

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL  
STATEMENTS OF THE MINISTRY OF REGIONAL ADMINISTRATION  
AND LOCAL GOVERNMENT  
VOTE 56**

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

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Dar es Salaam,

February, 2005

## **Office of the Controller and Auditor General**

The National Audit Office,  
United Republic of Tanzania

*(Established under Article 143 of the Constitution of the URT).*

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

### **Our Vision**

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

### **Our Mission**

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

### **Therefore, our Core Values are .....**

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

### **We do this by.....**

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

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## Definitions of terms and Abbreviations

Financial Statements means the following statements, notes and supporting schedules of the Immigration Services for the year ended 30<sup>th</sup> June 2005.

Responsibilities for the financial statements

Notes to Financial Accounts

Statement of Vote Account Supply

Statement of Vote Account Development

Cash Flow Statement for Recurrent Account

Cash Flow Statement for Development

Cash Flow Statement for Deposit Account

Statement of Revenue Recurrent

Summary of Appropriation Account Recurrent

Summary Appropriation of Account Development

Summary Statement of Losses

Statement of Arrears of Revenue

These Financial Statements are attached as annexure No. 1 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.

|          |   |
|----------|---|
| Act      | Public Finance Act No. 6 of 2001 as amended in 2004                         |
| F/Y      | Financial Year  |
| INTOSAI  | International organization of Supreme Audit Institutions                    |
| ISA      | International Standards on Auditing   |
| PFR      | Public finance Regulations  |
| PPA      | Public Procurement Act  |
| Ministry | Means Prime Minister's Office, Regional Administration and Local Government |

## **1.0 BACKGROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

We have completed the audit of the President's Office, Regional Administration and Local Government accounts for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, appraisal of activities and evaluation of the internal control system which require management attention and action are set out under part three of this report.

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

The President's Office, Regional Administration and Local Government is headed by the President assisted by a State Minister and Deputy Minister. It is at the local government level where most of the national development policies and strategies are implemented since local governments have all the ministries in them in the form of departments, except Home Affairs, Justice and Constitutional Affairs and Defence and National Service Ministries. Each department is headed by a head of department responsible to the Director of a Council.

President's Office, Regional Administration and Local Government was established by the Presidential decree dated 23<sup>rd</sup> November, 2000 as per special instrument No.4 of 1<sup>st</sup> December, 2000 in the Official Gazette No.48 Vol.81 dated 1<sup>st</sup> December, 2000 and Government Notice No.467 and 468 published on 1<sup>st</sup> December, 2000. Its functions include the following:

- To develop policies for the regional administration and development.
- To coordinate the activities of the Regional Secretariats.
- To assist the regions to enhance their capacities to perform through institutional development strategies.
- To oversee and facilitate proper management of financial resources, Legal services and institutional development for local authorities.

### **1.3 Operational Objectives**

- To improve performance of the Office and of the Regional Secretariats to carry out their mandatory functions.
- To provide a clear policy framework and capacity building for local authorities.
- To monitor information flows between the Authorities for the benefit of stakeholders.
- To improve management and coordination of reform processes for civil service sectors and local government reforms.

- To make policies, approaches, methodologies and systems to be applied by local authorities in implementing various obligations to their local people.
- To improve communications, education and decentralization.
- To enhance and internalise good governance (democracy equity and rule of law in local authorities)

#### 1.4 Financing

During the financial year 2004/05 the Office received a total sum of Shs. 173,228,103,889.85 in the form of Exchequer issues from the Treasury as follows:

|                  |                                  |
|------------------|----------------------------------|
| Supply Vote      | Shs. 37,325,417,143.05           |
| Development Vote | Shs. <u>135,902,686,745.92</u>   |
| <b>Total</b>     | <b><u>173,228,103,889.85</u></b> |

#### 1.5 Organization structure

The Office is headed by the Minister of State President’s Office who is assisted by the Deputy Minister. For day-to-day administration the Permanent Secretary and his deputy lead the Ministry. Under them there are several directors who run directorates activities and coordinate with regional secretariats and councils.

#### 1.6 Brief description of Internal Control System

- **Accounting system**

The Ministry is required to prepare financial statements and keep proper records as provided in the Act. The ministry prepared financial statements in accordance with International Public Sector Accounting Standard in financial reporting under the cash basis of accounting.

