

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE REGISTRAR OF POLITICAL PARTIES  
VOTE 27**

**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.

### 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.

© 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 to the audit	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	6
1.6 Brief description of Internal Control System	6
1.7 Financial performance	6
1.8 Audit mandate	6
1.9 Audit Objective	6-7
1.10 Audit Scope	7
1.11 Audit methodology	7
1.12 Presentation of Audit Findings	8
2.0 Audit report and 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 year's findings	11-12
4.0 Conclusion	12
5.0 Annexures (Financial Statements)	1

### **Definition of terms and Abbreviations**

Financial Statements means the following statements, notes and supporting schedules of the Registrar of Political Parties for the year ended 30<sup>th</sup> June 2005.

- Statement of Responsibility on financial statements
- Consolidated cash flow statement
- Statement of vote Account
- Statement of Revenue
- Statement of Arrears of Revenue
- Statement of Commitment Outstanding
- Statement of losses

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
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 the Office of the Registrar of Political Parties for the year ended 30<sup>th</sup> June, 2005. Audit findings arising from the examination of accounting records, appraisal of the 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 Establishment**

The office of the Registrar of Political Parties has broad functions on the registered Political Parties in the United Republic of Tanzania as is explained in the Political Parties Act of 1992. Basically, the office deals with registration, supervision, monitoring and issuing of government subventions to the Political Parties eligible for subvention as mentioned in section 16 of the Act as amended in the Amendment No.11 of 17<sup>th</sup> June, 1996.

#### **Vision**

The vision of the Office of the Registrar of Political Parties is to ensure that the country sustains political stability, and to promote culture of democratic processes among the citizens.

#### **Mission**

The mission of the Office of the Registrar of Political Parties is to provide for terms, conditions and procedures for Registration of Political Parties, to facilitate fair and smooth participation in political affairs Vis-a-vis Political Parties elections, sustain political stability and develop democratic culture.

### **1.3 Operational Objectives**

To ensure that all political party's activities adhere to the Political Parties Act No.5 of 1992 which established the Multi-party system and also to ensure that all activities are carried out as stipulated by the law, in order to harmonise the Political atmosphere and bring about true democracy

### **1.4 Financing**

The Office of the Registrar of Political Parties receives funds from Treasury in the form of exchequer issues. During the year under review, the registrar's approved budget was Shs.9,497,435,600 of which Shs.9,497,409,303 were released for the operations of the Office.

## **1.5 Management Structure**

The Office of the Registrar of Political Parties is headed by a Registrar who is also the Accounting Officer. He is assisted by Deputy Registrar Principal Administration and Personnel Officer, Chief Accountant and Lawyer to the Office.

## **1.6 Brief description of Internal Control**

The Office of Registrar has an Internal Audit Section which is headed by Chief Internal Auditor. The Office has also an Audit Committee comprising of four members.

## **1.7 Financial performance**

### **Supply Vote**

The Statement of Supply Vote Account for the year under review closed with net expenditure of Shs.9,490,205,027.82 against approved estimates of Shs.9,497,435,600 resulting in an apparent saving of Shs.7,230,572.18. However, exchequer issues received during the year totaling Shs.9,497,409,303 closing with the cash balance with the Paymaster General's Account of Shs.7,204,275.18 as at 30<sup>th</sup> June,2005.

### **Statement of Revenue**

During the year under review the Office of the Registrar budgeted to collect Shs.300,000 however, actual collection was Shs.400,000 and recorded an over collections of Shs.100,000.

## **1.8 Audit mandate**

Pursuant to the provision of article 143 of the constitution of the United Republic of Tanzania and section 30 and 37 of the Public Finance Act No 6 of 2001, The Controller and Auditor General is the statutory auditor of all Government revenue and expenditure including the Office of Registrar of Political Parties.

## **1.9 Audit objectives**

The main objectives of conducting the audit is to enable me to express a professional opinion on the financial statements of the Office of Registrar of political parties submitted for the period ended 30<sup>th</sup> June,2005 and in particular:

- To determine whether all funds approved by the National Assembly have been received and appropriated in accordance with the approved budget.
- To determine whether transactions were executed in accordance with management authorization and the financial statements prepared in accordance with the International Public Sector Accounting Standards and guidelines issued by the Treasury.
- To verify, on sample basis, whether goods and services bought were acquired through laid down procurement procedures specified in the Public Procurement Act.

- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of all Department activities.
- To perform compliance test to determine whether the management complied with all material aspects with regard to the objectives of the Department.
- 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 Registrar's Office are adequately safeguarded against losses from any unauthorized use or disposal.
- To determine whether the management of the Office of Registrar has taken reasonable corrective action on previous year's audit recommendations.

#### **1.10 Audit Scope**

The audit was carried out in accordance with the ISA and the 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 Office of Registrar of Political Parties, examination and verification of the accompanying financial statements to the appropriation account, and other procedures as was considered necessary in the circumstances, Therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to audit. 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 a way that we would have reasonable expectation of detecting material misstatements in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Department who are responsible for setting up and maintaining an adequate system of internal control.

