

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE VICE  
PRESIDENT'S OFFICE  
VOTE 31**

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

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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.

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## Definitions 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.

- Responsibilities for the financial statements
- Statement of Vote Account-Recurrent
- Statement of Vote Account-Development
- Cash Flow Statement for Recurrent Account
- Cash Flow Statement for Development Account
- Cash Flow Statement for Deposit Account
- Summary Statement of Revenue
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of Assets and Liabilities
- Statement of Composition of Fund
- 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
PMG	Pay Master General
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 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 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 organization.

### 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.
- Environment Policy formulation, Management and Coordination of its implementation.

### 1.4 Financing

The Vice President's Office as any other government Department receives funds from Treasury. During the year under review, Shs 37,375,394,820 were received for the operation of the office as detailed below:-

Recurrent.....	Tshs	25,533,986,328
Development.....	Tshs	<u>11,841,408,492</u>
<b>Total</b>	<b>Tshs</b>	<b><u>37,375,394,820</u></b>

### 1.5 Management structure

Management and Administration of VPO is as hereunder explained  
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

A detailed organization structure of the Vice President's Office is as deduced below:

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

Eradication and Environment Divisions 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 on day to day basis business on strengthening the system of internal control over the financial management of Vice President's Office.

#### **1.7 Financial Performance**

##### **Supply Vote Account**

The statement of Vote Account submitted along with annual accounts disclosed that the year's out - turn on Supply Vote was a net expenditure of Shs. 25,532,569,538 against net approved estimate of Shs.25,643,091,700 resulting to saving of Shs. 110,522,161.84 or 0.43% of the approved budget. However, exchequer issues received during the financial year totaled Shs. 25,533,986,328 resulting to a cash balance of Shs. 1,416,789.84 with the PMG's account with the Bank of Tanzania (BOT).

##### **Development Vote Account**

The development vote account closed with an apparent saving of Shs.3,261,801,108.79 arising from a net expenditure of Shs.11,841,408,291.21 against the approved estimates of Shs.15,103,209,400. However, the actual exchequer issues received during the year totalled shs. 11,841,408,492 thereby resulting in cash balance of shs. 200.79 with PMG's account at the Bank of Tanzania (BOT).

#### **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) 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 the audit was to enable the Controller and Auditor General to express a professional opinion on the financial statements of the Ministry of Finance for the period ended 30<sup>th</sup> June, 2005 and in particular:

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of the

accounts to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the VPO conditions.

- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and regulations governing the government expenditure.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the VPO activities.
- To perform compliance tests to determine whether the VPO management complied in all material respects with the Integrated Financial Management System Accounting Procedures Manual and Finance Act No.6 of 2001.
- 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 VPO are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the management of the VPO has taken adequate corrective action on the previous years audit recommendations.

#### **1.10 Audit scope**

The audit was carried out in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. The audit covered evaluation of effective Of Internal Control 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 of 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 required for the purpose of the 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 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 Control.

#### **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 action.
- Interview and discussion.

#### **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 31  
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 1 for the year ended 30<sup>th</sup> June 2005.

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

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

In addition, Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the 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 31) 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 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> June, 2005, and the financial position as at the date.

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

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

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

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

#### **3.1 Follow up of previous year's Audit findings**

All previous year's findings have been settled with the management of the VPO and all audit queries were cleared.

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

##### **3.2.1 Audit Queries and Management letter**

A test check of the accounts and related records for the year 2004/05 resulted in ten audit queries, and one management letter being issued, the more significant of which are referred in this report. As at December, 2005 none of the issued queries had been replied.

### **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 Mosses Hiza Mhilu  
**Ag: CONTROLLER AND AUDITOR GENERAL**

Copy to: Permanent 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 ANNEXURES**

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

## Un-receipted Subvention Shs. 14,419,617,207

PV.NO	CHEQUE NO		PAYEE	AMOUNT (SHS)
4000010	003393661 20/7/2004	of	Deputy Director Domestic Banking(BOT)	998,166,700
4000130	00400690 19/8/2004	of	-''-	760,000,000
4000781	00434707 16/11/2004	of	-''-	2,224,000,000
4000922	0044116 1/12/2004	of	-''-	500,000,000
400602	00426423 28/10/2004	of	-''-	1,600,000,000
4001551	00472028 18/2/2004	of	-''-	760,000,000
4001725	00483680 21/3/2005	of	-''-	1,715,000,000
4002013	0049168 27/4/2005	of	-''-	1,838,748,800
4002069	00499040 4/5/2005	of	-''-	1,787,251,200
4002930	00535357 28/6/2005	of	-''-	2,012.748.800
4000014	039410 of 27/7/2005		MEMC	26,336,150
4000229	00405491 2/9/2004	of	-''-	16,354,460
4000352	00412758 21/9/2004	of	-''-	28.655.891
4000809	00437372 23/11/2004	of	-''-	16,354,460
4001553	00472031 21/2/2005	of	-''-	32,539,965
4001625	00477290 3/3/2005	of	-''-	16,354,460
4001831	00491407		-''-	16,354,460
4001717	0481496 16/3/2005	of	-''-	32,530,965
4001973	00494968 19/4/2005	of	-''-	32,530,965
4000099	00501131 6/5/2005	of	-''-	16,354,460

4002519	00522416 15/6/2005	of	-''-	18,000,000
4002861	00532500 23/6/2005	of	-''-	32,530,965
4002428	00515700 8/6/2005	of	-''-	32,709,282
Total				14,419,617,207

## ANNEX 'B'

PV.NO	CHEQUE NO	DATE	AMOUNT	PAYEE
4000607	004127500	26/10/2004	384,500	Issa Nilai
4000971	00441094	1/12/2004	192,000	Sylvester Joram
4000148	00402489	24/8/2004	154,000	A.D. Mtuhi
4000049	00396335	5/8/2004	858,000	Ally Mangube
4000007	-	-	210,000	Swalehe Omary
4000004	00393541	13/4/2004	1,060,000	Mtumwa Mnyaman
4000003	00393542	13/7/2004	3,270,000	P's VPO
4001947	00492636	12/4/2005	633,500	Ernest Malugu
4001802	00486813	30/3/2005	1,300,000	Sylvester Joram
4002004	00496534	25/4/2005	616,000	A.D. Mruhi
4001559	00472026	21/2/2005	1,034,000	Allly.S. Mangube
Total			9,712,000	