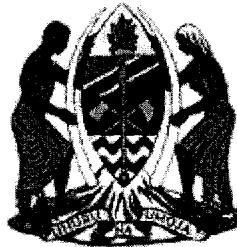


**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE TANZANIA POLICE FORCE
VOTE 28**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
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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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Definitions of terms and Abbreviations:

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

Responsibilities for the financial statements

Statement of Vote Account Supply

Statement of Vote Account Development

Cash Flow Statement for Recurrent Account

Cash Flow Statement for Development

Cash Flow Statement for Deposit Account

Notes to Financial Accounts

Statement of Revenue Recurrent

Summary Statement of Losses

Statement of Arrears of Revenue

These Financial Statements are attached as annexure to this report

Act means the Public Finance Act No. 6 of 2001 as amended in 2004
Regulations means the Regulations of the Public Finance Act issued under G.N Number 259 of 2003.

Vote 28 - Tanzania Police Force

F/Y	Financial Year
IFMS	Integrated Financial Management System
MTEF	Medium Term Expenditure Framework
URT	United Republic of Tanzania

1.0 Background information to the Audit

1.1 Introduction

We have completed the audit of the Tanzania Police Force (Vote 28) for the year ended 30th June 2005. Audit findings arising from examination of accounting records, appraisal of the Tanzania Police Force activities as well as an evaluation of the internal control system which require management attention and action are set out under paragraph 5 of this report.

1.2 Brief history of the client establishment

The Tanzania Police Force was established under Article 55 (I) of the Constitution of the United Republic of Tanzania, 1977 which empowers the President to establish and disestablish such offices of a Ministry in the government of the United Republic of Tanzania. Therefore, the establishment of the Ministry of Home Affairs under the instrument was made vide Government Notice No 467 published on 01st December, 2000 and became operational on the 23rd day of November, 2000.

1.3 Operational objectives

Responsibilities

Minister for the Home Affairs has the following constitutional responsibilities:-

Police, Prisons, Immigration, citizenship Refugees, registration of societies, Fire, Policy formulation and implementation.

1.3.2 Police Force Objectives

- (i) To reduce Crime Levels
- (ii) To maintain close relationship with Police Forces of other neighbouring Countries
- (iii) To enhance Police Force capacity in prevention and detection of crimes.
- (iv) To provide accommodation, uniforms and equipment to members of the Police Force
- (v) To provide reliable transport to the members of Police Forces
- (vi) To conduct patrols and rescue operations on lakes and sea
- (vii) Provision of security and protection of TRC and TAZARA property and passengers
- (viii) Maintenance of smooth communication in the Police Force
- (ix) To conduct border patrols, aerial investigation and rescue operations
- (x) To deal with emergency, field operations, guiding of vital installation and protection of VIPS

- (xi) Controlling and regulating traffic flows, escorting VIP and examining new licence applications.
- (xii) Protection of airports facilities and passengers
- (xiii) Crowd control and investigations
- (xiv) to maintain Police Force motor vehicles
- (xv) To provide medical and MCH services to member of the Police Force and their families and investigation of cases
- (xvi) Investigation of serious crimes, guidance and advices on all matters relating to prevention and detection of crimes
- (xvii) Combating cattle rustling

1.4 Financing

During the year, the Police Force approved budget was as follows:

Account	Amount (Shs.)
Recurrent	82,435,510,637
Development	<u>5,300,000,000</u>
Total	<u>87,735,510,637</u>

1.5 Management Structure

1.5.1 The structure of the Tanzania Police Force comprises: Divisions, Sections, Regional Police Offices, District Police Commanders and Officers Commanding Stations. To enable the Force perform its assigned roles, the Tanzania Police force has eighteen (18) main departments as shown below:-

- (i) Police Main force
- (ii) Police Marine
- (iii) Railway Police Division
- (iv) Police Signals Branch
- (v) Police Air wing
- (vi) Police Zanzibar
- (vii) Tazara Police
- (viii) Field Force Unit
- (ix) Traffic Police
- (x) Police Airport
- (xi) Police Dog and Horses
- (xii) Police College, Moshi
- (xiii) Police College, Dar es Salaam
- (xiv) Police Vehicle Maintenance Unit
- (xv) Police Medical Unit
- (xvi) Police Building Brigade
- (xvii) Criminal Investigation Division
- (xviii) Stock theft prevention Unit

1.6 Brief description of Internal Control System

1.6.1 Internal Control System

Part (V) Para 28 and 30 of the public Finance Regulations requires Accounting Officers to establish an effective Internal Audit Service unit and Audit committee to assist in strengthening the system of Internal control. The Tanzania Police Force has established an audit committee in October 2004 and met once in September 2005. Failure to meet at least quarterly as required may deter the internal audit unit to discharge its responsibilities effectively.