#### **1.11 Audit methodology**

In examining the financial statements together with related records and schedules, the following steps were followed:

- Review of legal documents
- Examination of receipts and payments records and documents
- Review of Internal Controls in place
- Review of various reports and related statements
- Compliance tests of various core activities
- Interviews and discussions with key personnel

## **1:12 Presentation of Audit findings**

The audit was carried out according to 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 AND FINANCIAL STATEMENTS

To the Registrar of Political Parties,  
Accounting Officer of Vote 27.

**Re: Audit Report on the Financial Statements of the Registrar  
of Political Parties for the year ended 30<sup>th</sup> June, 2005.**

I have audited the financial statements of the Registrar of Political Parties shown as Annexure I for the year ended 30<sup>th</sup> June, 2005.

### **Responsibilities of the Accounting Officer**

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

In addition, PFR 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Registrar of Political Parties.

### **Responsibilities of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures 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 Registrar of Political Parties.

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 Office of Registrar of Political Parties 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 about 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 the Office of the Registrar of Political Parties 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 PFR 53. Under the cash basis, cash receipts are recognized when they are received and cash payments are recognized when they are paid.

### **Qualified Opinion**

In my opinion, except for the matter specified below, the financial statements of the Office of Registrar of Political Parties have been prepared based on 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> June 2005, and the financial position as at that date.

Without prejudice my opinion stated above, the procurement of motor vehicles, computers, and printers was generally done in accordance with the requirements of the Public Procurement Act No. 21 of 2004 and the related regulations.

### **Non compliance with Political Parties Act of 1992**

1. The total sum of Shs.8,695,844,965 paid to political parties as subsidy for running of Political Parties for the financial year ended 30<sup>th</sup> June 2005, Their annual audited accounts were not published in the gazette as per requirements of the Political Parties Act of 1992.

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

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

---

National Audit Office,  
Dar es Salaam  
February, 2006

### **3.0 AUDIT FINDINGS AND RECOMMENDATIONS**

#### **3.1 Follow up of previous Audit Findings**

All audit findings raised in previous year have been cleared.

#### **3.2 Current Audit findings**

##### **3.2.1 Non Compliance with the Accounting Guidelines**

The Accountant General issued a circular reference number EB/AG/485/01/60 dated 11 July, 2005 to all Accounting Officers which required them to state the basis of accounting, policies applied and other requirements as para 1-4 of the circular. The Accounting Officer did not comply with the circular as there is no disclosure of accounting policies applied and notes in the financial Statements.

##### **Recommendation**

The Accounting Officer is advised to comply with all instructions contained in the Accounting guidelines.

##### **3.2.2 Excess payments of Electricity bill Shs.1,939,618**

Audit test check on payment vouchers revealed that Shs.2,152,570 were paid to cover the cost of 502 units of electricity in respect of CDA house No.6 in Dodoma Region. However the actual cost of the said Units were TShs.212,952, resulting to an excess amount paid of Shs 1,939,618.00

##### **Implication**

Nugatory Expenditure - Money paid for unconsumed service.

##### **Recommendation**

The management should ensure that excess amount paid of Shs.1,939,618 is recovered. In addition, the management should strengthen the system of internal control on bills chargeable.

##### **3.2.3 Purchases made without quotations Shs.5,502,460**

Section 85 of the Public Procurement Regulations 2001 requires purchasing entity to obtain at least three quotations from various suppliers to ensure transparency and competitiveness on prices for items purchased.

During the course of audit it was revealed that goods costing Shs.5,502,460 were purchased from different suppliers without obtaining at least three quotations from various suppliers.

##### **Implication**

In the absence of competitive quotations there was no justification that the prices paid were the most economical and it would appear that the Office of Registrar denied the benefit of the lowest price.

### **Recommendation**

The management is reminded to comply with section, 85 of public Procurement Regulation 2001 which requires an entity to obtain at least three quotations from various suppliers before awarding a tender.

#### **3.2.4 Non submission of audited accounts on subsidies Shs.8,695,844,965**

Section 14(3) of the Political Parties Act of 1992 requires the Registrar of the Political Parties to publish in the Gazette an amount report on the audited accounts of every party.

Examination of the accounts documents revealed that during year under review, the Registrar paid various Political Parties Shs.8,695,844,965 and as at the time of writing this report he could neither publish in the gazette annual reports nor submit audited accounts as required by the Act.

### **Implication**

Non compliance with laws

### **Recommendation**

The management is responsible to ensure that annual report of the audited accounts of every political party is published in the gazette.

## **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the Office of the Registrar of Political Parties during exit meeting. Management of the Office of Registrar of Political Parties 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 co-operation given to the audit team. It is my hope that such good working relations 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,  
Ministry of Finance,  
P.O. Box 9111,  
Dar es Salaam

## 5.0 ANNEXURE I

Financial Statements, accounting policies and notes to the financial statements

**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 Office of Registrar of Political Parties 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 Office of Registrar of Political Parties 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 Office of Registrar of Political Parties.

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**



**STATEMENT OF THE 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 Registrar of Political Parties 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 Registrar of Political Parties 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 Registrar of Political Parties.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the records and underlying accounts 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 instructions from the Treasury in respect of the year under review.

---

**Signed by Accounting Officer**

---

**Date**