

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE MINISTRY OF  
FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION  
VOTE 34**

**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 Ministry of Foreign Affairs and International Cooperation for the year ended 30<sup>th</sup> June,2005.

- Statement of Responsibility for the Financial Statements
- Notes to the Financial Statements
- Statement of Vote Account - Recurrent (Balance Sheet)
- Cash flow Statement - Deposit
- Cash Flow Statement for Recurrent Account
- Summary Statement of Revenue
- Statement of Arrears of Revenue
- Summary Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund

These Statements are attached as annexure No.2 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

|         |   |
|---------|---|
| AR      | Audit Report  |
| BOT     | Bank of Tanzania  |
| ERV     | Exchequer Receipt Voucher                                 |
| IAS     | International Accounting Standards                        |
| IFMS    | Integrated Financial Management System                    |
| INTOSAI | International Organisation of Supreme Audit Institutions  |
| IPSAS   | International Public Sector Accounting Standards          |
| ISA     | International Standards on Auditing                       |
| MOFAC   | Ministry of Foreign Affairs and International Cooperation |
| MTB     | Ministerial Tender Board                                  |
| NAO     | National Audit Office                                     |
| PMG     | Paymaster General   |
| URT     | United Republic of Tanzania                               |

## **BACKGROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

We have completed the audit of the Ministry of Foreign Affairs and International Cooperation for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, appraisal of the MOFAIC activities as well as an evaluation of the Internal Control System which require management attention and action are set out under Part 3 of this report.

### **1.2 Brief history of the client establishment**

The Ministry of Foreign Affairs and International Co-operation was established under Article 55 (i) of the Constitution of the United Republic of Tanzania, 1977 which empowers the President to establish such offices of Minister in the Government of the United Republic of Tanzania.

In addition the President through a special Instrument No.4 of 1<sup>st</sup> December 2000 to the Government Gazette No.48 Vol.81 dated December 2000 and Government Notice No.467 and 468 published on 1<sup>st</sup> December 2000, established among others, the Office of the Minister of Foreign Affairs and International Cooperation.

#### **Vision**

The vision of the Ministry is to conduct an active diplomacy which will generate economic activity and facilitate Tanzania's rapid transformation and development.

#### **Mission**

The Mission of the ministry is to become an effective promoter of Tanzania's economic and other interests abroad.

### **1.3 Operational objectives**

The main Objectives of the Ministry are:-

- To project, promote and protect United Republic of Tanzania's (URT) political Economic, social and Cultural interests through active and sustainable economic diplomacy.
- To ensure that URT's relations with other nations and international entities are also driven inline with economic interests.
- To build a self-sustaining economy, preservation of national peace and security as well as supporting regional and international endeavour for the creation of a better and peaceful world.
- To create the necessary conditions which shall enable URT to participate effectively in the regional and global economies and international negotiations.
- To accelerate the political and social economic integration for the region.

#### 1.4 Financing

The Ministry receives funds from Treasury. During the financial year 2004/2005, the Ministry received a total sum of Shs. 59,900,432,541 in form of exchequer issues and Shs. 3,262,680,640 from revenue collected in various overseas missions.

#### 1.5 Management structure

The Ministry of Foreign affairs and International Cooperation is under the Minister who is assisted by the Deputy Minister. The day to day activities are coordinated by the Permanent Secretary who is also the Ministry's Accounting Officer. The Permanent Secretary is assisted by line managers as shown in the Ministry's organization structure (Annexure II).

#### 1.6 Brief description of internal control system

- **Accounting system**

The Ministry operates according to the Government Accounting system through the Integrated Financial Management System, monitored and supervised by the Treasury. The overseas missions adopt the accrual based accounting system against the Ministry Headquarter cash based accounting system. Consequently the overseas missions expenditures are not captured in the IFMS.

- **Internal Audit Unit**

The internal audit unit helps to evaluate the adequacy and effectiveness of internal control in the organization. It also reviews and conduct operational/value for money audits throughout the office. The Ministry has established internal audit unit.

- **Audit Committee**

Part VI section 30-32 of the Public Finance Regulations requires accounting officers to establish an Audit committee to assist in strengthening the system of internal control. The Ministry has established audit committee since March 2004.

- **Procurement System**

Purchases of Assets for the Ministry and overseas Missions are made through Ministerial Tender Board (MTB) and overseas Missions purchase committees. The Ministerial Tender Board effectively carries out its prescribed duties.

- **Stores and property Management**

The records of stores are maintained at the Ministry Head office and each overseas mission. The Ministry is responsible for consolidating all the items in the register for movable and immovable Assets.

## 1.7 Financial Performance

### Supply Vote

The supply vote closed with an apparent saving of Shs. 3,299,350,506.05 arising from net expenditure of Shs. 59,863,762,693.95 against approved estimates of Shs 63,163,113,200. However, exchequer issues received during the year totaled Shs. 59,900,432,541 leaving a cash balance of Shs. 36,669,847.05 with the PMG account at the central Bank.

However, the net expenditure of Shs. 59,863,762,693.95 reported did not include Shs. 3,262,680,560 being funds collected and utilized at the Overseas Missions.

## 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 Finance act NO. 6 of 2001, the Controller and Auditor General is empowered to audit all government revenue and expenditure as appropriated by the Parliament.