1.6.2 Internal Audit Unit

The function of Internal Audit unit among others is to review and report on internal control system, proper control over receipts, custody and utilization of all financial resources of the Tanzania Police Force.

However, during the year under review (2004/2005) no internal audit reports were received to evaluate the effectiveness of the internal audit unit.

1.6.3 Accounting System

The Tanzania Police Force operates the usual government's financial accounting system based on Central Payment Office (CPO) in Dar es Salaam and Sub-Treasuries at Regions using Integrated Financial Management System (IFMS). Accounting procedures revolve around the Public Finance Act No 6 of 2001 and the Public Procurement Act No 3 of 2001 and 21 of 2004 together with the related Regulations, Treasury instructions, Accounting Officer's instruction and manuals.

1.7 Financial Performance Issues

Supply vote

The Supply Vote Account for the year ended 30th June 2005 closed with an apparent saving of Shs.454,676,546 arising from net expenditure of Shs.81,980,834,154 against the net approved estimates of Shs.82,435,510,700 (about 99.4%). However, actual exchequer issues received amounted to Shs.82,435,510,637 (about 99.9%) leaving a cash balance of Shs.454,676,483 being cash on hand with the Paymaster General's Account at the Bank of Tanzania.

Development vote

The Development Vote account closed with a reported expenditure of Shs.5,299,961,653 (about 99.99%) against the net approved estimates and exchequer issues received of Shs.5,300,000,000 resulting in an actual saving of Shs.38,347 being cash on hand with the PMG as per the vote account.

1.8 Audit Mandate

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania and section 30 (1) and 37 (1) of the Public Finance Act No 6 of 2001, the Controller and Auditor General is the appointed auditor of all government revenue and expenditure including the Tanzania Police Force.

1.9 Audit Objectives

The main objective of conducting the audit is to enable me to express an independent audit opinion on the financial statements of the Tanzania Police Force for the period ended 30th June, 2005 and in particular:-

- (i) To determine whether transactions were executed in accordance with Management authorization and recorded properly in the books of account to permit the preparation of the financial statements in accordance with the International accounting Principles and Treasury instructions;
- (ii) To determine whether funds have been collected properly and used exclusively and judiciously for eligible expenses as per approved budget and regulations governing government expenditure with due attention to economy and efficiency;
- (iii) To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Tanzania Police Force activities;
- (iv) To verify whether goods and services bought for the Tanzania Police Force were acquired through laid down procurement procedures and the Public Procurement Act of 2004;
- (v) To perform compliance tests to determine whether the Tanzania Police Force Management complied in all material respects with the Public Finance Act No 6 of 2001;
- (vi) 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 Tanzania Police Force are adequately safe guarded against losses from unauthorized use or disposition;
- (vii) To determine whether the Management of the Police Force has taken adequate corrective action on the previous year's audit observations/recommendations;
- (viii) To review the Management Structure with the aim of ensuring that:

- (a) There is clear segregations of duties;
- (b) The existing personnel is adequately utilized and if need a rises to advise otherwise on the size of the labour force.

1.10 Audit Scope

The audit of the Tanzania Police Force for the year ended 30th June 2005 was conducted in accordance with those recommended by 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 utilization of the funds of the Tanzania Police Force, examination and verification of the accompanying financial statements and other financial statements submitted for audit) and other auditing procedures as was considered necessary under the circumstances for the purpose of forming an opinion on the financial statements. The audit was carried out on a test check basis, therefore, the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to us. As auditors, we are not required to search specifically for fraud; therefore our audit can not be relied upon to disclose all such matters.

However, our audit was planned in such as way that we would have a 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 Tanzania Police Force Management who are responsible for setting up and maintaining an adequate system of Internal Control.

1.11 Audit Methodology

In auditing the financial statements together with the related records and schedules, the following steps were carried by the auditors:

- (i) Examination of receipts, disbursements and payment records;
- (ii) A review of the internal control structure to assess main control policies and procedures;
- (iii) Carry out compliance tests;
- (iv) Interviews and discussions;
- (v) Site visits;
- (vi) Review of awarding of contracts and their execution.

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 FINANCIAL STATEMENTS

**To: The Permanent Secretary,
Accounting Officer of Vote 28,**

**Re: Audit Report on the Financial Statements of the Police Force for
the year ended 30th June 2005.**

I have audited the financial statements of the Police Force for the year ended 30th June, 2005.

Responsibilities of the Police Force

Section 25(4) of the Public Finance 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 based on the audit. According to section 30 of the Act 2001 my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Ministry.