- **Internal audit unit**

The Ministry has an internal audit unit manned by two accountants carrying the duties of internal auditors. The section is headed by a CPA holder in the post of accountant grade I.

- **Audit committee**

The Audit Committee was established on 14/10/2004. It is made up of four members. The Committee conducted its first meeting on 14/9/2005, and in this meeting internal audit reports were discussed and directives given for the earlier replies to the audit findings.

- **Ministerial Tender Board**

The Ministry has a ministerial tender board charged with the management of all procurement procedures relating to services, goods and works, the procurement procedures are adhered by the Ministry.

- **Governance**

Governance was attested through tendering and staff recruitment procedures. The procedures were adhered to with transparency, reasonably resulting in good governance.

## **1.7 Financial Performance issue**

### **Supply Vote**

The year's out-turn on the recurrent expenditure account reflected an actual expenditure of Shs. 37,319,391,329 against net approved estimates of Shs.37, 327,626,200 which resulted in a favourable balance of Shs 8,234,871. However, exchequer issues released by Treasury during the year amounted to Shs. 37,325,417,143 when put against the net total expenditure resulted in Shs.6,025,814 being cash on hand with the Paymaster General. The saving was due to Shs.2,209,057 not released against the net approved estimates and Sh.6,025,814 not utilized against the exchequer issues.

### **Development Vote**

There was a saving of Shs.9,587,275,175 in the development vote account after a net total expenditure of Shs.135,901,172,525 against the total net approved estimates of Shs. 145,488,447,700. An unspent balance of issues of Shs.1,514,220 resulted after effecting the similar tune of expenditure against exchequer issues of Shs.135,902,686,745 received during the financial year. The saving was due to Shs.9,587,275,175 not released by donors.

## **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 Public Finance Act No 6 of 2001, the Controller and Auditor General is the appointed auditor of all government revenue and expenditure including this Ministry.

## **1.9 Audit Objectives**

The main objective of conducting the audit is to enable me to express an opinion on the Accounts and other financial statements of the President's Office, Regional Administration and Local Government for the year ended 30<sup>th</sup> June 2005 and in particular.

- To determine whether the Appropriation Accounts and other financial statements are prepared in accordance with Treasury Instructions and International Accounting principles.
- To determine the accuracy and completeness of the accounts and statements and to assist the Accounting Officer in streamlining the Ministry's operations to avoid possible errors and omissions.
- To determine whether the internal control structure provides management with reasonable but not absolute assurance that the

assets of the ministry are safeguarded against loss from unauthorized use or disposition.

- To determine whether the procurement of goods and services is being done in accordance with prescribed procedures and were bought at prices advantageous to the Government.
- To determine whether the Ministry is managing or utilizing its resources in an economical and efficient manner and the causes of any inefficiencies or uneconomical practices are identified and reported on.
- To determine whether the desired results of benefits are being achieved and whether the objectives established by the parliament or other authorizing body are being met.
- Follow-up of the previous years audit findings and recommendations and instructions of the Public Accounts Committee.

#### **1.10 Scope of Audit**

The audit of the President's Office, Regional Administration and Local Government for the year ended 30<sup>th</sup> June 2005 was carried out in accordance with International Standard on Auditing (ISA) and procedures that are consistent with those recommended by (INTOSAI).

The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the President's Office 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, the 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 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 a 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 Office Management who are responsible for setting up and maintaining an adequate system of internal control.

#### **1.11 Audit Methodology**

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

- Review of legal documents
- Examination of receipts and disbursements and payment records

- A review of the internal control structure
- Review of project financial statements and progress reports
- Compliance tests
- Interviews and discussions
- Site visits

#### **1.12 Presentation of audit findings.**

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second 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 OF THE FINANCIAL STATEMENTS

**To: The Permanent Secretary,  
Accounting Officer of Vote 56,  
Ministry of Regional Administration and Local Government**

**Re: Audit Report on the Financial Statements of Prisons Service  
Department for the year ended 30<sup>th</sup> June, 2005.**

I have audited the financial statements of the Regional Administration and Local Government 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.

Regulation 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Regional Administration and Local Government.