## 1.9 Audit Objectives

The main objective of conducting the audit is to enable me to express a professional opinion on the financial statements of the Ministry of Foreign Affairs and international Cooperation 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 books of account to permit the preparation of the financial statements in accordance with the Generally Accepted Accounting Practices and with the requirements of the Public Finance Act. No. 6 of 2001.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and regulations Public Funds.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all ministry activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the public procurement act.
- To perform compliance tests to determine whether the Ministry Management complied in all material respects with foreign regulations.
- 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 Ministry are adequately safeguarded against losses from unauthorized uses or disposition.
- To determine whether the management of the MOFAIC has taken Adequate corrective action on previous years audit recommendations.
- To assess the extent of the achievement of the objectives establishing the Ministry.

## **1.10 Audit scope**

The audit of the Ministry of Foreign Affairs for the year ended 30<sup>th</sup> June 30<sup>th</sup> 2005 was carried out in accordance with the International Standards on Auditing (SAI) and procedures that are consistent with those recommended by the International Organization of Supreme Audit Institutions (INTOSAI). The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the MOFAIC, examination and verification of the accompanying financial statements of vote and appropriation account, 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 audit findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to us.

As auditors, we are not specifically required to search 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 a reasonable expectation of detecting material misstatement in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud or irregularities, setting up and maintaining an adequate system of internal control rests with the MOFAIC management.

## **1.11 Audit Methodology**

Our audit included such tests of the accounting records, and other procedures in order to satisfy the objective of the audit. Our audit procedures included the following steps:

- Planning the audit to obtain an adequate understanding of the Ministry, its activities and operations and assessment of the major risk areas.
- Carry out substantive tests of the balances reported by the Ministry in order to obtain reasonable assurance regarding the amounts and disclosures included in the financial statements.
- Review of Ministry's financial statements and physical performance Reports.
- Review the adequacy of the Internal Control System in place, testing whether it is in compliance with laid down rules, policies, procedures and regulations.
- Conducting Interviews and discussions with some of the employees of the Ministry and
- Visits to selected abroad missions abroad.

### **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 of 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 of 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 34  
Ministry of Foreign Affairs and International Cooperation**

**Re: Audit report on the Financial Statements of the Ministry of Foreign  
Affairs and International Cooperation for the year ended 30<sup>th</sup>  
June, 2005.**

I have audited the financial statements of the Ministry of Foreign Affairs and International Cooperation shown as Annexure 2 for the year ended 30<sup>th</sup> June, 2005.

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

Section 25 (4) of the Public Finance Act No. 6 of 2001 places responsibility to the Accounting Officer to prepare the financial statements in accordance with Generally Accepted Accounting Standards. In addition, Regulation 35 of the PFA requires the Accounting officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Ministry of Foreign Affairs and International Cooperation.

### **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 PFA No.6 of 2001 my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Ministry of Foreign Affairs and International Affairs.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with Generally Accepted Accounting Practices; 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 have been authorised; and to satisfy myself whether the funds appropriated to the Ministry, 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 misstatement. 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 Ministry of Foreign Affairs and International Cooperation consistently applied and adequately disclosed, evaluating the overall financial statements preparation, 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 Regulation 53 of the PFA. Under the cash basis, cash receipts are recognised when they are received and cash payments are recognised when they are paid.

### **Qualification**

In my opinion, except for the matters specified below, the financial statements of the Ministry of Foreign Affairs and International Cooperation have been prepared based on the generally accepted accounting Standards; and 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, Except for the missing relevant purchase records for London and Delhi High Commission Chancery buildings costing Shs.13,500,000,000 the procedures for the procurement of motor vehicles, machinery, computers, printers, scanners, furniture, flooring, hire of vehicles and air crafts, consultancy and other services were generally done in accordance with the Public procurement Act No.21 of 2004.

### **Limitation of audit scope and Non compliance with laws:-**

1. The Ministry did not prepare performance reports in respect of the physical activities carried out during the year.
2. Details of Bank balances with missions abroad amounting to Shs.3,016,996,018.75 were not disclosed in the financial statements.
3. Revenue collections amounting to TShs.2,259,875,157 were not remitted to the Bank of Tanzania.
4. Revenue from Visa collections amounting to Shs.1,578,413,070 were not accounted for
5. There were long and overdue debits in cash book not in the Bank Statements amounting to Shs.8,995,787,195 which have not been cleared.

6. Outstanding imprest balances amounting to Shs.273,640,469 have not been cleared.
7. There are long outstanding audit queries (since financial year 2001/02) that are yet to be acted upon by the Ministry.

The detailed findings on these matters and others are given in part 3 of this report.