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; all 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, all expenditures of public money has been properly authorized; and to satisfy myself whether the funds appropriated to the Police Force 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 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 Police Force (vote 28) 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 Public Finance Regulation 53. Under the cash basis, cash receipts are recognised when they are received and cash payments are recognised when they are paid.

Qualification

1. In my opinion, except for the matters specified below, the financial statements of the Police force comply with the generally accepted accounting standards and fairly reflect, in all material respects, the results of its operations and cash-flow for the year ended on 30th 2005, and the financial position as at the date.

Limitation of Scope of audit and Non-compliance with laws:-

- (a) A total of Shs.11,305,837 issued to Sub Treasury offices up-country as special Imprests were not accounted for by the Police Force
- (b) Huge un-cleared items in the bank reconciliation statement for both supply, development and special accounts;
- (c) Unvouched and improperly vouched expenditure Sh.1,469,253,700
- (d) Un-reconciled cash book variances for the statement of assets and liabilities and the deposit account;
- (e) Unpaid salaries balances not transferred to Treasury;
- (f) Outstanding liabilities Shs.15,389,701,898
- (g) 23 paragraphs pertaining to the year 1999/00 through 2003/04 are yet to be acted upon. These paragraphs involving an amount totalling Shs. 61,161,407,159.50

2. Further to my opinion, on public procurement, except for the matters specified below, the procedures applied for procurement of goods, works and other services were generally done in accordance with the Public Procurement Act of 2004 and related Regulations.
 - (a) Stores not accounted for Shs.949,027,571
 - (b) Delivery and accountability of motor vehicles purchased valued at Shs.5,225,600,000 could be verified due to absence of proper records.

The details of these matters are given in Part 3 of this report.

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 of Previous Audit Findings

F/Year	Para No.	Audit observation	Amount reported (Shs.)	Amount outstanding (Shs.) (USD)	Status of implementation
1996/97	61.2	Unreceipted remittances - Misappropriated at OCD's Office Dsm and RPCS office, Mwanza	562,795,976	5,062,063	The matter is with the Court. Judgment is awaited
1996/97	68.1 (a)	Theft of cash through parallel cheques deposited at the Police Canteen DSM	104,178,770	104,178,770	The matter is with the Court. Judgment is awaited.
1996/97	68.1 (b)	Theft of cash through parallel cheques Police HQs	41,113,390	(USD)41,113,390 or TShs. 41,113,390,000	The matter is with the Court. Judgment is awaited.
1999/2000	57.3	Cash Book balance:- Variance between Miscellaneous Deposit A/c cash book balance and CPO statement.	119,263,745	119,263,745	Not yet adjusted.
2000/2001	84.1.1	Cash collections not brought to account at OCD's office Kisarawe.	4,970,500	2,488,500	Court judgment is awaited.
2002/2003	77.2.2	Outstanding imprests	4,109,852	621,640	Not yet retired/recovered.
	78.3	Statement of arrears of Revenue- evidence of collection	2,708,791,960	2,708,791,960	Not yet collected. Action to write off the revenue due not taken.
	79:	Bank Reconciliation Statements:- Receipts in cash book but no in PMG,s Account -Supply vote -Special a/c	3,680,420 14,521,030	56,000 814,000	Not yet cleared Not yet cleared
		Receipts in PMG's Account but not in cash book, -Supply vote -Special account	5,493,285 22,406,851	69,300 1,140,407	Not yet cleared Not yet cleared
		Total value of unrepresented cheques	38,785,079	28,893,067	Not yet cleared. Cheques already stale.
	80.2:	Variance in cash balanes. Variance between Miscellaneous Deposit Account Cash book balance and CPs records.	707,405,373	707,405,373	Not yet adjusted.
	88.1	Unauthorized purchase of motor vehicles.	1,510,516,588	1,510,516,588	Retrospective approval from Treasury to regularize the unauthorized expenditure is yet to be obtained.
	88.3	Payment made from Development Account to meet			Retrospective approval from Treasury to