### **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 Regional Administration and Local Government

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 monies has been properly authorized; and to satisfy myself whether the funds appropriated to the Regional Administration and Local Government 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 Regional Administration and Local Government 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.

#### **Qualification**

In my opinion, except for the matters specified below, the financial statements of the Regional Administration and Local Government 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 positions as at that date.

Further to my opinion, except for the payment based on proforma Shs.25,746,058 not confirmed and anomalies of Tshs. 152,736,264 the procurement of other services were generally done in accordance with the Public Procurement Act No. 21 of 2004 and the related Regulations.

#### **Limitation of scope and non-compliance with laws:**

1. Expenditure amounted to Shs. 341,776,209 were lacking proper supporting documents contrary to Regulations.
2. Acknowledgement receipt of amount TShs. 3,526,637,179 were not produced for audit.
3. Out of the Special Imprest of Shs.1,352,115,800 paid to the Principal of Hombolo Institute Dodoma, only a sum of Shs.753,303,200 was found to have been accounted for leaving an amount of Shs. 598,812,600 unaccounted for.

Dr. Frank Mosses Hiza Mhilu

**Ag: CONTROLLER AND AUDITOR GENERAL**

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

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Follow up of previous outstanding matters

The motor vehicle has been repaired, but the relevant civil case No.2/2004 of 10/3/2004 is still pending.

#### 3.2 Current year's findings

##### 3.2.1 Reallocation warrant of funds not included in the exchequer issues issued during the year Shs. 3,151,327,358.

According to the documents made available for audit amounts of Shs.2,902,788.004 and Shs. 248,539,354 were reallocated to the Urban Sector Rehabilitation Project (code 6290) and the same recorded in the appropriation accounts. However, Treasury did not issue exchequer issues for the reallocations made.

##### **Recommendation**

Management should communicate with Treasury to resolve the matter.

##### **Implication**

Some planned development activities are likely to have not been implemented or partly implemented due to short release of funds.

##### 3.2.2 Payments reflected in the CFS without relevant supporting schedules

The following payments were not supported by the relevant schedules:

| No. | Detail of Payments                   | Amounts Paid Shs.     |
|-----|--------------------------------------|-----------------------|
| 1.  | Personal Emoluments                  | 6,445,027,471         |
| 2.  | Supplies - Goods, Works and Services | 5,294,236,203         |
| 3.  | Current transfers and subsidies      | 25,580,127,655        |
|     | <b>Total</b>                         | <b>37,319,391,329</b> |

##### **Implication**

The correctness of the above amounts could not be established without the supporting Schedules. In addition, the guidelines for the preparation of final accounts for 2004/2005 issued by the Accountant General were violated.

##### **Recommendation**

The management should produce the relevant supporting schedules for audit verification.

### 3.2.3 Statement of performance as at 30/6/2005

#### (a) Statement of performance not susceptible to Audit.

The statement of performance was not susceptible to audit as the expenditures on the achieved targets were not analysed to show how much money was spent for each activity. For example a total of Shs,2,121,101,706 (code 2002 - Directorate of Local Government Coordination was spent on computer accessories, food and refreshments, stationeries, subventions to the Local Government Loans Board and Hombolo Institute. There is no indication as to how much money was spent per activity for computer accessories, food and refreshments, stationeries and subventions paid to the Local Government Loans Board and Hombolo Institute.

#### Implication

Users/readers cannot understand due to non-availability of the analysed statement per activity.

#### Recommendation

Management should adhere to the guidelines and revise the statement.

#### (b) Achieved targets not indicated

In the following cases the achieved targets for which a total sum of Shs.6,452,219,539 was spent were not indicated in the statement of performance.

|    | Code Nos.  | Details             | Expenditure Involved (shs) |
|----|--|---------------------|----------------------------|
| 1. | 1001-Administration and General                    | Personal Emoluments | 227,051,706                |
| 2. | 1002-Finance and Accounts                          | -“-                 | 31,466,158                 |
| 3. | 1003 - Policy and Planning                         | -“-                 | 38,378,016                 |
| 4. | Directorate of Regional Coordination               | -“-                 | 73,009,390                 |
| 5. | 2002- Directorate of Local Government Coordination | -“-                 | 6,040,572,688              |
| 6. | 3001 - Directorate of Institute Development        | -“-                 | 41,741,581                 |
|    |  | <b>Total</b>        | <b>6,452,219,539</b>       |

#### Implication

Intended users cannot understand the statement and consequently cannot ascertain the correctness of the same.