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 RECOMMENDATIONS

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

| Period  | Paragraph NO. | Audit Observation  | Ministry Response   | Audit Comment   |
|---------|---------------|--|---|---|
| 2001/02 | 136.1         | Unclaimed salaries Shs.17,531,483.00   | We have requested the Treasury to transfer this amount as Government Revenue vide letter Ref. No.AB.22/535/01 dated 23/6/2005 | The letter quoted was not submitted for audit verification                          |
| 2001/02 | 142.2.7       | Stores worth \$6,837.77 issued without issue vouchers                        | Please refer (Mwongozo namba mbili wa Wizara)   | Inadequate replies  |
| 2001/02 | 132.3.3       | Loss of cash due to failure to observe handing over procedures \$ 12,499.00  | -   | The Ministry has no response  |
| 2002/03 | 131.1         | Outstanding advances and imprests with overseas missions TShs.117,237,906.00 | The remaining balance of 40,285,087.75 has been recovered.  | No recovery particulars submitted for audit verification                            |
| 2002/03 | 136           | Unvouched expenditure TShs.436,990,651.00                                    | Documents worth TShs.18,019,085.00 have been submitted for verification.  | Audit query No.15 of 2002/2003 amounting to Shs.8,196,585.00 is still outstanding   |
| 2002/03 | 137           | Improperly vouched Expenditure TShs.6,473,378,573.00                         | Documents amounting to TShs.6,439,667,194.05 have already been submitted to you for audit verification.                       | A balance of Shs.33,711,378 for audit query No.12 of 2002/2003 is still outstanding |

#### Recommendation

Accounting Officer's attention is drawn to the advantages of acting promptly on audit observations with a view to securing public accountability by timely arresting financial and accounting controls deficiencies.

#### 3.2 Current year's Findings

##### 3.2.1 Audit Queries and Management letters

A test check of the accounts, statements and related records for the year under review (2004/2005) resulted in the issue of 34 queries and 3 management letters 23 queries relating to previous years are still outstanding as at the date of writing this report.

| Financial year | Number of Queries outstanding |
|----------------|-------------------------------|
| 2000/2001      | 1                             |
| 2001/2002      | 3                             |
| 2002/2003      | 6                             |
| 2003/2004      | <u>13</u>                     |
|                | <u>23</u>                     |

## **Audit Comments**

Treasury to assist on how best the problem should be addressed.

### **3.2.2 Statement of Revenue**

The statement of revenue submitted reflected a total collection of Shs. 9,259,268,202.50 against approved estimates of Shs. 3,262,680,540 resulting in over collection of Shs. 5,996,587,662.55 (183.99%) above the approved estimates.

This confirms the continuation of underestimation of revenue collection by the Ministry as it was also reported in the previous two years vis-a-vis 2002/2003 and 2003/2004 in which the percentage of over collection was 51% and 102% respectively.

#### **Implication**

Since the expenditure of the Ministry is affected by the amount of retention, thus unrealistic estimates of revenue collection may lead to excessive and unnecessary release of funds to the Ministry.

#### **Recommendation**

It is recommended that the Ministry should prepare a realistic budget which correlates with the actual collection.

#### **Ministry's Reply**

It should be well understood that currently the headquarter is facing a problem of capturing transactions right away from our missions. This is because the Government is operating under a central payment system Integrated Financial management system (IFMS). Any remittance from Headquarters to the missions is done at an advance code which is later itemized at the respective mission. This means, the system (IFMS) will capture only those transactions from the Treasury and not otherwise. This is to say, the figure in question (TShs.3,262,680,560.00) has been taken care of in the approved estimates of TShs.63,163,113,200.00. It is our hope these problems will end after computerizing Missions accounts in the IFMS.

#### **Audit Comment**

Based on the management response, Implementation is awaited.

### **3.2.3 Non Preparation of Performance Reports**

The Accountant General issued a circular reference number EB/AG/485/01/60 dated 11<sup>th</sup> July,2005 to all Accounting Officers which under Para 1-4 of the circular required them to state the basis of accounting policies applied and other requirements. To the contrary, the Ministry did not comply with the circular on the preparation and submission of the statement of performance.

### **Implication**

- Non compliance with accounting guidelines and instructions
- Uncertainty as to the actual achievement of the intended goals and whether activities were carried out with due regard to economy, efficiency and effectiveness

### **Recommendation**

The management should prepare and submit physical performance reports in respect of the physical activities carried out during the year.

#### **3.2.4 Overseas Missions Bank Balances TShs. 3,016,996,018.75**

Footnotes to the appropriation account disclosed unanalysed sum of Shs. 3,016,996,018.75 being balances in the overseas missions Bank accounts as at the end of the financial year 2004/2005. There was no detailed analysis of these bank balances submitted along with the financial statements.

### **Implication**

Incorrect and unconfirmed balances may be carried forward to the books of account for the next financial year.

### **Recommendation**

The Ministry should provide analysis and Bank certificates of bank balances to support the amount of Shs. 3,016,996,018.75.

### **Ministry Response**

The analysis has now been provided for your verification.

### **Audit Comment**

Detailed analysis of the imprests and bank balances have not been submitted.

#### **3.2.5 Revenue Collection not remitted to the Bank of Tanzania Shs. 2,455,919,323.50**

According to Treasury circular No. 6 of 2002/2003, every mission is required to remit 27% of the amount collected on visa fees to the retention account no. 13.32 at the Bank of Tanzania.

During the financial year 2004/2005 a total amount of Shs. 9,095,997,494.45 was collected by various overseas missions out of which an amount of Shs. 2,455,919,323.50 (27%) was required to be remitted to the retention account. However, no evidence was produced to confirm remittance of Shs. 2,455,919,323.50 to the Bank of Tanzania.

### **Implication**

Non remittance of the amount to the Exchequer account would deter implementation of other public activities.

### Recommendation

It is recommended that revenue of Shs. 2,455,919,323.50 should be remitted to the retention account submitting all the relevant information to audit to confirm acknowledgement of these funds into the respective BOT account.