		Supply vote expenditure.	1,879,130,332	1,879,130,332	regularize the unauthorized expenditure has not been obtained.
	91	Nugatory Expenditure	198,211,685	198,211,685	The amount should be treated as nugatory; the accounting officer is advised to declare the same.
	92.3	Unclaimed salaries not paid over to the treasury	2,083,300	2,083,300	Still outstanding
2003/2004		Outstanding Warrants of funds	136,638,072	136,638,072	Disbursements not supported by statements of expenditure.
		Outstanding Imprests	16,898,722	16,898,722	Not yet retired.
		Omission of direct to Projects Funds	201,451,780	201,451,780	Documentary evidence to substantiate the receipt and utilization of materials and equipment.
		Statement of arrears of Revenue	3,004,442,701	3,004,442,701	Not yet collected. Action to write off the revenue due not collected.
		Bank Reconciliation Statements: Payments in PMG's Account not in cash book. Special A/c	357,000	357,000	Not yet cleared
		Receipts in Cashbook not in PMG'S Account Supply vote Special Account	5,932,032 165,503,969.28	5,932,032 165,503,969.28	Not yet cleared Not yet cleared
		Revenue retention: Local Foreign (USD)	185,930 720	185,930,720	Not yet cleared Not yet cleared
		Receipts in PMG's Account not in cash book: Supply vote Special Account	5,264,352 102,023,638.83	5,264,352 102,023,638.83	Not yet cleared Not yet cleared
		Total value of unrepresented cheques: Supply Vote Special Account	3,139,431,101.52 174,452,763.87	3,139,431,101.52 174,452,763.87	Not yet cleared Not yet cleared
		Payment made from Deposit to meet supply vote expenditure.	17,434,332	17,434,332	Refund not made
		Variances in cash book balances	738,699,375	738,699,375	Not yet adjusted
		Apparent non-banking of collections	3,647,065,124	3,647,065,124	Accountability of the funds
		Payment made from Development A/c to meet Supply vote Expenditure	1,423,508,816	1,423,508,816	Retrospective approval from Treasury to regularize the unauthorized expenditure has not been obtained.
		Unauthorized purchase of motor vehicles			
		Total		61,161,407,159.50	

Implication

- Delay in clearing audit findings that are under the control of management may result in repetition of similar mistakes and lack of accountability on the part of Management.

Recommendation

Management should expedite clearance of outstanding queries and make a close follow-up on Court cases. In addition, the Accounting Officer's attention is drawn to the advantages of acting promptly on audit findings with a view to securing public accountability by arresting financial and accounting control deficiencies

3.2 Current Year's Audit Findings

3.2.1 Audit Queries

A test check of the accounts and related records for the year under review (2004/2005) resulted in the issue of 25 audit queries. In addition 9 queries relating to the previous financial year are still outstanding as at this report date as shown below:-

Financial year	Number of Queries Outstanding
2001/02	1
2002/03	3
2003/04	<u>5</u>
Total	<u>9</u>

Recommendation

Management should clear the outstanding queries.

3.2.2 Outstanding Imprests Shs. 20,022,524

The statement of supply vote account for the year ended 30th June, 2005 showed that a sum of Shs. 20,022,524 was outstanding in respect of safari imprests. The financial regulations stipulate that all imprests should be retired within fourteen days (14) after return from duty (safari) or accomplishment of the task for which the special imprests were issued. This requirement was not observed.

Recommendation

Management should ensure that the amount of Shs. 20,022,524 is retired or recovered from the people concerned.

3.2.3 Missing statement of expenditure Shs.11,305,837

The Appropriation Account reported outstanding Warrants of funds sent to upcountry stations through Sub-Treasury of Shs. 11,305,837 as at 30th June 2005 which were treated as expenditure in the Police Force

Account. However, no statements of expenditure were received from the regional offices to confirm whether the funds issued were correctly received at the stations and properly utilized.

Implication

- Funds may not have been spent and the reported expenditure overstated;
- Funds may have been spent on other activities not voted for.

Recommendation

The Management should obtain and submit statement of expenditure for the amount of Shs.11,305,837 for audit verification. In addition, such payments should not be debited to the expenditure code at the time of issue. Expenditure bookings should be made after payments i.e. after receiving expenditure statements.

3.2.4 Statement of Recurrent Revenue

• Short fall in Revenue Collection Shs.152,643,326

The statement of recurrent revenue as at 30th June 2005 submitted along with the Appropriation Accounts showed that a total sum of Shs.4,271,371,674 was collected as against the estimated provision of Shs. 4,424,015,000 resulting in a shortfall of Shs.152,643,326 (about 3.5%) of the approved estimates.

3.2.5 Statement of Arrears of Revenue Shs.2,738,076,979

The statement of Arrears of Recurrent Revenue as at 30th June 2005 showed an accrued revenue amount of Shs. 2,738,076,979 from an outstanding amount of Shs.2,798,444,213 and revenue collection/written off of Shs.60,367,234.

However audit examination of the revenue accounts and other related records revealed an omission from the statement of outstanding revenue amounting to Shs. 152,643,326. The total arrears of revenue, therefore should add up to Shs. 2,890,720,305 and not Shs. 2,738,076,979 as shown in the statement of arrears of revenue.

Implication

Non collection of arrears of revenue would deter implementation of other public activities or loss of public money.

Recommendation

Effective action is required to collect large outstanding arrears of revenue. Where revenue collection has proved impossible, write off action should be taken.

