

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE ETHICS SECRETARIAT**

**VOTE 33**

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

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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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### **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.

A/C	Account
Act	Means Public Finance Act No.6 of 2001 as amended in 2004
CAG	Controller and Auditor General
CPO	Central Payment Office
GN	Government Notice
ISA	International Standard on Auditing
INTOSAI	International Organization of Supreme Audit Institutions
PAC	Public Accounts Committee

## **1.0 BACK GROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

We have completed the audit of the President's Office Ethics Secretariat for the year ended 30<sup>th</sup> June, 2005. Audit findings arising from examination of accounting records appraisal of the Ethics Secretariat 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 letter.

### **1.2 Establishment of the Ministry**

The Ethics Secretariat is a Government Department under the President's Office and was established under Article 132 of the constitution of the United Republic of Tanzania. The main function of the Secretariat is to ensure that Public leaders uphold the highest ethical standards in the discharge of their official duties.

### **1.3 Operational Objectives**

The main objective of the Ethics Secretariat intended both short term and strategic plan are:-

- To ensure popularisation of the Public leadership Code of Ethics, development of specific Code of Public leaders and collaboration with a similar agenda.
- To ensure the conduct of Public leaders is an openly and widely discussed issues.
- To support the expectation of the citizens for Ethical conducts by Public leaders.
- To ensure Public and Political leaders follow the declaration and submission guidelines of the Secretariat.
- To ensure that employees of the secretariat are resourceful and knowledgeable to provide effective and efficient implementation of the Public leadership code of Ethics.

### **1.4 Financing**

The Secretariat is financed entirely by the Government of Tanzania and was allocated Tshs. 687,884,900 as recurrent expenditure for the financial year 2004/2005.

### **1.5 Management Structure**

The Ethics Secretariat is headed by the Commissioner who is also the Accounting Officer.

### **1.6 Statement of Vote Account - Recurrent**

The financial performance of the recurrent vote account indicates that the net expenditure during the year amounted to TShs. 684,016,768.79 as compared to the previous year's expenditure of TShs.489,108,106.15 equal to 40% increase. Total net approved estimates during the year amounted to TShs.687,884,900 and the issues received during the current financial year were TShs.

687,465,566 whereby out of unspent balance of TShs.3,868,131.21 an amount of TShs.419,334 have not been released by the Treasury resulting to a saving of TShs.3,448,797.21 being cash with Pay Master General's Vote account. The financial performance of the recurrent vote account reached 99.43% of the vote activities which is satisfactory.

### **Recommendation**

The Ethics Secretariat management is advised to keep up implementation of the budgeted vote activities.

#### **1.7 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 this office of the Ethics Secretariat.

#### **1.8 Audit Objectives**

The main objectives of conducting the audit is to enable controller and Auditor General to express a professional opinion on the financial statements of the President's Office Ethics Secretariat 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 account to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Government Financial legislation.
- To determine whether funds have been used properly and 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 all the Ethics Secretariat activities.
- To verify whether goods and service bought were acquired through laid down procurement procedures and the government public procurement Act of 2001.
- To perform compliance tests to determine whether the management complied in all material respects with the internal control procedures.
- 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 safe guarded against losses from an authorized use or disposition.

- To determine whether the management of the Ethics Secretariat Office has taken adequate corrective action on the previous years audit recommendations.

### **1.8 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 Commercial Court 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 Court who are responsible for setting up and maintaining an adequate system of internal control.

### **1.9 Audit Methodology**

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

- All audit steps followed by the auditee for gathering informations such as:-
- Review of legal documents
- Examination of receipts and payment records
- Review of internal control structure
- Review of financial statements
- Compliance tests.
- Interviews and discussions.

### **1.10 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 Hon. Judge Ihema  
Accounting Officer of Vote 33  
Ethics Secretariat

**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 Ethics Secretariat 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 Ethics Secretariat.

### **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 Ethics Secretariat.

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 Ethics Secretariat 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.

### **Opinion**

In my opinion, the financial statements of the Office of the Ethics Secretariat (Vote 33) 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.

Further to my opinion, 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.

Dr. Frank Mosses Hiza Mhilu

**Ag: CONTROLLER AND AUDITOR GENERAL**

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National Audit Office,

Dar es Salaam

**February, 2006**

### **3.0 AUDIT FINDINGS AND RECOMMENDATION**

#### **3.1 Status of the Previous year**

All matters raised and reported in the previous Management letter were replied and settled.

#### **3.2 Physical Performance**

A review of the recurrent vote activities, records and transactions for the period of the financial year ended 30<sup>th</sup> June, 2005 revealed a satisfactory physical implementation status as follows:-

#### **3.3 Management of Stores**

Audit verified procurement procedures followed by the secretariat for purchase and installation of information technology, office equipments, furnitures and vehicles satisfactory. However, it could not be confirmed whether the furnitures for Zonal Offices were received and installed.

#### **Implication**

In absence of acknowledgement receipt, we could not authenticate the receipt of the furniture's sent to Zonal Offices.

#### **Recommendation**

The management should confirm the receipts of the furniture sent to Zonal Offices.

### **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the Ethics Secretariat during exit meeting. Management of the Ethics Secretariat 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 Mosses Hiza Mhilu

**Ag: CONTROLLER AND AUDITOR GENERAL**

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“ Permanent Secretary and Paymaster General,  
Ministry of Finance,  
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**5.0 Annexure 1**  
Financial Statements, Accounting policies and notes to the financial statements.