

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF VICE PRESIDENT'S  
OFFICE VOTE 26**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

The Controller and Auditor General  
National Audit Office  
Samora Avenue / Ohio Street  
P.O. Box 9080,  
Tel: 255 (022) 2115157/8  
Fax: 255 (022) 2117527/2255333  
E-mail [ocag@nao.or.tz](mailto:ocag@nao.or.tz)  
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.

### **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 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.

© This audit report is intended for use by government authorities. However, upon receipt of the General Report of the CAG by the Speaker, this report is a matter of Public record and its distribution may not be limited.

## CONTENTS

	Page
1.0 Background information	5
1.1 Introduction	5
1.2 Brief history of the client establishment	5
1.3 Operational objectives	5
1.4 Financing	5
1.5 Management structure	5-6
1.6 Brief description of internal control system	6
1.7 Financial Performance Issues	6
1.8 Audit mandate	6
1.9 Audit Objectives	6-7
1.10 Audit scope	7
1.11 Audit methodology	7-8
1.12 Presentation of audit findings	8
2.0 Auditor's Report on the Financial Statements	9-10
3.0 Audit findings and Recommendations	11
3.1 Follow up of previous year's audit findings	11
3.2 Current Years Audit Findings	11
4.0: Conclusion	11-12
Annexures	

Annexures: Financial Statements Accounting Policies and Notes to the  
Financial Statements

## Definition of terms and Abbreviations

Financial Statements means the following statements, notes and supporting schedules of the Vice President's Office for the year ended 30<sup>th</sup> June 2005.

- Responsibility on the Financial statements
- Statement of Vote Account - Recurrent
- Cash flow statement for Recurrent Account
- Summary Statement of Revenue
- Summary Statement of Losses
- Statement of Commitment outstanding
- Notes to Financial Statements

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
F/Y	Financial Year
INTOSAI	International organization of Supreme Audit Institutions
ISA	International Standards on Auditing
NGOs	Non Governmental Organizations
PFR	Public finance Regulations
VPO	Vice President's Office

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

### **1.1 Introduction**

We have completed the audit of the Annual Accounts of the Vice President's Office for the year ended 30<sup>th</sup> June, 2005. Audit findings arising from examination of accounting records, and evaluation of the internal system, which require management attention and action, are set out in Part 3 of this report.

### **1.2 Brief history of the client establishment**

The Vice President's Office was established under Act No. 34 of 1994 for the purpose of assisting the President on all matters concerning the United Republic of Tanzania and in particular, to co-ordinate environmental management, poverty eradication and the work of non-governmental organizations.

### **1.3 Operational objectives**

The Vice President's Office has the following objectives

- Management and coordination of UNION activities
- Co-ordination of poverty alleviation policy and strategies
- To co-ordinate activities of the non-governmental organizations and social communities.
- Environmental Policy formulation, Management and Coordination of its implementation.

### **1.4 Financing**

The activities of the Vice President's Office are financed from the following sources:-

- Funds received as Voted by the National Assembly.
- Capital funds -Being funds and grants from foreign donors to finance Development projects

### **1.5 Management structure of VPO**

The Vice President's Office has two Ministers of State. One responsible for Environment and Union matters, and the other for poverty eradication and coordination of NGOs activities. In accordance with the Government Instrument of December, 2000, the Vice President's Office work is carried out by the following functional divisions and Units:-

- The Division of Environment.
- The Poverty Eradication Division.
- The NGOs Coordination Unit.
- The Union Division.

Each Division/unit is headed by a Director assisted by technical and support Staff which includes:-

- The Vice President's Office Private Office
- The Administration and Personnel Division
- The Finance and Accounts Section.

In the case of Poverty and Environment Divisions they are headed by Directors who head various Sections.

#### **1.6 Brief description of internal control system**

Pursuant to regulations 28, 30 - 32, of the Public Finance Regulations, Vice President's Office has established Internal Audit Service Unit and the Audit Committee which are responsible for day to day activities on strengthening the system of internal control over the financial management of Vice President's Office.

Other internal controls are equally instituted to monitor the functioning of day to day activities of the VPO like segregation of duties in cash dealings and custodianship of the public properties.

#### **1.7 Financial Performance**

##### **Supply Vote**

The statement of vote account submitted along with Annual Accounts disclosed that, the year's out - turn on Supply Vote is a net expenditure of Shs. 1,437,128,464.90 over the net approved estimate of Shs. 1,438,312,800 leaving a saving of Shs. 1,184,335.10 or 0.08% of the approved budget. However, the exchequer issues received during the financial year amounts to Shs. 1,437,840,116 resulting in unspent cash balance of Shs. 711,651.10 with the Paymaster General's Account. In the circumstance, the Supply Vote Account for vote 26 recorded an overall financial performance of 99.9% attained as a result of net expenditure against the approved budget.