### Ministry Response

It is true that according to Treasury circular No.6 of 2002/2003 every Mission was supposed to remit to the Exchequer Account vide Bank of Tanzania A/C No. 13:32. Since the Missions collections for the financial year 2004/2005 was 9,095,997,997,494.45 then the 27% was supposed to be TShs.2,455,919,323.50.

Due to several factors the missions were able to remit to the Exchequer Account only TShs.289,664,288.74 as revealed in the Revenue Retention Report.

In recognition of this, with effect from the financial year 2005/2006 the Treasury issued another circular whereby now the Mission are allowed to spend 100% of the collections. Now the necessary retention adjustments are done at the Treasury Budget Department.

### Audit Comment

The Ministry should in consultation with the Treasury, regularize the amount unremitted in the light of the Circular to retain the 100% of revenue collected. Further, the Ministry is advised to strengthen its oversight mechanisms over the collection, custody, and use of government revenue collected by the missions abroad. By a copy of this report, the Treasury is urged to consider this matter and give it the necessary attention, as such monies usually skip the usual controls accorded to the consolidated fund.

#### 3.2.6 Visa collections apparently not accounted for Shs. 2,816,320,835.70

The statement of revenue reflected a sum of Shs. 9,095,997,494.45 being VISA and passport collections from various Missions as analysed below:-

|   |               |               |
|---|---------------|---------------|
| Total revenue collected during the year         |               | 9,095,997,494 |
| Less: Unanalyzed closing balance as at the year | 3,016,996,019 |               |
| Amount utilized by mission during the year      | 3,262,680,641 | 6,279,676,659 |
|   |               | 2,818,320,835 |

No further explanation was given on the remaining balance of Shs. 2,816,320,835.

**Implication**

The possibility for the unexplained balance of Shs.2,816,320,835 being misappropriated can not be ruled out.

**Recommendation**

The management should clearly account for on the amount of revenue not accounted for.

**Ministry Response**

It is true that there was a difference of 2,816,320,835.00. This was because, by the time the closing balance was drawn, some of the Missions had not submitted their closing balances which they did later. Some of them amounting to TShs.1,237,907,765.59 have been attached herewith for your verification. Effort is still in progress to clear out the difference.

**Audit Comment**

A total amount of Shs.1,578,413,070.11 is still unaccounted for. Also a footnote to the Appropriation account should be given to account for the cash balances of Shs.2,816,320,835 not previously reflected.

**3.2.7 Furniture Advances to Mission Officials Shs. 344,523,662.00**

The accounting Officer was mandated to authorise advances for furniture to foreign officers appointed to serve in various missions. Such monies are supposed to be deducted or recovered from their foreign service allowances.

During the year under review a total amount of Shs.344,523,662 was advanced to ministry's officials attached to various missions. However, it appears that there is no proper control over advances issued to ministry's officials, consequently no documentary evidence has been submitted to confirm recovery of the amounts advanced to these officials.

**Implication**

Lack of proper control over advances may result in non recovery of advances.

**Recommendation**

The Ministry should confirm recovery of these advances and forward recovery particulars for audit verification.

**Ministry Response**

Furniture loan advances to the Ministry's staff on transfer to the overseas missions continue to be deducted from the officers' salaries; Out of 344,523,662.00 advanced, a total of 53,508,990.00 has been recovered as per replies of audit query No.1, 16,19 and 29 of 2004/2005. Strong measures are being taken to ensure all advances to those staff are recovered from the respective staff monthly foreign service allowances.

### **Audit Comment**

Our further verification of the recovery particulars has revealed that only Shs.42,594,233.00 have been recovered. Recovery of the balance of Shs.301,929,429 is being awaited.

### **3.2.8 Outstanding Imprest (Head Office)**

**Shs. 266,578,070**

Audit test check raised one audit query relating to outstanding imprests balance totaling Shs.266,578,070 granted to various officials for various activities performed during the financial year 2004/2005. However, no outstanding imprests schedule has been disclosed in the foot notes to the appropriation Account contrary to Treasury circular No.EB/AG/485/01/60 OF July,2005.

### **Implication**

Failure to disclose the outstanding imprests may distort the information in the financial statements..

### **Recommendation**

The outstanding imprests should be recovered and clearance particulars be made available for audit verification. In addition, the outstanding imprest balance should be disclosed in the footnotes to the appropriation account.

### **Ministry Response**

Shs.170,412,100.00 have been retired out of Shs.266,578,070.00. We have taken concrete measures of recovering all the outstanding imprests by deducting them from the respective officials salaries as from January,2006. The deduction schedule is hereby attached for your verification.

### **Audit Comment**

The Outstanding amount of Shs. 96,165,970 should be recovered immediately.

### **3.2.10 Funds not received by Missions Shs. 378,157,550.00**

A test check of funds remittance register disclosed that at the end of the financial year 2004/2005, a total amount of Shs. 378,157,550 was disbursed to several overseas missions as additional funds for settlement of various debts.

However, as at the time of this audit (December, 2005) a total sum of Shs. 378,157,550 had not been confirmed to have been received at the overseas missions. In addition, details of the debts paid were not produced for our verification.

### **Implication**

In the absence of details of debts paid, the legitimacy of the amount spent for the intended purpose could not be ascertained.

**Recommendation**

It is recommended that the Ministry should submit acknowledgement receipts and details of debts paid for audit purpose.