3.2.6 Notes to the annual Financial Statements Missing

Contrary to Treasury Guidelines (EB/AG/485/01/60 dated 11th July 2005)

The Police Force did not prepare and submit to me a statement of accounting policies applied and explanatory notes along with the annual accounts and statements for the year 2004/05 i.e.

- Whether financial statements have been prepared and presented based on the cash basis of accounting, and
- Whether they have applied Accounting policies consistently throughout the reporting period.

Recommendation

Management should ensure compliance with the Treasury Guidelines.

3.2.7 Outstanding items in the Bank Reconciliation Statements

The bank reconciliation statements as at 30th June 2005 for the Supply Vote, Revenue, Development and Special Accounts (Revenue Retention Collection Account), submitted along with the financial statements disclosed the following outstanding items some of which may have an effect on the correctness of financial statements:-

Description	Supply vote A/C No 11:2301	Development vote A/c No 12:2301	Special account A/c No: 6501000015	Revenue Retention Account A/c No 142301	
	(Shs.)	(Shs.)	(Shs.)	Local (Shs.)	Forex USD
Payments in PMG's Account not in cash Book	68,114,478.79	11,038,477.20	299,206,928.94	75,000.00	-
Receipts in cash book not in PMG's Account	3,523,467.00	-	150,382,632.00	-	1805
Receipts in PMG's account not in cash book	15,654,954.00	-	403,627,361.00	-	17,280
Total value of unpresented cheques	2,158,816,295.75	82,209,022.80	-	-	-

The up-dated bank reconciliation statements as at 31st December 2005 which could have taken into account bank transactions subsequent to the period ended 30th June 2005 were not compiled and submitted for audit verification.

Recommendation

Management should submit clearance evidence of the outstanding items for audit verification.

3.2.8 Unvouched and Improperly Vouched Expenditure Shs.1,469,253,799

The footnotes to the Appropriation Accounts did not show un-vouched and improperly vouched expenditure. However, a test check of the Supply Vote Account disclosed payments made of similar nature amounting to Shs.1,469,253,799.

Implication

The correctness and purposes for which the payments were made could not be ascertained.

Recommendation

The Management should ensure that payments are adequately supported, securely kept and also should submit the missing supporting documents for audit verification.

3.2.9 Statement of Assets and Liabilities

3.2.9.1 Analysis of Deposits Shs. 809,297,397

An itemized analysis of outstanding deposits was not submitted along with the appropriation accounts. As a result the correctness of the balance on the miscellaneous deposit account of Shs.809,297,397 as at 20th June 2005 made up by thirteen deposit accounts as shown below could not be confirmed.

Code No	Description	Amount (Shs.)
6930 DO 1001	Miscellaneous Deposits	245,992.132.15
6930 DO 1002	Deposit refugees (UNHCR	12,169,493.40
6930 DO 1010	Police Training	20,436,581.45
6930 DO 1011	Unclaimed Salaries	400,287,322.88
6930 DO 1013	Retention	6,131,019.65
6930 DO 1015	Operation Okoa Utalii	56,493.50
6930 DO 1017	Same Police Post contribution	106,875.00
6930 DO 1020	Recurrent Receipts	15,048,388.80
6930 DO 1021	Revenue Receipts	2,404,501.25
6930 DO 1027	Ujenzi Airport DSM	289,687.72
6930 DO 1029	Human Rights	24,423,978.80
6930 DO 1099	State cheque	81,830,922.01
6930 DO 6051	Police rewards & Fines Funds	81,830,922.01
	Total	809,297,396.61

Implication

- Laxity in proper deposit record keeping;

- The reported figure cannot be relied upon.

Recommendation

The Tanzania Police Force Management should submit the itemized statement of the deposit account for audit verification.

3.2.9.2 Un-reconciled balance differences

Variances were noted between some deposit balances as reported in the miscellaneous Deposit Account as at 30th June 2005 and the respective deposit closing balances in the deposit control register as follows:-

Code No	Description	Amount as per statement of assets and Liabilities (Shs.)	Amount as per deposit register (Shs.)	Variance (Shs.)
693ODO1001	Miscellaneous Deposits	245,992,132	266,120,109	(20,127,977)
693ODO1002	Deposit refugees UNHCR	12,169,493	11,499,493	670,000
693ODO1010	Police Training	20,436,581	242,424,261	(221,987,680)
693ODO1011	Unclaimed Salaries	400,287,323	399,746,579	540,744
693ODO1013	Retention	6,131,120	-	6,131,120
693ODO1015	Operation Okoa Utalii	56,494	-	56,494
693ODO1017	Same Police post contribution	106,875	-	106,875
693ODO1020	Recurrent Receipts	15,048,389	15,160,389	(112,000)
693ODO1021	Revenue Receipts	2,404,501	2,359,496	45,005
693ODO1027	Ujenzi Airport DSM	289,688	-	289,688
693ODO1099	State Cheques	24,423,979	24,944,763	520,784
693ODO6051	Police rewards & Fines Funds	81,830,922	28,395,607	53,535,315

There is no evidence showing that the deposit register was being reconciled with the Treasury (CPO) disbursement report (Ledger account balances) to enable corrective action to be taken on the discrepancies in time.

