

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF THE PRESIDENT'S OFFICE
AND CABINET SECRETARIAT
(VOTE 30)**

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

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January, 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 ensuring that ministries, departments, agencies, and public authorities are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of Public;
- providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit circles; and
- Providing audit staff with adequate working tools and facilities that promote independence;

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Financial statements, Accounting Policies and Notes to the Financial Statements

Abbreviations

Financial Statements means the following statements notes and supporting schedules of the Cabinet Secretariat for the year ended 30th June, 2005

- Responsibility for the Financial Statement
- Statement of Vote Account - Supply
- Cash flow statement - Recurrent Development and Deposit
- Cash flow Statement - Recurrent
- Cash flow Statement - Development
- Cash flow Statement - Deposit
- Statement of Revenue

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
CS - Cabinet Secretariat
GGCU - Good Governance Coordination Unit
G.N. - Government Notice
INTOSAI - International Organization of Supreme Audit Institutions
ISA - International Standards on Auditing
PMG - Paymaster General
PO - Private Office
SHS - State House Services

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have completed the audit of the financial statements of the President's Office and Cabinet Secretariat for the year ended 30th June, 2005. Audit findings arising from examination of accounting records appraisal of the Cabinet Secretariat activities as well as 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 the Client establishment

The Office of the President and Cabinet Secretariat was established under Government Notice No. 467 published on 1st December, 2000, within a special supplement, No. 4. This supplement provides a list of responsibilities for the President's Office. In general these are:-

- Overseeing Cabinet Affairs.
- Good governance matters, such as prevention of corruption, Monitoring Public leaders' ethics and abuse of power, accountability and transparency, coordinating state organisations, prevention of corruption and ethics, strengthening of legal regime and inter - facing the government and the Civil Society.
- Focus on laying down a strong foundation for the country in key areas, including Industry, Education, Health, Agriculture, and Foreign Affairs, which involve the formulation of different policies.

1.3 Operational Objectives of the President's Office and Cabinet Secretariat

The main objectives intended both short term and strategic plan of this office are:-

- To promote effective and efficient government decision making at cabinet level.
- To provide quality advice to the President and the Cabinet on policy matters.
- To move effectively monitor and evaluate the implementation of Cabinet decisions and Presidential directives.
- To promote good governance
- To recruit and retain outstanding staff
- To ensure a conducive working environment and improve State House organizational Capacity.
- To maintain State House and State Lodges - infrastructure.
- To improve service and reduce HIV/AIDS infection

These objectives are measurable, meaningful, and focused on major responsibilities.

1.4 Financing

The Office of the President and Cabinet Secretariat is financed entirely by the government of Tanzania and was allocated Shs. 69,488,119,900.00 and Shs. 36,832,672,100 as recurrent and development budget under Vote 30 respectively.

1.5 Management Structure

The President's Office and Cabinet Secretariat is headed by the Chief Secretary who is also the head of the public Service and Secretary to the Cabinet. The Permanent Secretary of the State House is the Accounting Officer. The following departments and units exist within the State House:-

Departments.

- State House Services (SHS)
- Private Office (PO)
- Cabinet Secretariat (CS)
- Communications Department (CD)

Units

- Finance and Accounting
- Internal Audit
- Good Governance Coordination (GGCU)

1.6 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 entities, including the President and Cabinet Secretariat.

1.7 Audit Scope

The audit of the President's Office and Cabinet Secretariat for the period ended 30th June, 2005 was carried out in accordance with ISA. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the President's Office and Cabinet Secretariat, examination and verification of the accompanying financial statements 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 such that we would have a reasonable expectation of detecting materials 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 President's Office and Cabinet Secretariat Management who are responsible for setting up and maintaining an effective system of internal control.

1.8 Audit Objectives

The main objectives of conducting the audit is to enable me to express a professional opinion on the financial statements of the President's Office and Cabinet Secretariat for the period ended 30th June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of account to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Act.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses as per approved budget and regulations governing government expenditure.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Office of the President and Cabinet Secretariat activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the Public Procurement Act of 2004.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring activities and that the assets of the office are adequately safeguarded against loss from unauthorized use or disposition.
- To determine whether the Management of the Office of the President and Cabinet Secretariat has taken adequate corrective action on the previous years audit recommendations.

1.9 Audit Methodology

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

- Review of legal documents
- Examination of receipts and disbursements and payment records.
- A review of the internal control structure
- Review of financial statements and progress reports.
- Compliance tests
- Interviews and discussions
- Site visits.