**Ministry Response**

Expenditure details amounting to Shs.316,082,550 out of Shs.378,157,550.00 remitted to various missions have already been submitted for your verification .

**Audit Comment**

Details for the balance of Shs.73,575,000 should be produced for audit scrutiny.

**3.2.11 Expenditure not adequately supported Shs. 2,424,126,286**

A test examination of payment vouchers and other related documents revealed that, during the year under review, the Ministry paid a total sum of Shs. 2,424,126,286 without proper supporting documents.

**Implication**

The genuineness of the expenditure or the purposes for which the payments were made could not be ascertained.

**Recommendation**

It is recommended that the missing documents should be produced for audit purposes.

**Ministry Response**

Documents to support expenditure amounting to Tshs.1,995,434,052.00 have already been submitted to you for audit verification vide audit queries number 3,5,6,2,14 and 20.

**Audit Comment**

Documents to confirm proper accountability of Shs.1,252,636,055 were submitted and the matter is closed. However, documents amounting to Shs.1,171,490,231 are not yet produced for audit verification.

**3.2.12 Statement of Fixed Assets**

The schedule of fixed assets in respect of vehicles, office equipment and residential furniture for 30 overseas missions were not incorporated in the Ministry's appropriation account contrary to Treasury directives and section. 25(2) (e) of the Public Finance Act no. 6 of 2001.

**Implication**

The assets may be susceptible to loss or misplacement.

**Recommendation**

It is recommended that the Ministry should abide to directives issued by the Government regarding accounting for public funds and assets.

#### **Ministry Response**

The schedule of fixed assets in respect of overseas vehicles, office equipment and residential furniture were not incorporated in the Ministry's appropriation account of the financial year 2004/2005 since we were as a ministry in the exercise of coding all mission assets. Today we have assets with their values and codification in Bujumbura, Kigali, Beijing, New Delhi, Maskat and Tokyo and also we have inventory list to other remaining Missions.

#### **Audit Comment**

The list of assets was not produced for audit verification.

### **3.2.13 Incorrect cash Book Balance**

The statement of assets and liabilities reflected a closing balance of Shs. 71,397,720 as at 30<sup>th</sup> June 2005. However, the opening balance figure was wrongly recorded as Shs. 98,493,357 instead of Shs 115,506,012 as stated in my management letter dated 22<sup>th</sup> December, 2004. In addition, the deposit register was not maintained for proper record of deposits.

#### **Implication**

In the absence of proper deposit register and wrong adoption of opening balance, the correctness of the reported closing balance figure could not be ascertained.

#### **Recommendation**

The Ministry should ensure that the opening balance figure is adjusted to reflect a correct figure of closing balance. In addition, the Ministry should introduce a deposit register in which all deposits are recorded for control purposes.

#### **Ministry's Response**

The differences which were spotted between the Deposit Register and Statement of Assets and Liabilities have now been reconciled. Receipts for TShs.13,012,655.50 which were understated in the previous statements have also been taken into account and will be reflected in the future accounts to tally with the audit figure. In addition to the reconciliation which has taken place, a proper Deposit Register is now being maintained.

#### **Audit Comment**

Maintenance of the deposit register has not been confirmed.

### 3.2.14 Non reconciling items in the bank reconciliation statement

#### **Debit in Cash Book not in Bank Statement**

A total amount of shs. 8,995,787,195.73 was reported in the Bank Reconciliation statements prepared by the Treasury as debit in Cash book but not reflected in the Bank statement. Included in this figure were items which have not been reconciled for more than five years since 2000/01.

#### **Implication**

Cash collected but not banked are likely to be misappropriated.

#### **Recommendation**

The management of the ministry should make reconciliation with Treasury to clear the amount reported.

#### **Ministry's Response**

After a thorough investigation it was found that the amounts under the years of consideration were not misappropriation as stated. The reason for the variance is of technical nature as follows:-

- The IFMS allows for one Exchequer Notification Issue to be distributed to more than one vote. As a result of this it is quite possible that reconciliation of these Exchequer Notifications could not be possible.
- The receipts arising out of retirement of imprests were banked at Different times. The figure in the bank statement included total of several receipts and hence when reconciling the figure could not match.

Moreover, in understanding of this complexity we have communicated with Bank Reconciliation Section of the Accountant General's Department for accounting adjustments.

#### **Audit Comment**

Reconciliation for the amount reported is awaited.

### 3.2.15 Purchase and Construction of Chancery Buildings

#### **Shs. 13,500,000,000**

An amount of Shs. 8,500,000,000 was remitted by the Ministry to the High Commission in London for acquisition of a chancery building during the month of August, 2004. However, no documentary evidence was provided to confirm the purchase of the building. In addition, a total sum of Shs. 5,000,000,000 was remitted to New Delhi and New York at the end of the financial year 2004/2005 to construct a new chancery building and purchase of an apartment as analysed below.

| <u>Date of remittance</u> | <u>Mission</u> | <u>Particulars</u>                  | <u>Amount (Shs.)</u> |
|---------------------------|----------------|-------------------------------------|----------------------|
| 29/6/2005                 | New York       | Purchase of an apartment            | 3,000,000,000        |
| 29/6/2005                 | New Delhi      | Construction of a chancery building | 2,000,000,000        |
|                           |                |                                     | <b>5,000,000,000</b> |

The signed contract agreements, bill of quantities and certificates of completion of the work done were not made available for audit verification.