### **Recommendation**

Management should adhere to the guidelines and revise the statement to include relevant analyses.

- The statement of performance is wholly derived from the appropriation accounts for the supply vote. According to both the appropriation accounts and the performance statement the total budget and expenditure were Shs.37,327,626,200 and Shs.37,319,392,329 respectively. The variance or difference between the budget figure and the expenditure figure was Shs.8,234,871 (underspent) as per the appropriation accounts, but Shs.24,246,329 (underspent) as per the performance statement, hence a difference of Shs. 16,011,458 or 194.4% of the underspent figure reflected in the appropriation accounts.

### **Implication**

The correct figure of underspent amount of Tshs. 8,233,871 as shown in the appropriation accounts has been misled in the statement of performance by showing an incorrect figure of Tshs. 24,246,330.

### **Recommendation**

The management should revise the statement to show the correct figure of underspent amount.

## **3.2.4 Improperly vouched expenditure**

### **(a) Unsupported Expenditures Shs. 341,776,209**

Though there are no expenditures declared in the footnotes to the appropriation accounts as improperly vouched expenditures such expenditures to the tune of Shs. 341,776,209 not supported by proper documents were detected in the course of audit.

### **Implication**

The System of record keeping effected by the Ministry may lead to double payment.

### **Recommendation**

Management should strengthen record keeping and produce the missing documents for audit verification.

### **(b) Payments Based on Proforma Invoices - Sh. 77,394,660**

Payments totalling Shs. 77,394,660 were observed to have been made for the purchase of various goods and services based on proforma invoices, indicating that the goods and services were prepaid for. Delivery, accountability of the goods and services paid for could not be

confirmed in the absence of the delivery notes, stores ledger folio references and utilisation details.

### **Implication**

Goods and services paid for may not be received by the Ministry, leading to nugatory expenditure and at the same time contravene provisions of PPA 2004 and accompanying regulations.

### **Recommendation**

The management should produce the relevant missing delivery notes, registers/stores ledgers, and utilization details for audit verification.

#### **3.2.5 Procurement procedures breached shs.152,736,264.**

Examination of various payment vouchers disclosed the following anomalies leading to breaching of the procurement procedures.

- The purchase of office stationery for Shs. 7,344,800 was based on time barred authority.
- Shs. 21,900,000 was paid for the purchase of nine pieces of laptop Computers. The purchase and payments were split into four parts in order to circumvent the local purchasing powers exceeding that of the departmental head, Sh. 9,000,000.
- Shs.12,577,463 was paid to a contractor for installation of a generator at the Dar Es Salaam Sub-office. Bills of quantities, completion of works and handing over certificates were not made available for audit.
- An amount of Shs. 16,944,000 was made to M/S Eastern and Southern Africa Management Institute, Arusha, as consultancy costs for evaluation and recommendations as to the best practices to be adopted for improvement of the Reform Programme. It is not known if the work was awarded through a contract. In addition, there is no evidence that the work was performed and properly completed.
- Shs. 4,750,000 was paid for the purchase of furniture. Requisition by the user department was not made available for audit, quotations were obtained before the purchasing authorization, and accountability of the stores could not be confirmed in the absence of the records in the stores ledger.
- A sum of Shs. 89,220,000 was paid for the supply of furniture. The relevant delivery note and invoice were not dated. The possibility of the same delivery note and invoice being used more than once for unauthorized purchases of the same items cannot be ruled out. Signature of the recipient is missing, and the items could not be confirmed as taken on ledger charge in the absence of the relevant ledger folio references.

### **Implication**

In principle the procurement procedures were violated.

### **Recommendation**

Management should investigate on the aforecited anomalies and take relevant remedial measures accordingly. In future the management should ensure that procurement procedures are properly adhered to.

