

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE COMMUNITY
DEVELOPMENT, GENDER AND CHILDREN**

VOTE 53

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2005

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March, 2006

Office of the Controller and Auditor General
The National Audit Office,
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(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 and notes to the financial statements of the Ministry of Community Development, Gender and Children for the year ended 30th June, 2005.

Statement of Vote Account -Supply
Statement of Vote Account - Development
Cash flow Statement for - Recurrent
Cash flow Statement for - Development
Cash flow Statement for - Deposit
Summary Appropriation Account - Recurrent
Summary Appropriation Account - Development
Summary Statement of Revenue
Summary Statement of Losses
Statement of Arrears of Revenue
Statement of Commitment Outstanding
Statement of Composition of Funds
Notes to the financial Statements

Regulations means the Regulation of the Public Finance Act issued under Government Notice number 259 of 2003

Act	Public Finance Act No 6 of 2001
BOT	Bank of Tanzania
NMB	National Microfinance Bank
MCDGC	Ministry of Community Development, Gender and Children
CDTI	Community Development Training Institute
FDC	Folk Development College
CAG	Controller and Auditor General
PMG	Paymaster General
F/Y	Financial year
INTOSAI	International Organization of Supreme Audit Institution
ISA	International Standard on Auditing
URT	United Republic of Tanzania

1.0. BACKGROUND INFORMATION TO THE AUDIT

1.1. Introduction

We have completed the audit of the Annual Accounts and Statements of the Ministry of Community Development, Gender and Children for the year ended 30th June 2005 audit findings arising from examination of accounting records and evaluation of the internal control system which require management's attention and action are set out under Part 3 of this report.

1.2. Brief history of the Client Establishment

The Ministry of Community Development Gender and Children was established by the President of United Republic of Tanzania on 1st December 2000 and was published in the Government Notice No. 468.

1.3. Operational Objectives

The Operational objectives of the Ministry of Community Development, Gender and Children include the following:-

- To overcome among communities, men and women, build and enhance their capacities, and promote volunteerism to achieve more active participation in Socio-economic process.
- To promote and safeguard children's rights and welfare in the Society.
- To achieve a society free from harmful social practices.
- To achieve an efficient and effective public service delivery.
- To achieve effective resource management and accountability.

1.4. Financing

The main sources of funds for the budget of the Ministry are through appropriation from the Exchequer and Development partners/donors. Budget against actual expenditure for the year 2004/2005 was as follows:-

	Estimates	Actual Expenditure/ Collection
Supply Vote	4,301,300,200	4,277,884,994
Development	1,175,293,200	698,664,597
Revenue	13,843,000	10,032,092

1.5 Management Structure

The Ministry is headed by a minister who is assisted by Deputy Minister. The day to day activities are carried out by a Permanent Secretary who is also the accounting officer of Vote 53. The Ministry has five departments and two sections as follows:-

- Department of Community Development
- Department of Policy and Planning
- Department of Children
- Department of Gender
- Department of Personnel and Administration
- Accounts Section
- Internal Audit Section

1.6. Brief description of Internal Control System

1.6.1. Accounting System

The Ministry of Community Development, Gender and Children like other ministries uses the Integrated Financial Management System and Epicor accounting packages. The financial statements are prepared and presented based on the cash basis of accounting pursuant to Public Finance act No. 6 of 2001 Regulation No. 53. To promote understanding and Comprehension of the data the ministry has included additional details in compliance with the International Public Sector accounting standards for the cash basis of accounting.

1.6.2. Internal Audit

The Ministry has an Internal Audit Unit which reviews the day to day operations so as to evaluate the adequacy and effectiveness of internal Control.

1.6.3. Audit Committee

Regulation No. 28 of Public Finance Act requires Accounting Officers to Establish an Internal Audit Unit with a view of strengthening the system of Internal Control. The Ministry of Community Development, Gender and Children has an Audit Committee.

1.6.4 Procurement Tender Board

The Public Procurement Act No.21 of 2004 section 33 and 34 requires the Ministry to form a Tender Board, and a Procurement Management Unit to assist in strengthening the system of procurement of goods, services and works from the right source in the right quantity, at the right time, place and price. The Ministry has a Tender Board and a Procurement Management unit. The Ministerial Tender Board is comprised entirely of the heads of Divisions who meets requirements specified in the second schedule of PPA 2004.