### **Implication**

Existence and ownership of the acquired buildings could not be established.

### **Recommendation**

The Ministry should submit the contract agreements, title deeds and payment certificates to confirm the existence of the constructed/purchased buildings.

### **Ministry's Response**

Three Embassies namely London, New Delhi and New York were involved in the process of purchasing chancery buildings.

The sum of Shs.3,000,000,000 remitted to New York for the purchase of an apartment has not been utilized. The money is not enough to buy an apartment. The money therefore has been kept in a special account until when enough funds will be available for the same purpose.

The construction of the Chancery building at New Delhi began very recently and the construction is at the foundation stage. TShs.2,000,000,000 which was remitted is only part of the total construction cost. It is our hope that during your usual audit exercise you will have time go to New Delhi for verification of the work done.

The purchase of the Chancery building in London was successfully carried out. All documents relating to the purchase of this building will soon be forwarded for your verification.

### **Audit Comment**

- Bank Statements should be submitted for the amount kept in a special Account in New York for confirmation.
- Audit verification to be conducted in New Delhi.
- We are still waiting for documentary evidences in respect of the chancery building purchased in London.

### **OVERSEAS MISSIONS**

During the year under review 3 missions were inspected and significant matters observed are highlighted below:-

#### **3.2.16 TANZANIA EMBASSY TOKYO**

Evaluation of internal control system of the embassy revealed the following weaknesses:-

- The embassy does not use stores issue vouchers when issuing consumable and non-consumable stores.
- There are no stores ledgers to record items purchased or issued.
- The Embassy does not maintain Fixed Asset Register for all government properties.
- All items purchased and other embassy properties were not coded for easy identification.

### **Implication**

Inadequate recording and management of stores may lead to loss and misplacement of stores.

### **Recommendation**

The Management should review its internal control system and comply with the Public Procurement Act and their Regulations.

### **Ministry Response**

- Since July 2005, the Embassy has been using stores issue vouchers on issues of consumable and non-consumable stores as per Public Finance and Procurement Act and their Regulations.
- Stores ledger to record items purchased or issued had been opened Since July,2005.
- Fixed Assets Register has been put into use since July 2005 and all the fixed assets have been recorded.
- As of now, all items purchased during the previous financial years and other Embassy's properties have so far been coded. Additionally, as of 22<sup>nd</sup> December,2005, the Embassy has established the coded assets and inventory register.

### **Audit Comment**

Audit verification and evaluation of the system in place to be conducted during the next audit.

### **3.2.17 Repairs made Without Contract JY 9,856,047 or Shs. 94,519,490.70**

Ministerial circular no. 2 of 2003/2004 requires all overseas missions either to call for quotations or tenders upon purchases of goods and services. However, in some occasions the Tanzania Embassy in Tokyo acquired various goods and services without proper procurement procedure as detailed below; -

| <u>PV. No</u> | <u>Payee</u> | <u>Amount (JY)</u> | <u>Amount (Tshs)</u> |
|---------------|--------------|--------------------|----------------------|
|---------------|--------------|--------------------|----------------------|

|                 |  |                         |                             |
|-----------------|--|-------------------------|-----------------------------|
| 3/8/2002        | Kind International Support Service Limited | 315,000                 | 3,020,855                   |
| 1/7/2003        | Morioki Sangyo k.k                         | 418,167                 | 4,010,221.53                |
| 13/11/2003      | Morioki Sangyo k.k                         | 22,420                  | 215,007.80                  |
| 16/1/2004       | Morioki Sangyo k.k                         | 206,000                 | 1,975,540.00                |
| 25/9/2004       | Morioki Sangyo k.k                         | 83,000                  | 795,970.00                  |
| 17/11/2004      | Morioki Sangyo k.k                         | 20,000                  | 191,800.00                  |
| 31/12/2004      | Morioki Sangyo k.k                         | 285,840                 | 2,741,205.60                |
| 6/1/2005        | Morioki Sangyo k.k                         | 50,420                  | 483,527.80                  |
| 42/2/2005       | Morioki Sangyo k.k                         | 2,225,200               | 21,339,668                  |
| 72/2004         | Morioki Sangyo k.k                         | <u>6,230,000</u>        | <u>59,745,700</u>           |
| <b>TOTAL JY</b> |  | <b><u>9,856,047</u></b> | <b><u>94,519,490.70</u></b> |

Exchange 1JY = TShs. 9.59

### Implication

In the absence of proper procurement procedures, the value for money of the goods/services acquired could not be confirmed.

### Recommendation

The mission should account on the above anomalies and ensure that procurement procedures are followed.

### Ministry's Response

The Embassy has always been requesting for quotations, the Embassy has been convening meetings for procurement of goods and services. A Minute Sheet, which is attached herewith, is an evidence of a decision to allow Marioki Sangyo K.K. to undertake the minor works at the Embassy as per the recommendations of the meetings.

### Comment

The missing vital documents has been submitted and verified to our satisfaction.

### 3.2.18 Government Buildings owned by Embassy without title deed

The Mission purchased chancery and residential buildings in Tokyo. However, scrutiny of various documents disclosed that the chancery and one residential building on plot no. 21 -9, Kamiyoga 4 -chome setagaya - ku, Tokyo do not have title deed to confirm that the ownership of buildings have been transferred to the Embassy or the government of the United Republic of Tanzania as the new owner.

