment (Vote 25)**

The Prime Minister's Office was established by the Treasury exclusively to meet the expenditures of Political Issues and Private Office of Prime Minister.

### **1.3 Financing**

The Prime Minister's Office receives funds from the Treasury in the form of Exchequer Issues. During the financial year 2004/2005 the Exchequer Issues received for recurrent vote expenditure were TShs. 1,160,761,016.

### **1.4 Management Structure**

The Prime Minister's Office is headed by the Prime Minister. The day to day activities of the Prime Minister's Office is headed by the Permanent Secretary who is also the Accounting Officer.

### **1.5 Brief history of Internal Control System**

- **Accounting System**

The Prime Minister's Office (Vote 25) operates the usual government accounting system. The financial statements are being prepared and presented based on cash accounting pursuant to Public Finance Act No. 6 of 2001.

- **Internal Audit**

To comply with Public Finance Regulation 28, the Prime Minister's Office has established the unit of Internal Audit to examine and evaluate the adequacy and effectiveness of internal control in the office. The Prime Minister's Office operate under usual system of internal control as stipulated by Public Finance and Procurement Acts of 2001 as amended in 2004 and Regulations of 2001 as amended in 2004 guidelines to ensure orderly and efficient conduct, proper recording and safeguarding of assets and resources.

## **1.6 Audit Mandate**

By virtue of the provision of section 143 of the constitution of United Republic of Tanzania and section 30 (i) 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 Prime Minister's Office.

## **1.7 Financial Performance Issues** **Recurrent vote Account**

The net expenditure for the year under review was TShs.1,157,496,446 against an approved budget of TShs.1,160,772,800 resulting into a favourable balance of TShs.3,276,35. However, exchequer issues received during the year totaled TShs.1,160,761,016 resulting into a balance of TShs.3,264,550 with the Paymaster General's account at the central bank.

## **1.8 Audit Objectives**

The main objective of conducting the audit is to enable me to express a professional opinion on the financial statements of the Prime Minister's Office (Vote 25) the period ended 30<sup>th</sup> June,2005 and in particular:

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of accounts to permit the preparation of the financial statements in requirements of the Public Finance Act No.6 of 2001.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per regulations governing the secretariat.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Prime Minister's Office (Vote 25).
- To verify whether all relevant supporting documents, records and accounts have been kept in respect of the entire Secretariat financial directives.
- To perform compliance tests to determine whether Management complied in all material respects with the Public Finance Act No.6 of 2001 as amended in 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 are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the management of the Secretariat has taken adequate corrective action on the previous years audit recommendations.

## **1.9 Audit methodology**

Our audit included tests of the accounting records; other procedures in order to satisfy the objective of the audit. The procedures included in the following.

- (a) Review the Internal Control System and testing whether it comply with the public
- (b) Examination of payment vouchers and their related supporting documents to establish compliance with proper documentations.
- (c) Planning the audit to obtain adequate information of operations of the Prime Minister's Office
- (d) Making Comparison of budgets estimate against actual expenditures to establish reasons for variances.
- (e) Obtaining Bank Reconciliation Statements and note any unreconciled items with the cash book balances.
- (f) Evaluating the status of implantations of previous year's audit recommendations to determine whether management has taken action to implement them.

## **1.10 Audit Scope**

The audit of the Secretariat's financial statements for the period ended 30<sup>th</sup> June, 2005 was carried out 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 financial accounting system and internal control over the activities of the Prime Office (Vote 25), examination and verification of the accompanying financial statements and other auditing procedures as was considered necessary under the 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 so that we would have a reasonable expectation of detecting material misstatements in the financial statements including those resulting from fraud or irregularities. The with the Secretariat's who are responsible for setting up and maintaining an adequate system of internal control.

### **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 which is given in pages 11 to 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 AND FINANCIAL STATEMENTS

To the Permanent Secretary,  
Prime Minister's Office,  
Accounting Officer of Vote 25

**Re: Audit Report on the Financial Statements of the  
Prime Minister's Office for the year ended 30<sup>th</sup> June,2005**

I have audited the financial statements of the Prime Minister's Office for the year ended 30<sup>th</sup> 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 Prime Ministers Office

### **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 Prime Minister's Office 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 Prime Minister's Office.

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 property, that the laws, directions and instructions applicable thereto have been duly observed, expenditures of public monies has been properly authorized; and to satisfy myself whether the funds appropriated to the Prime Minister's Office 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 Prime Ministers Office 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.

### **Opinion**

In my opinion, the financial statements of the Prime Minister's Office (vote 25) prepared based on the generally accepted accounting standards and that they are 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 30<sup>th</sup> June,2005 and the financial position as that date.

### **Matters of emphasis**

Outstanding items in Bank Reconciliation items totalled Shs.1,424,137,669.

The details of this matter is given under para 3 of this report.

Dr. F.M.H.Mhilu  
**Ag: CONTROLLER AND AUDITOR GENERAL**

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Office of the Controller and Auditor General  
National Audit Office  
Dar es salaam  
**February,2006**

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Outstanding Items in Bank Reconciliation Statement as at 30<sup>th</sup> June, 2005

The Public Finance Regulation (2001) Para (162) stipulates that the balances of every bank account as shown in the bank statement must be reconciled with the corresponding cash book balance at least on a monthly basis.

We have noted outstanding items in the bank reconciliation statements of the Prime Minister's Office (Vote 25) as at 30<sup>th</sup> June, 2005. However, the outstanding items had not been cleared during the time of audit (February, 2006) as follows:-

<u>Description</u>	<u>Amount (TShs)</u>
Payments in PMG'S Statement not in Cash Book	26,522,729
Receipts in Cash Book not in PMG's Statement	583,303,238
Receipts in PMG's Statement not in Cash Book	88,273,256
Total value of unrepresented cheques at the end of 30 <sup>th</sup> June, 2005	583,260,567
Total value of NMB Debit Transfer Advice remaining in the PMG Monthly Statement	27,273,893
Payments (other than Unrepresented Cheques) in cash book not in the PMG's statement	698,807,715
<b>Total</b>	<b>1,424,137,669</b>

#### **Implication**

Clearing of the above outstanding items could not be established.

#### **Audit recommendation**

Management should ensure that all outstanding items are cleared and results communicated for audit verification.

#### 3.2 Late Submission of Annual Accounts

The Public Finance Act, 2001 Section 25 (2) states that "Each accounting Officer shall; within a period of three months after the end of each financial year prepare and transmit to the Controller and Auditor General in respect of the past financial year and in respect of the votes; revenue and moneys for which is responsible:-

- (a) An appropriation account signed by the accounting Officer showing the services for which the money expended were voted;
- (b) A Statement signed by the accounting Officers containing commitments outstanding.
- (c) A Statement of revenues received signed by the Accounting Officer.

We have noted that the Appropriation Account and related statements were submitted to the Controller and Auditor General on 10<sup>th</sup> October, 2005 contrary to the statutory date of subvention which was 30<sup>th</sup> September 2005.

#### **Implication**

Violation of the requirements of Public Finance Act 2001 as amended in 2004.

#### **Audit Recommendation**

The management should ensure that Annual Accounts are prepared and submitted to the Controller and Auditor General on the statutory dates.

#### **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to the Management of the Ministry during our exit meeting held on 5<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 actions 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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“ Permanent Secretary and Paymaster General,  
Ministry of Finance,  
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