1.7. Financial Performance

Statement of Vote Account - Supply

The Supply Vote Account closed with an apparent saving of Shs.23,415,205.39 arising from an net expenditure of Shs.4,277,884,994.61 against the approved estimates of Shs.4,301,300,200. The exchequer issues received during the year totaled Shs.4,277,895,210, resulting in a saving of Shs.10,215.39 representing cash balance with the Payment General's account. There was an increase in expenditure by Shs.201,881,603.20 compared to that reported in the last year.

Development Vote

Total development fund received during the year was 742,933,280 against the approved estimates of Shs.1,175,293,200 resulting in unreleased funds amounting to Shs.432,359,920 being 36.78% of the budget. The statement of expenditure showed net expenditure for the year was Shs.698,644,597.59 against the exchequer issues received during the year of Shs.742,933,280 resulting in an unspent balance of Shs.44,268,682.41 being cash balance with the PMG'S account

1.8. Audit Mandate

By virtue of the provision of article 143 of the constitution of the United Republic of Tanzania and section 30 (i) of the Public Finance Act No 6 of 2001 the Controller and Auditor General is the appointed auditor of the Ministry of Community Development, Gender and Children in regards to all expenditure made and revenue collected.

1.9. Audit Objectives

The main objective of the audit is to enable the Controller and Auditor General to express a professional opinion on the appropriation accounts as at 30th June 2005 and in particular:-

- To evaluate the internal control system and determine if it provides management with a reasonable assurance on proper use of public funds.
- To ensure that accounts are prepared in accordance with the Public Finance Act no 6 of 2001 and other regulations/directives issued by the Treasury.
- To ensure that procurement of goods and services have been done in accordance with the Public Procurement Act No. 3 of 2004.
- To ensure that accounting transactions were executed in conformity with measurement, completeness, occurrence, regularity and disclosure aspects.
- To confirm whether assets are properly safeguarded.

1.10. 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 Ministry of Community Development, Gender and Children 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 Ministry who are responsible for setting up and maintaining an adequate system of internal control.

1.11. Audit Methodology

Our audit included such tests of accounting records, local inspections to outstation offices, site visits and other procedures in order to satisfy the objectives of the audit. Our procedures included the following:-

- (i) Evaluation of the internal control system in place and testing whether it is in compliance with the Public Finance Act NO 6 of 2001 and Public Procurement Act No 3 of 2001.
- (ii) Planning the audit to obtain an adequate understanding of the Ministry activities and operations and obtaining an assessment of major risk areas.
- (iii) Examination of payment vouchers and other records together with their supporting documents.
- (iv) Verification of balances reported in the financial statements of the Ministry of Community Development, Gender and Children to ensure that adequate disclosure have been made.
- (v) Comparing budgets against actual expenditure or revenue and investigate the variance, confirm expenditure as per budget lines.
- (vi) Obtaining bank reconciliation statement for the accounts and note any exceptions regarding reconciling items
- (vii) Follow up of the previous audit recommendation to determine whether the management has taken adequate remedy measures.

1.12. Presentation of Audit Findings

The audit was carried out according to the mandate stated above, applying professional audit standard 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 THE FINANCIAL STATEMENT

To: The Permanent Secretary,
Accounting Officer of Vote 53,
Ministry of Community Development,
Gender and Children.

Re: **Audit Report on the Financial Statements of the Ministry of
Community Development, Gender and Children for the year
ended 30th June 2005**

I have audited the financial statements of the Ministry of Community Development, Gender and Children shown as annexure I for the year ended 30th June 2005.

Responsibilities of the Accounting Officer

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

In addition, Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Ministry of Community Development, Gender and Children.

Responsibilities of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures based on the audit. According to section 30 of the Act 2001 my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Ministry of Community Development, Gender and Children.

In addition, section 31 of the Act requires me to satisfy myself that the accounts have been kept in accordance with generally accepted accounting practice; all reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorized; 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 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 Ministry of Community Development, Gender and Children 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 Regulation 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 statement of the Ministry of Community Development, Gender and Children have been prepared based on the generally accepted accounting standards and that they fairly reflect, in all material respect the true and fair view of the results of its operations and cash flows for the year ended 30th June 2005 and the financial position as at that date.

Further to my opinion the procurement of goods and services was generally done in accordance with Public Procurement Act No 3 of 2001 and the related Regulations.

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

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

March 2006

3.0. AUDIT FINDINGS AND RECOMMENDATIONS

3.1. Follow up of previous year's Audit Findings

The Previous audit findings are yet to be replied by the management of the Ministry.

Recommendation

The management is responsible to respond to all audit findings raised in previous audit.