1.10 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 comprise 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 Permanent Secretary,
President's Office and Cabinet Secretariat
Accounting Officer of Vote 30**

Re: Audit Report on the Financial Statements of the President's Office and Cabinet Secretariat for the year ended 30th June, 2005.

I have audited the financial statements of The President's Office and Cabinet Secretariat for the year ended 30th June, 2005.

Responsibilities of the Accounting Officer

Section 25(4) of the Act places responsibility to the Accounting Officer to prepare the financial statement based on 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 President's Office and Cabinet Secretariat.

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 State House 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 State House.

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 President's Office and Cabinet Secretariat 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 The President's Office and Cabinet Secretariat (Vote 30) 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 Regulations 53. Under the cash basis, cash receipts are recognised when they are received and cash payments are recognised when they are paid.

Opinion

In my opinion, the financial statements of the President's Office and Cabinet Secretariat comply with the generally accepted accounting standards; and 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 30th 2005, and the financial position as at the date.

Further to my opinion, the procurement of office equipments, motor vehicles and related services, rehabilitation of buildings, maintenance of physical infrastructures and technical equipments was generally done in accordance with the Public Procurement Act No. 21 of 2004.

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

National Audit Office,
Dar es Salaam

January, 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Status of the previous year's audit recommendations

Matters raised in the previous year's management letter were promptly dealt with and no matters are still outstanding.

3.2 Current Audit findings

Statement of Vote Account

3.2.1 Supply

The financial performance of the recurrent vote indicates that, expenditure during the year amounted to Tshs.69,445,645,527 as compared to the previous figure of Tshs. 49,293,815,331 equal to 40% increase. Total net approved estimates during year amounted to Tshs. 69,488,119,900 and the issues received during and in respect of the current financial year were Tsh.69,453,174,616 where by out of unspent balance of Tshs. 42,474,372 an amount of Tshs.34,945,284 reflects as not to have been released by the Treasury resulting to a saving of Tshs. 7,529,088 being cash with PMG's Vote Account. The financial performance of the recurrent vote account also suggest that, the average vote performance level reached 99.94% of the vote activities. This shows the vote activities reached a satisfactory performance levels.

3.2.2 Development

The financial performance of the development vote account indicates net expenditure of Tsh. 14,103,482,516 over the net approved estimates of Tsh. 36,832,672,100 as compared to the previous expenditure of Tsh. 27,430,887,963 or 94.5% decrease. However, as the issues received during and in respect of the current financial year was Tsh. 14,103,482,516 an unspent balance of Tshs. 22,729,189,584 reflects an amount that Donors has so far not yet released. The financial performance level of the development expenditure reached 38.3% of the Vote activities. Therefore the implementation of the vote activities require some improvement.

Audit Recommendation

Efforts should be exerted to ensure that Donors release funds so that the activities could be fully implemented to reach satisfactory performance levels.

3.2.3 Statement of Fixed Assets

Statement of Fixed Assets forms part of the financial statements submitted for audit examination. Review of the statement revealed that the supporting data were inadequate to confirm the following:

Cost price,
Year of purchase
Location
Source of Fund

Absence of the above data complicated audit verification exercise.

Implication

Non maintenance of the complete and correct fixed assets register may lead to loss of public properties.

Audit Recommendation

I recommend that, efforts should be made to have complete and correct Fixed Asset Register in place.

3.2.4 Unpresented Cheques Tsh. 8,470,546.53

During the year under review we have noted the existence of unpresented cheques amounting to Tsh. 8,470,546.53 reflected in the bank reconciliation statement as at 30th June, 2005.

Implication

Non clearance may possibly cover fraudulent acts.

Audit Recommendation

The management should clear the unpresented cheques from the Bank Reconciliation Statement.

3.2.5 Unreconciled differences

The Statement of vote account disclose net expenditure of Shs.69,445,645,527 for the year under review while the summary statement of performance show actual expenditure of Shs. 66,809,980,554 leaving unreconciled differences of Shs.2,637,664,973.

Implication

Incorrect amounts may be carried forward to the books of account for the next financial year.

Audit Recommendation

The noted difference should be reconciled and the statements adjusted accordingly.

4.0 CONCLUSION

The audit findings presented above have been communicated to the Management of Presidents Office and Cabinet Secretariat Office Management. They have 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.

F.M.H. Mhilu
Ag. CONTROLLER AND AUDITOR GENERAL

Copy to:- The Permanent Secretary,
Ministry of Finance,
P.O. Box 9111,
DAR ES SALAAM

January, 2006