Implication

- Having variances between the two reports makes the correctness of the reported balances doubtful.
- The correctness of the reported closing balance figure could not be ascertained.

Recommendation

Management should forward the reconciliation evidence for our

verification.

3.2.9.3 Stale cheques Shs.24,423,979

The statement of assets and liabilities as at 30th June 2005 showed stale cheques amounting to Shs. 24,423,979. The respective detailed analysis schedules showing payees, cheque numbers and dates to facilitate their clearance upon refund claims or subsequent transfer to the Treasury as miscellaneous revenue were not made available.

Implication

The correctness of the reflected amounts cannot be ascertained.

Recommendation

The Management should submit the detailed analysis schedules of stale cheques for audit verification.

3.2.9.4 Unpaid Salaries Shs. 400,287,323

The statement of assets and liabilities submitted as at 30th June, 2005 showed Shs. 400,287,323 as unpaid salaries of the Police Force employees who were not supported by names to facilitate audit verification. The amount was not supported by a list of officers to facilitate verification on the authenticity of the unclaimed salaries and subsequent transfer of the balances to the Treasury.

Implication

Non refund of the unpaid salaries is against financial regulations which require unpaid salaries to be refunded to the Treasury timely.

Recommendation

Management should submit a list of names in support and also confirm transfer of the amount to the Treasury.

3.2.10 Variances in cash book balances

We noted differences in the adopted supply account cash book balances as at 30th June 2005 as follows:

S/No	Description	Amount (Shs.)
(i)	Cash book balance as per statement of vote account	434,653,959.00
(ii)	Cash balance adopted for Bank Reconciliation	454,676,546.00
(iii)	Cash book balance as per cash book report	80,472,416.59

Under sound accounting practice, the three cash book balances should be the same

Implication

Different cash book balances adopted may have an impact in the correctness of the submitted accounts.

Recommendation

The Management should reconcile the cash book differences and furnish details thereon.

3.2.11 Variance in the Statement of Miscellaneous Deposit account as at 30th June 2005 and Central Payment System (CPS) records Shs.696,914,895.

The cash book balance as at 30th June 2005 reflected in the Central Payment System (CPS) records varied with the statement of Miscellaneous Deposit Account as follows:-

Item	Amount as per Accounts (Shs.)	Amount as per (CPS) (Shs.)	Variance (Shs.)
Cash balances	809,297,396.61	1,506,212,291.15	696,914,895.00

Implication

The variance of Shs.696,914,895 has an impact on the correctness of the statement.

Recommendation

The variance of Shs. 696,914,895 between the Central Payment System (CPS) and the statement of miscellaneous deposit account need to be explained and cleared as they affect the account.

3.2.12 Un-produced bank statements of deposit account Shs. 806,084,343

Audit examination of the miscellaneous deposit account for the year ended 30th June 2005 revealed banked cash deposits amounting to Shs.806,084,343. However, we could not verify banking of the amounts as the relevant bank statements were not made available for audit verification as were said to be kept by the Treasury through the Central payments Office (CPO).

Code No	Description	Amount (Shs.)
693ODO1001	Miscellaneous Deposits	302,869,222.82
693ODO1002	Deposit refugees (UNHCR)	13,075,000.00
693ODO1010	Police Training	304,490,000.00
693ODO1011	Unclaimed Salaries	177,739,245.00

693OD01020	Recurrent Receipts	7,835,870.00
693OD01021	Revenue receipts	75,005.00
	Total	806,084,342.82

Implication

- The correctness of the banking made could not be confirmed;
- Non reconciliation of the amounts banked;
- Incomplete record keeping.

Recommendation

We recommended that the relevant bank statements be submitted for audit verification.

3.2.13 Payments made on the strength of Proforma Invoices

Shs.305,737,737

Payments amounting to Shs. 305,737,737 as shown below were effected on the strength of proforma invoices basis, meaning that such payments were effected prior to delivery of goods and/or services. This practice exposes the Police Force to risk of misappropriation of funds. Proforma invoices are meant for quotation purpose only, they do not create an obligation for payments

Account	Amount (Shs.)
Supply	655,856.00
Development	303,258,979.79
Deposit	<u>1,822,900.90</u>
Total	<u>305,737,736.69</u>

Three audit queries seeking confirmation of receipt and accountability of goods and services bought remain un-replied as at the time of drafting this report.