### Implication

Ownership of the chancery building still uncertain.

### Recommendation

It is recommended that the Embassy should ensure that the respective Title Deed is obtained and made available for the next audit inspection.

### Ministry Response

As far as the issue of Title Deed is concerned, the Embassy has initiated the process for duplicate copy of Title Deed from Japanese Authorities. The matter is being processed with the help of a Japanese Lawyer. However, given the fact that the property was purchased more than 20 years ago and that the custodian of all Title Deeds of our Government's buildings abroad is the Ministry, it would therefore require action on the part of the Ministry as well. This means the Ministry should check its relevant records so as to establish, beyond reasonable doubt, that we don't have the Title. Therefore, time is needed to make a thorough follow-up on the issue.

**Comment**

The Ministry's Headquarter should trace the title deed and submit for audit verification.

**3.2.19 Stores not Taken on Ledger Charge JY 12,554,754 or (Shs. 128,937,324)**

Section 204 of the Public Finance Regulation requires recording the name of the Item, and value on the bin, other location reference and the unit of quantity in which issue shall be made and receipts will always be brought.

Various stores worth JY 12,554,754 (shs. 128,937,324) were not confirmed as having been received and taken on ledger charge. The audit was therefore unable to ascertain proper delivery and accountability of the goods/stores purchased.

**Implication**

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

**Recommendation**

The Embassy should ensure that the Stores worth JY 12,554,754 (TShs. 128,937,324) have been received and taken on ledger charge.

**Ministry's Response**

The items in question have now been accounted for in the stores ledger as attached in Appendix "A". However, the quantity of Dining Table and Mirror needs to be corrected and therefore it should read "1 PC" each of them and not 1000 PCS as indicated.

**Comment**

The stores register will be verified during the next audit.

**3.2.20 ERV Books not produced**

Section 151 of the Public Finance Regulation requires the Accounting Officer to ensure that all documents even if they are not in use to be kept in a strong room safe or strong box for security purpose.

ERV books issued to five (5) consulates namely Melbourne, Sydney, Osaka, Seoul and Perth were not made available for audit when called for. Detailed analysis of the ERVs can be found in the management letter with reference MF 320 of 28/9/2005.

### **Implication**

In the absence of physical ERV books the whole process of issuing these receipt books is questionable.

### **Recommendation**

The Mission should ensure that the 43 ERV books are traced and made available for next audit inspection.

### **Ministry's Response**

The Embassy wrote a letter to all the Consulates concerned and requested them to send back all the used ERV Books. So far, the response is as follows:-

#### **SEOUL - KOREA**

Three (3) ERV books have been returned to the Embassy.

| <u>DATE</u> | <u>SERIAL NO.</u> | <u>NO. OF BOOKS</u> |
|-------------|-------------------|---------------------|
| 26/6/1999   | 07453601-07453800 | 1                   |
| 10/7/2000   | 09737001-09737200 | 1                   |
| 10/1/2002   | 16027201-16027400 | 1                   |

#### **MELBOURNE - AUSTRALIA**

The Honorary Consul has confirmed, in writing, that he has only one ERV Book in his possession, which he has promised to send it back to the Embassy.

| <u>DATE</u> | <u>SERIAL NO.</u> | <u>NO. OF BOOKS</u> |
|-------------|-------------------|---------------------|
| 27/10/2004  | 21358201-21358400 | 1                   |

However, the responses from three Consulates, namely Osaka, Perth & Sydney indicated clearly as sense of irresponsibility on the part of the Honorary Consuls concerned as evidenced by their respective responses.

Therefore, the Embassy has taken the necessary measures to ensure that Honorary Consuls perform their task in accordance with the laid down government procedures.

### **Comment**

The submitted ERV books submitted will be verified during the next audit and for those ERV books not submitted, efforts should be taken to ensure these books are submitted to this office for verification.

**3.2.21 Interministerial Outstanding Advances JY 3,186,780 OR (TShs. 32,722,652)**

A total sum of JY 3,186,780 equivalent to TShs. 32,722,652 was incurred for purchase of motor vehicles and computers on behalf of state house as detailed below: -

| <u>PV. No.</u> | <u>Amount JY</u>        | <u>Amount Tshs.</u>      | <u>Payee</u>             |
|----------------|-------------------------|--------------------------|--------------------------|
| 9/12/2004      | 3,000,840               | 30,818,626               | Toyota Motor Corporation |
| 15/12/2004     | 185,940                 | 1,904,026                | Mercantile Com. Limited  |
|                | <b><u>3,186,780</u></b> | <b><u>32,722,652</u></b> |                          |

However, the recovery of the amount paid had not been confirmed.

**Implication**

The outstanding advance might affect the expenditure figure of the Ministry.

**Recommendation**

The Ministry should recover this amount of TShs. 32,722,652 without further delay.

**Ministry Response**

The Embassy would like to clarify that no advance was issued for non-official business. The advances mentioned were issued for the purchase of a computer and a car for official use by a Consular Service Office of the Embassy on an agreement that the funds would be reimbursed by the office concerned. Currently, the money has already been reimbursed and accordingly, ERV No.16063972 dated 11/11/2005 has been issued.

**Comment**

The documents submitted have been verified and we are satisfied that they are correct.