#### **3.2.6 Questionable payments shs. 1,354,554,800/=**

- An officer was paid a total amount of Shs. 2,139,000 as subsistence allowances for fifty-two nights spent out of his/her duty station. The dates of travel and the places to which he/she traveled were not specified on the relevant payment vouchers. In addition, he/she was granted special imprest of Shs.300,000 for the purchase of 300 litres of fuel. Retirement of the imprest could not be evidenced in the absence of the relevant records.
- An amount of Shs. 1,352,115,800/= was paid to the Principal of Hombolo Institute in the form of special imprests to meet training and stationery expenses.
- The unretired special imprest was not included in the statement of vote account for the development vote.  
Further, expenditure or retirement details were not made available to audit verification.

### **Implication**

Violation of Public Finance Regulation No. 103 (i) and the guidelines for the preparation of final accounts issued by the Accountant General.

### **Recommendation**

The management should produce the expenditure details and submit them for audit or effect recoveries of the imprests from the imprest holders as per the Public Finance Regulation No. 103(2).

#### **3.2.7 A sum of Shs.3,525,637,179 not acknowledged receipt by payees.**

The following payments were observed to have not been acknowledged receipt by the respective payees:

- Shs.1,613,332,100/= paid to Local Authorities for payments of leaving allowances to the newly appointed teachers.
- Shs.26,349,060/= paid as grants to M/S Kibaha Education Centre.
- Shs.594,985,000/= paid to Local Authorities to meet expenses for ward and Vitongoji elections.
- Shs.706,243,950/= paid to Local Authorities for meeting expenses for monitoring Primary Education Development Programme activities.
- Shs.545,327,900/= paid to Local Authorities for payment of leaving allowances to the newly appointed teachers.

- Shs.37, 269,169/= being global funds paid to the Local Authorities for meeting development projects expenses.
- Shs. 2,130,000 spent for various cost centers.

#### **Implication**

Without acknowledgement receipts it could not be confirmed that the payees actually received payments due to them. The payments could fall into wrong hands.

#### **Recommendation**

The management should communicate with the payees to obtain the relevant acknowledgement receipts, and submit them for audit verification.

#### **3.2.8 Stores not taken on ledger charge - Shs. 41,219,680**

The total sum of Shs.41, 219,680/= was observed to have been spent for purchasing monthly fuels mostly, and other items from M/S Government Stores. But there were no relevant records in the registers/ledgers maintained in the office.

#### **Implication**

The possibility of misappropriation of the items purchased cannot be ruled out in the absence of proper documentation.

#### **Recommendation**

The management should investigate on the anomaly and take suitable measures for rectification of the situation.

### **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the President's Office, Regional Administration and Local Government during exit meeting. The Management of the PORALG has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the actions taken in this respect.

Lastly, I would like to express my appreciation for the cooperation given to the audit team. It is my hope that such good working relationships will be extended during future audits.

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

Copy To: The Chief Secretary,  
State House,  
P.O. Box 9120  
**Dar es Salaam.**

The Permanent Secretary,  
Ministry of Finance,  
P.O. Box 9111,  
**Dar es Salaam.**

## 5.0 ANNEXURES

Annexures: Financial Statements Accounting Policies and Notes to the Financial Statements

**STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

These Financial Statements have been prepared by the management of the Ministry of Regional Administration and Local Government in accordance with the provisions of Section 25(4) of the Public Finance Act. No 6 of 2001. The Financial statements comply with the generally accepted accounting practices as required by the said Act and are presented in a manner consistent with the International Standards on Financial Reporting under the Cash Basis of Accounting.

The management of the Ministry of Regional Administration and Local Government is responsible for establishing and maintaining a system of effective Internal Control designed to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by the Ministry of Regional Administration and Local Government.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the Accounts and underlying records provide a reasonable basis for the preparation of the Financial Statements for the 2004/2005 financial year.

I accept responsibility for the integrity of the Financial Statements, the information it contains, and its compliance with the Public Finance Act No. 6 of 2001 and the instructions issued by the Treasury in respect of the year under review.