Implication

- Non supply of the goods or services paid for
- Inadequate follow-up of payments made in advance.

Recommendation

Payments made in advance based on proforma invoices should be avoided as they may result in non delivery of goods and services. In addition original invoices and delivery notes should be submitted to confirm delivery of the goods and services prepaid and stores ledgers folio references should also be endorsed on replies.

3.2.14 Stores not taken on Stores Ledger Charge Shs.949,027,588

Stores purchased worth Shs. 949,027,588 were not confirmed as having

been received and taken on ledger charge. It was therefore not possible to ascertain whether the stores were delivered and properly utilized.

Implication

Non recording of stores in the stores ledger might lead to loss and misplacement of the purchased items.

Recommendation

The Police Force Management should ensure that the stores valued at Shs. 949,027,588 have been received and taken on ledger charge.

3.2.15 Acquisition of Motor Vehicles not properly accounted for Shs.5,225,600,000

PV No	Cheque No	Amount (Shs.)	Account
28VC 4014912	958413/06	670,500,000	Development
28VC 4014917	958414/06	399,500,000	Development
28VC 4014918	958415/06	250,000,000	Development
28VC 4014921	958416/06	41,000,000	Development
	025950/06	644,100,000	Recurrent
	025951/06	644,100,000	Recurrent
	025952/06	644,100,000	Recurrent
	025953/06	644,100,000	Recurrent
	025954/06	644,100,000	Recurrent
	025955/06	644,100,000	Recurrent
	Total	5,225,600,000	

A sum of Shs. 5,225,600,000 was expended, being part payment of Shs. 10,639,303,960 for acquisition of 215 single cabin 4WD Pick up vehicles during the year 2004/2005.

However, it was not confirmed whether the motor vehicles purchased were properly accounted for as no ledger folio references were quoted on the payment vouchers contrary to the Public finance Regulations 263-278.

Implication

Non-recording of stores in the stores ledger might lead to loss and misplacement of the purchased items.

Recommendation

The Police Force should ensure that the vehicles valued at Shs.5,225,600,000 have been received and taken on ledger charge and to submit the allocation of the vehicles.

3.2.16 Missing Signed Pay lists Shs.19,084,056

It was noted that original signed pay lists relating to payment of

allowances to the Tanzania Police Force employees amounting to Shs.19,084,056 were not made available to support the expenditure.

Implication

The propriety of the expenditure for which the payments were made could not be ascertained.

Recommendation

The signed pay lists should be submitted for audit verification.

3.2.17 Payments made from Deposit Account without authority

Shs. 24,895,000

Payments amounting to Shs.24,895,000 were effected from Miscellaneous Deposit Account without quoting the receipts on which the funds were received as authority for such payments. The following is the list of payment vouchers involved.

PV No	Cheque No	Amount (Shs.)
28VC 4006404/11/04	409741	15,000,000
28VC 4009975/2/05	413512	3,830,000
28VC 4011763/4/05	416505	100,000
28VC 4011764/4/05	416503	100,000
28VC 4011765/4/05	416507	165,000
28VC 4011516/4/05	416508	120,000
28VC 4011990/4/05	416869	100,000
28VC 400997/2/05	413509	<u>5,480,000</u>
	Total	<u>24,895,000</u>

Immediate action toward identification of the receipts on which the funds were received as well as maintenance of a proper Deposit Register is called for.

Implication

May lead to overdraw other deposit items

Recommendation

Management should quote source/receipts against which the funds were received for audit verification.

3.2.18 Un-receipted Payments Shs.150,981,206

A test check of the receipts received as acknowledgement of payments made to third parties disclosed amounts totaling Shs.150,981,206 paid for procurement of services which were not produced when called for.

Implication

In the absence of acknowledgement receipts, the amount paid could not

be confirmed as having been received by the bonafide payees.

Recommendation

The Police Force should ensure that all supporting acknowledgement receipts are submitted for audit verification.

3.2.19 Losses of cash and Stores Shs. 2,917,920,181

The footnotes to the appropriation accounts reflected total Losses of cash and stores amounting to Shs. 2,917,920,181 as at 30th June 2005. No action was taken to finalize them.

Implication

Weak internal control over losses.

Recommendation

- The Management should make follow up to ensure that losses are early finalized.
- In addition, the Management should take necessary measures to strengthen internal control system to minimize the occurrence of Losses.

3.2.20 Outstanding Liabilities Shs.15,389,791,898

The Police Force recorded outstanding bills of Shs.15,389,891,898 as at 30th June 2005 which upon payment will affect the financial position of vote 28 for the subsequent budget of 2006/07. In addition, the amount of the unpaid debts was not supported by an analysis showing the names of debtors, amount owing and particulars of invoices/bills.