**3.2.22 Traveling documents not recorded in the counter Foil Register**

We have noted that the following traveling documents were not recorded in the counterfoil register.

| <u>Type of documents</u> | <u>Serial Numbers</u> | <u>Qty</u>       |
|--------------------------|-----------------------|------------------|
| 1. Ordinary Passports    | A0398074 - A0398100   | 27               |
| 2. Diplomatic Passports  | D0005835 - D0005835   | 2                |
|                          | D0004981 - D0004990   | 10               |
|                          | <b>Total</b>          | <b><u>39</u></b> |

**Implication**

Inadequate control over countable documents may lead to loss and misplacement of the acquired documents.

### **Recommendation**

The Ministry should ensure that all accountable documents are recorded in the counterfoil register.

### **Ministry's Response**

The mentioned traveling documents are no longer accountable documents. However, the traveling documents in question were recorded in the Passport Register.

### **Comment**

Verification of the passport register will be made during the next audit

### **3.2.23 Revenue collected but not banked to relevant Bank Account**

Treasury circular no.6 of 2002/2003 requires all overseas mission to open collection account on which all revenues shall be deposited. However, revenue amounting to JY 24,919,089 (Shs. 249,190,890) was noted to have been collected from various consulates and banked to deposit accounts instead of revenue collection account.

### **Implication**

Non- receipt of the fund to the revenue collection account may result into understatement of revenue collected.

### **Recommendation**

The Ministry should confirm that the amount of JY 24,919,089 wrongly deposited to the deposit account has been transferred to the correct revenue collection account.

### **Ministry's Response**

The mentioned revenue was deposit in the Deposit Account No.0003166 by mistake. However, the mistake has been rectified and at the moment all the revenue collected is deposited in the Revenue Account No.92004490 as required by the Treasury Circular No.6 of 2002/2003 see the attached transfer documents.

### **Comment**

The transfer documents submitted have been verified and found correct.

### **3.2.24 Irregular transfer of revenue JY 44,398,116 ( TShs. 443,981,160)**

During the financial year 2003/2004 the embassy transferred a total amount of JY 44,398,116 from revenue collections account no. 92004490 to vote account no.00003158 without approval/authority of the Permanent Secretary contrary to Ministry's Directives and Financial regulations.

### **Implication**

Improper and irregular transfer of revenue may lead to misappropriation of revenue.

**Recommendation**

The embassy should obtain retrospective approval from the Permanent Secretary to regularize the transfer of revenue collection to vote account.

**Ministry Response**

The amount transferred to Vote Account was 73% and 92% which was supposed to be retained by the Embassy and be used for the running of the Office. Some records indicate that permission was sought from the Accounting Officer. A copy of a letter, which was written to seek permission from the Accounting Officer, is attached herewith.

The Embassy, however, has taken note of the recommendation and would ensure, in future, that the Financial Regulations and Directives No.2 of 2003/2004 are adhered to.

**Comment**

The retrospective approval has been submitted and the matter is now cleared.

**3.2.25 Revenue Collection not remitted to BANK of TANZANIA JY 9,362,012.32 (TShs. 93,620,123.20)**

It was noted that Revenue collections in the financial year 2003/2004 and 2004/2005 amounting to JY 9,362,012.33 equivalent to (Shs. 93,620,123.20) were not remitted to the Retention Revenue Account No. 13:32 at the Bank of Tanzania (BOT) as required by the Treasury Circular No. 6 of 2002/2003.

**Implication**

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

**Recommendation**

The Embassy should remit the amount of Shs. 93,620,123.20 to the Bank of Tanzania.

**Ministry's Response**

A note has been taken and in future the Embassy will ensure that Government Directives and Financial Regulations regarding accounting of public monies are complied with.

**Audit Comments**

Still the Embassy is required to remit Shs.93,620,123.20 to the Bank of Tanzania to meet the requirement of Treasury Circular No.6 of 2002/2003.

### 3.2.26 TANZANIA HIGH COMMISSION - KIGALI

#### **Non Banking of revenue collections FRW 6,511,725 (Shs.13,088,567.25)**

Audit examination of the ERVs, bank statements and cash book revealed that revenue collected from visa, Passport and emergency traveling documents amounted to FRW 6,511,725 ( Shs. 13,088,567) was not banked, instead it was said to have been used for recurrent expenditure contrary to the Public Finance Regulations, 2001 Para 78(1)

#### **Implication**

Failure to promptly bank the revenue collections, may lead to misappropriation of revenue. In addition, the amount not banked will remain as outstanding item in the bank reconciliation statements.

#### **Recommendation**

The Embassy should seek retrospective approval from the Permanent Secretary to regularize the expenditure.

### 5.0 CONCLUSION

The detailed audit findings presented above have been communicated to the Management of the Ministry during our exit meeting held on 5<sup>th</sup> December,2005. Management of the Ministry 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 relationship will be extended during future audits.

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

**Copy to:-** Chief Secretary,  
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Dar es Salaam.

“ Permanent Secretary and Paymaster General,  
Ministry of Finance,  
P.O Box 9111,  
Dar es Salaam.

**5.0 ANNEXURE 1**

Financial Statements, Accounting policies and notes to the financial statements, Organization Structure of the Ministry.

**P.I.C APPROVED DETAILED ORGANISATION STRUCTURE OF  
THE MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL  
CO-OPERATION**