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**Signed by Accounting Officer**

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**Date**

**PRESIDENT OFFICE, MINISTRY OF REGIONAL ADMINISTRATION  
AND LOCAL GOVERNMENTS**

**WORKING PAPERS - 2004/2005 ACCOUNTS**

**Improperly Vouched Expenditure Missing Supporting Documents**

|              | <b>AQ NOS.</b>  | <b>AMOUNTS (SHS)</b> | <b>REMARKS</b>               |
|--------------|-----------------|----------------------|------------------------------|
| 1            | 22 of 2004/2005 | 203,342,469          | Supporting documents missing |
| 2            | 20 of 2004/2005 | 105,010,200          | - ' -                        |
| 3            | 10 of 2004/2005 | 31,482,800           | - ' -                        |
| 4            | 7 of 2004/2005  | 975,000              | - ' -                        |
| 5            | 23 of 2004/2005 | 965,740              | - ' -                        |
| <b>Total</b> |                 | <b>341,776,209</b>   |                              |

**Payments Based on Proforma Invoice**

|              | <b>AQ NOS.</b>  | <b>AMOUNTS (SHS)</b> | <b>REMARKS</b>                         |
|--------------|-----------------|----------------------|--|
| 1            | 16 of 2004/2005 | 8,905,000            | Purchase of computer accessories       |
| 2            | 13 of 2004/2005 | 42,743,602           | Purchase of various goods and services |
| 3            | 14 of 2004/2005 | 25,746,058           | Purchase of stationeries               |
| <b>Total</b> |                 | <b>77,394,660</b>    |  |

Goods and services not confirmed as delivered.

**Questionable/Doubtful Payments**

|   | <b>AQ NOS.</b>  | <b>AMOUNTS (SHS)</b> | <b>REMARKS</b>  |
|---|-----------------|----------------------|---|
| 1 | 26 of 2004/2005 | 9,783,800            | <ul style="list-style-type: none"> <li>➤ Payment of Shs. 7,344,800 based on invalid authority.</li> <li>➤ Payments of allowances of Shs. 2,139,000 for unknown dates and places traveled to.</li> <li>➤ Expenditure receipts for fuel worth Shs. 300,000 not produced for audit.</li> </ul> |

|   |                 |                         |  |
|---|-----------------|-------------------------|--|
| 2 | 25 of 2004/2005 | 21,900,000              | ➤Purchase of 9(nine) pieces of Laptop computers. The purchase was split into four parts in order to circumvent local purchasing powers of the ministry. Retrospective authority not sought.  |
| 3 | 12 of 2004/2005 | 12,577,463.80           | ➤Contractual payment to a contractor for installation of generator. No bills of quantities, no completion and handing over certificates.   |
| 4 | 9 of 2004/2005  | 1,352,115,800           | ➤Training and stationery costs Expenditure details missing.  |
| 5 | 6 of 2004/2005  | 16,944,000              | ➤Part payment to M/S Eastern and Southern African Management Institute, Arusha as consultancy costs for evaluation and recommendations as to the best practices to be undertaken for improvement of the Reform Programme. Not known as to whether work was awarded through a contract. No evidence the work was performed and completed. |
| 6 | 5 of 2004/2005  | 4,750,000               | ➤Payment for purchasing furniture. No requisition by the user department quotations obtained before authorization of purchase and accountability of the stores not confirmed due to nonavailability of such records in stores ledger.  |
| 6 | 4 of 2004/2005  | 8,220,000               | Payment for furniture, Invoices and delivery note not dated. Possibilities of the same being used more than once. Signature of the recipient missing,, not confirmed T.C.O   |
|   | <b>Total</b>    | <b>1,409,347,063.80</b> |  |

**ACKNOWLEDGMENT RECEIPTS MISSIN SHS.3,425,637,679**

|    | <b>AQ NOS.</b>  | <b>AMOUNTS (SHS)</b>    | <b>REMARKS</b>  |
|----|-----------------|-------------------------|---|
| 1  | 24 of 2004/2005 | 1,613,332,100           | ➤Paid to Local Authorities for allowances payments to the newly appointed teachers.   |
| 2. | 23 of 2004/2005 | 26,349,060              | ➤Grants paid to Kibaha education Centre.  |
| 3  | 11 of 2004/2005 | 1,783,826,019.92        | ➤Shs. 594,985,000 paid forward and Vitongoji elections.<br>➤Shs. 706,243,950 paid for monitoring MMEM activities<br>➤Shs. 545,327,900 paid to Local Authorities for payment of allowances to the newly appointed teachers.<br>➤Shs. 37,269,169.92 paid to Local Authorities for meeting costs for development activities. |
| 4  | 10 Of 2004/2005 | 2,130,000               | ➤ <b>Various payments</b>   |
|    | <b>Total</b>    | <b>3,425,637,679.92</b> |   |