#### **1.8 Audit mandate**

By virtue of the Provision of article 143 of the constitutions of the United Republic of Tanzania and section 30 (1) of the Public Finance Act No. 6 of 2001 the Controller and Auditor General is the statutory auditor of all government revenues and expenditure including the accounts of the Vice President's Office.

#### **1.9 Audit objectives**

The main objective of conducting the audit is to enable me express an independent opinion on the annual accounts of the Vice President's Office for the year ended 30<sup>th</sup> June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with proper authorization and recorded in the books of accounts to permit the preparation of the financial Statements in accordance

with international accounting standards and the existing financial legislation.

- To determine whether funds received have been used exclusively to meet eligible expenditures as per approved budget.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of all transactions.
- 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 VPO are adequately safeguarded against losses from unauthorized use or disposition.

#### **1.10 Audit scope**

The audit was carried out in accordance with ISA and procedures that are consistent with those recommended by the INTOSAI. The audit covered the evaluation of effectiveness of Internal Control System over the activities of the accompanying financial statements and carrying out other auditing procedures as was considered necessary for the purpose of forming an opinion on the financial statements. The audit was conducted on a test check basis; therefore, the audit findings are confined to the extent that records and information that was 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 pertaining to fraud. However, our audit was planned so that we would have reasonable expectation of detecting material misstatements in the financial statements resulting from irregularities or fraud. The responsibility for detecting and preventing fraud or irregularities rests with the VPO management which is responsible for setting up and maintaining an adequate and effective system of Internal Controls.

#### **1.11 Audit methodology**

In auditing the annual accounts together with their underlying records and transaction documents, the following steps were followed:-

- A review of the Vice President's Office establishment policies, Mission, Financial Regulation legislations and other documents as was deemed necessary under the circumstances.
- Examination of Exchequer receipts and payments to confirm compliance with the existing legislation, financial regulation and other instructions or directives.
- Review of the Internal Control structure by assessing significant policies, procedures and determine its adequacy.
- Review of Vice President Annual accounts and Internal audit reports.
- Conduct compliance tests on the system of procurement contracts and their execution as well as stores Management.

- Appraisal of the previous audit recommendation to determine whether the management has taken adequate corrective actions.
- Hold entrance and exist meetings with the auditee to discuss the objectives and results of the audit exercise respectively.

#### **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 the Permanent Secretary,  
Accounting Officer of Vote 26.  
Vice President's Office

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

I have audited the financial statements of Vice President's Office attached as Annexure 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 statement 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 Vice President's 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 Vice President's Office. According to section 30 of the Act my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Vice President'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, and that the law, 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 Vice President'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 misstatements. 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 Vice President's Office (Vote 26) 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 VPO comply with the generally accepted accounting standards; and that they fairly reflect, in all material respects, the results of its operations and cash flows for the year ended on 30<sup>th</sup> 2005, and the financial position as at the date.

Further to my opinion, the procurement of office supplies and services was generally done in accordance with the Public Procurement Act No. 21 of 2004.

**Dr. Frank Mosses Hiza Mhlu**

**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 of previous year's Audit findings**

Matters raised in the previous year's management letter were dealt with and have been settled.

#### **3.2 Current year's findings**

##### **3.2.1 Statement of Fixed Assets**

The list of Fixed Assets owned by the Vice President's Private Office as at 30<sup>th</sup> June, 2005 was reported Shs.107,624,860.20 being value of all fixed assets.

However, the correctness of the reported figure could not be ascertained due to the following anomalies:-

The statement of Assets in respect of F/y 2004/2005 was reported Shs.348,742,961 as against the correct figure of Shs.456,367,821.

The cost value of nine (9) motor vehicles ST 109A, 110A, 111A, 112A, 117A, 77A, 87A and 130A valued Shs. 543,942,470 were not incorporated in the statement of Assets.

##### **Implication**

In the circumstance, the position shown by the statement of assets does not present the correct value of assets as at 30<sup>th</sup> June, 2005.

##### **Recommendation**

The accounting Officer should ensure that all assets are properly coded, and disclosed in the statement of fixed assets.

##### **Management Response**

During the exit meeting the management agreed with the audit recommendation and promised to make follow up.

### **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the VPO during exit meeting. Management of the VPO 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 relationships will be extended during future audits.

Dr. Frank Moses Hiza Mhilu  
**Ag: CONTROLLER AND AUDITOR GENERAL**

Copy to: The Chief Secretary,  
State House,  
P. O. Box 9120,  
Dar es Salaam

Permanent Secretary and Paymaster General,  
Treasury,  
P. O. Box 9111,  
Dar es Salaam

**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 Vice President's Office 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 Vice President's Office 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 Vice President's Office.

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.

---

**Signed by Accounting Officer**

---

**Date**

## 5.0 ANNEXURES

Financial Statements, Accounting Policies and notes to the financial statements.