3.2. Current year's findings

Funds not audited Shs.69,942,780

A sum of Shs.69,942,780 was transferred from the Advocacy and Gender Project to Interim Plan Project. The transfer was made Vide Exchequer issues No EB/AG/159/3/386 Shs.21,234,500 and EB/AG/159/3/411 Shs.48,608,280. Expenditure Statement duly supported with payment voucher and other records were not submitted to audit due to reason that the donor appointed his own auditor other than Controller and Auditor General.

Implication

In the absence of expenditure statement and supporting records, it was not possible to ascertain whether funds were utilized for intended purposes.

Recommendation

Since the funds form part of the net expenditure for Development Account. We urge management to submit the records for audit.

3.3. Under collection of Revenue Shs.3,810,908

The Statement of Revenue disclosed actual collection of Shs.10,032,092 against estimated collection of Shs.13,843,000 resulting in a shortfall of Shs.3,810,908 or 28% of the approved budgeted.

Implication

The revenue estimates might be unrealistic.

Audit Recommendation

The Management should fully explore all sources of revenue it has, so as to meet its targets.

Arrears of Revenue Shs.4,693,000

The statement of arrears of revenue shows that a total amount of Shs.4,693,000 was still outstanding up to 30th June 2005.

Implication

In adequate efforts on revenue collection.

Audit Recommendation

The management should strengthen its mechanism on revenue collection with a view of providing the government with ability on provision of social services.

3.4. Unconfirmed utilization of funds Shs.270,725,908

A sum of Shs.270,725,908 from Development Vote was transferred to various Community Development Training Institutes (CDTI'S) and Folk Development Colleges (FDCS) to finance rehabilitation of buildings, construction of toilets and sewage systems. It was however noted that expenditure statements were not submitted to justify utilization of Development funds issued.

Implication

In the absence of expenditure records it was not possible to ascertain whether the funds were utilized for the intended purposes or not.

Audit Recommendation

The management is responsible to ensure that statements of expenditures with their supporting records are submitted for audit examination.

3.5. Unvouched Expenditure Shs.21,769,625/50

Payment vouchers from development account totaling Shs.21,769,625 were not available for audit. In the absence of payment vouchers and their supporting documents, audit was unable to satisfy the propriety of this expenditure.

Implication

Public finds might have been improperly used.

Audit Recommendation

The payment vouchers with their supporting documents should be traced and made available for audit examination.

3.6. Inadequate Supported documents

A test examination of recurrent payment vouchers during the year under review revealed that the Ministry had paid a total sum of Shs.220,452,199 without being properly supported by relevant documents. In the absence of supporting documents, authenticity of the expenditure could not be confirmed.

Implication

Public funds might have not been properly used.

Audit Recommendation

The missing supporting documents should be traced and submitted for examination.

3.7. Stores not accounted for Shs.37,471,700

(i) Fuel not accounted for Shs.16,104,000

The Ministry purchased fuel worth Shs.16,104,000 from Chief Supplies Officer, Government stores - DSM for use at the headquarters. Audit revealed that there was no records of ledger folios on which the fuel should have been accounted for, either the list of the vehicles on which the fuel were consumed/rationed were not available for audit examination.

Implication

Gaps in Internal Control over stores management

Audit Recommendation

The Management should work out on the matter by submitting relevant records on the purchase and utilization particulars of the purchased fuel.

(ii) Goods and service not accounted for Shs.21,367,700

Goods worth Shs.16,367,700 and service charges amounting to Shs.5,000,000 incurred during the year under review were lacking evidence to justify their consumption.

Implication

The audit could not confirm whether the services were delivered and utilized for intended purposes.

Audit Recommendation

The management should submit the stores ledger to confirm receipts and consumption of the purchases made.

3.7.1 Telephone charges Shs.35,982,543

It was noted during auditing that the Ministry paid Shs.35,985,543 to TTCL - DSM being cost of various telephone calls made at Ministry headquarters. Audit examination on the telephone register revealed that the calls were not recorded in the telephone register.

Implication

Gaps in Internal Control over the uses of office telephone.

Audit Recommendation.

The Management should set strong controls to ensure that telephone calls are made for official use only.

3.8. Operational Performance Issues

During the year under review the Ministry did not set priority areas but implemented the Ministry's activities according to annual plan and budget. The statement of performance for the year ended 30th June 2005 showed that most of the objectives/targets were fully achieved.

4.0. CONCLUSION

The detailed audit findings presented above have been communicated to management of the Ministry of Community Development, Development, Gender and Children during exit meeting. The management of the Ministry of Community Development, Development, Gender and Children 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

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The Permanent Secretary and Paymaster General,
Ministry of Finance,
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5.0 ANNEXURES

Financial statements and statement of responsibility