**STORES NOT TAKEN ON LEDGER CHARGE SHS.**

|   | <b>AQ NOS.</b>  | <b>AMOUNT (SHS)</b> | <b>REMARKS</b>  |
|---|-----------------|---------------------|---|
| 1 | 19 of 2004/2005 | 41,219,680          | ➤Purchase of fuels and other stores from M/S Government Stores. |
|   | <b>Total</b>    | <b>41,219,680</b>   |   |

**FOREIGN FUNDS AND DONORS**

|   | <b>PROJECT NAMES</b>                                 | <b>DONORS</b>   | <b>BUDGET</b>  | <b>ACTUAL FUNDS RELEASED</b> | <b>FUNDS NOT RELEASED</b>     |
|---|--|-----------------|----------------|------------------------------|-------------------------------|
| 1 | 2310 - Village Travel and Transport Programme        | DANIDA          | 150,000,000    | NIL                          | -150,000,000<br>(100%)        |
| 2 | 5495 - Global Fund                                   | Basket (Global) | 566,780,700    | 537,269,169.92               | -<br>29,511,530.08<br>(5.2%)  |
| 3 | 6252 - Local Government Reform Programme             | Basket Fund     | 10,141,304,000 | 2,282,245,000                | -<br>7,859,059,000<br>(77.5%) |
| 4 | 6405 - Health Sector Programme Support - District    | DENMARK         | 18,697,480,100 | 18,697,480,100               | NIL                           |
| 5 | 5421 - District Health Infrastructure Rehabilitation | Basket Fund     | 5,209,380,446  | 3,921,910,000                | -<br>1,287,470,446<br>(24.7%) |
| 6 | 6277 - Local Government Support Programme            | IDA             | 4,814,810,096  | 4,814,810,098                | +2.00                         |
| 7 | 6290 - Urban Sector                                  | IDA             | 4,297,937,358  | 4,297,937,358                | NIL                           |

|   |  |                          |   |   |  |
|---|--|--------------------------|---|---|--|
|   | Rehabilitation Project                       |                          |   |   |  |
| 8 | 6403 - Primary Education Development Project | Basket Fund (World Bank) | 100,341,694,000                         | 100,341,694,000                             | NIL                                      |
| 9 | 6278 - Management skills - VEOS and MEOS     | JICA                     | 259,721,000                             | NIL   | - 259,721,000 (100%)                     |
|   | <b>Total</b>                                 |                          | <b>144,479,107,700</b><br><b>(100%)</b> | <b>134,893,345,725.92</b><br><b>(93.4%)</b> | <b>9,585,761,974.08</b><br><b>(6.6%)</b> |

### LOCAL FUNDS

|    | PROJECT NAMES  | BUDGET               | FUNDS RELEASED       | FUNDS NOT RELEASED |
|----|--|----------------------|----------------------|--------------------|
| 1. | 2310 - Village Travel and Transport Programme        | 20,000,000           | 20,000,000           | NIL                |
| 2. | 5495 - Global Funds                                  | Nil                  | Nil                  | Nil                |
| 3  | 6252 - Local Government Reform Programme             | 100,000,000          | 100,000,000          | NIL                |
| 4  | 6405 - Health Sector Programme Support Districts     | Nil                  | Nil                  | Nil                |
| 5. | 5421 - District Health Infrastructure Rehabilitation | 20,000,000           | 20,000,000           | Nil                |
| 6. | 6277 - Local Government Support Programme            | 739,340,000          | 739,340,000          | NIL                |
| 7. | 6290 - Urban Sector Rehabilitation Project           | NIL                  | NIL                  | Nil                |
| 8  | 6403 - Primary Education Development Project         | 30,000,000           | 30,000,000           | NIL                |
| 9. | 6278 - Management Skills VEOS and MEOS               | Nil                  | Nil                  | NIL                |
| 10 | 6253 - Kibaha Education Centre                       | 100,000,000          | 100,000,000          | NIL                |
|    |  | <b>1,009,340,000</b> | <b>1,009,340,000</b> |                    |