Implication

- Upon payment may adversely affect the financial position of the coming budget of 2006/07;
- Spending without regard to the approved budget by the Parliament;
- Debtors may sue the Government due to payment delays;
- Non adherence to financial regulations.

Recommendation

The Police Force Management should ensure that the analysis schedules are available for audit verification, ensure control on public funds, compliance to financial Regulation and early clearance of these huge creditors.

**3.2.21 Police Rewards and Fines Fund
Outstanding Loans Shs. 39,000,000**

The statement of outstanding loans indicated that a sum of Shs. 500,000 as recovered during the year under review against an amount of Shs.39,500,000 which was outstanding from previous year, closing with an outstanding amount of Shs.39,000,000 as at 30th June 2005.

Implication

Lack of proper control over loans may result in non-recovery of loans.

Recommendation

The Management should exert more efforts to recover the outstanding loans.

3.2.22 Fixed Asset Accounting and Recording

The statement of fixed assets prepared by the Police Force for the financial year ended 30th June 2005 did not have a summary showing the value of all fixed assets coded/marked for identification and control purpose. We could not therefore ascertain the values of all assets in the schedules submitted along with the final accounts.

Recommendation

It is recommended that an assessment be made relating to current values of all fixed assets.

3.2.23 Matters arising from Local Audit Inspections

Audit inspection carried out at Regional and District Police Offices disclosed the following:-

(i) Unconfirmed receipt of remittances to the Police head Office Shs.13,126,121.

Remittances amounting to Shs.13,126,121 from up-country stations listed below were not acknowledged to have been received and brought to account by the Police Headquarters:-

S/no	Station	Management Letter	Amount (Shs.)
1.	RPC, Shinyanga	ES.66/69/171	9,699,805.00
2.	District Police Commander, Babati	AS. 19/68	<u>3,426,316.35</u>
		Total	<u>13,126,121.35</u>

Implication

Retention revenue account was understated by the same amount and the utilization of the amount collected could not be established.

Recommendation

Revenue collected should be acknowledged by the Police Force

Management.

(ii) Regional Police Commander, Singida Stores not taken on ledger charge Shs. 5,117,520.

Various stores bought amounting to Shs. 5,117,520 could not be verified have been received and taken on ledger charge. It was, therefore not possible to ascertain whether the stores were delivered and properly utilized.

Implication

Non recording of stores in the stores ledger might lead to loss and misplacement of the purchased items.

Recommendation

The Police Force Management should ensure that the stores amounting to Shs. 5,117,520 have been received and taken on ledger charge.

(iii) District Police, Babati

• Detached leaves from ERV Books

It was noted in the course of audit that the originals and all copies of ERV receipts were detached (removed) from the books and were not produced to audit for verification as shown below:-

ERV Book No	ERV Leaves detached	Quantity
17324801-17325000	17324840	1
152711401-15271600	15271417-420	4
11830801-1183000	11830867-868	2
06585601-0658580	06585733	1
	06585735-764	30
	06585773-776	4
	06585781-800	20
09565601-09565800	09565877-881	5
06585801-06586000	06585809	1
	06585811	1
	06585816-824	9
	06585829-843	15
	06585840-884	40
	06585942-987	46
02502001-0250220	02502093	1
700601-700800	700601-604	5
	700765-768	4
	700773-800	28
	Total of detached Leaves	217

The possibility of some of the proceeds collected on the above ERVs and

realized by the collector as personal gain could not be ruled out.

Implication

- Weak control over accountable documents;
- Loss of government Revenue;
- Misappropriation of cash.

Recommendation

The Management should forward accounting particulars of the collected amounts along with the missing ERV books for audit verification.

- **Suspected misappropriation of revenue Shs. 6,955,365.25**

It was noted at the time of audit inspection that revenue collected between 16th October 1998 and 29th November 2001 inclusive, totaling Shs.6,955,365.25 would appear to have been misappropriated as the revenue clerk absconded on 05/12/2001.

Implication

Suspected misappropriation of revenue Shs. 6,955,365.25

Recommendation

Management should submit action taken on the matter.

- **Exhibits Store**

It was noted that the exhibits and unclaimed properties found in the store were not arranged properly.

Implication

The existence of exhibits and unclaimed properties could not be verified and their correctness confirmed.

Recommendation

Management should ensure that the room is kept clean and exhibit items be properly arranged in a proper manner for effective monitoring and identification.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of Police Force during exit meeting. Management of the Ministry has promised to take appropriate action with a view to rectify the situation. We will appreciate to receive formally the action taken in this respect.

Lastly, I would like to express my appreciation for 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 Mhilu
Ag CONTROLLER AND AUDITOR GENERAL

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**STATEMENT OF THE RESPONSIBILITY ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2005**