

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



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

**VOTE 76**

**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 Regional Administration Secretary for the year ended 30<sup>th</sup> June, 2005.

- Responsibility for the Financial Statements
- Statement of Vote Account - Supply
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash Flow Statement for Deposit Account
- Cash Flow Statement for Development
- Summary Statement of Revenue
- Summary - Development Appropriation Account
- Summary - Recurrent Appropriation Account
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund
- Notes to the Financial Statements

These Statements and notes form part of 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.

Vote means Vote 76

Region means Lindi Region

ISA	International Standards on Auditing
INTOSAI	International Organisation of Supreme Audit Institutions
LGAs	Local Government Authorities
PO-RALG	President's Office Regional Administration and Local Government
RAs	Regional Administrative Secretary
RDD	Regional Development Director
URT	United Republic of Tanzania

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

### **1.1 Introduction**

We have completed the audit of the Lindi Regional Secretariat - Vote 76 accounts for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, appraisal of Regional Secretariat's 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 Lindi Regional Secretariat was established under Section 10-(1) of an Act of Parliament No.19 of 1997 (the Regional Administration Act, 1997) as a department of the Government and came into effect from 28<sup>th</sup> June 1996.

#### **Vision**

To be an accountable Public Institution that executes government policies and guidelines timely and efficiently for quality services delivery.

#### **Mission**

To be a well equipped and skilled Secretariat capable of providing adequate, timely, efficient and effective technical and consultancy services for improved quality services delivery in the management, economic, physical planning and engineering.

### **1.3 Operational Objectives**

The main objective of the Secretariat is to oversee the exercise of the executive functions of Government in its area of jurisdiction as a result rendering the secretariat to have the following objectives:-

- To ensure and facilitate maintenance of law and order
- To facilitate and assist the six Councils of Lindi to under take and discharge their responsibilities.
- To be representative of the Central Government
- To help the Local authorities putting together technical expertise in undertaking and discharging of their functions.
- To support economic development to the production related activities.
- To support infrastructure and land management activities.
- To support and regulate social development activities.

#### 1.4 Financing

The Regional Secretariat like any Government, Ministry Departmental Agency receives funds appropriated by Parliament through the Treasury by means of Exchequer Issues. During the year under review, a total sum of Shs.12,893,116,341 was released for the operations of the Secretariat as follows:-

<u>Description</u>	<u>Amount</u> <u>(Shs)</u>
Supply Vote	12,880,408,341
Development	411,708,000
<b>Total</b>	<b><u>12,893,116,341</u></b>

#### 1.5 Management Structure

The Regional Secretariat is headed by the Regional Administrative Secretary appointed under Section 12 (1) of the Regional Administration Act, 1997 who in this Act is referred to as “the Secretary”. The Regional Administrative Secretary is the Principal adviser to the Regional Commissioner in the exercise of his functions in relation to the implementation of decisions of Government and recommendations of the Consultative Committee and generally, in relation to the region and its inhabitants (Section 12 (3) of the Act refers). The Regional Administrative Secretary is the Accounting Officer of the Secretariat and is assisted by five Assistant Regional Administrative Secretaries who head Staff Services, Management Support services, Economic Development Support Services, Physical Planning and Engineering support services and Social Sector Support Services as illustrated in the Organisation structure chart.

At district level the Secretariat is represented by the District Commissioner who is appointed by the President as per Section 13 (2) of the Regional Administration Act, 1997 and is assisted by the District Administrative Secretary appointed under Section 16-(1) of the Regional Administration Act, 1997 and at Divisional level the Secretariat is represented by a Divisional Secretary appointed as stipulated in Section 17-(1) of the Regional Administration Act, 1997.

#### 1.6 Brief description of Internal Control System

##### **Accounting System**

The Secretariat operates the usual government accounting system based on Central Payment Office in Lindi using Intergrated Financial Management System and Epicor accounting packages. The financial statements are being prepared and presented based on the Public Finance Act No.6 of 2001 Regulation 53.

## **1.7 Financial Performance**

### **Statement of Vote Account Supply Vote**

The Supply Vote Account closed with an apparent saving of TShs.13,785,806.70 arising from net expenditure of TShs.12,880,356,393.31 against net approved estimates of TShs.12,894,142,200. However, exchequer issues received during the year is TShs.12,880,408,341 resulting a real saving of TShs.51,947.69 with Paymaster Generals Account.

### **Development Vote**

The Development Vote Account reflected a net expenditure of Shs.411,669,907.30 against net approved estimates of Shs.1,637,176,800 resulting un utilized mount of Shs.1,225,506,892.70. However, actual exchequer issues received during the year totalled Shs.411,708,000 resulting in a real saving of Shs.38,092.70 with Paymaster Generals 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(1) of the Public Finance Act no.6 of 2001, the Controller and Auditor General is empowered to audit all government revenue and expenditures including those appropriated to the Secretariat.

## **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 Secretariat for the period ended 30<sup>th</sup> June, 2005 and in particular: -

- To determine whether transactions were executed in accordance with management authorization and the preparation of the financial statements in accordance with the international accounting principles and requirements of the treasury.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and the regulations governing government expenditure.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of all Secretariat activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the public procurement act.
- 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 Secretariat are adequately safeguarded against losses from unauthorized use or disposition.

- To determine whether the Secretariat has taken, adequate corrective actions on previous year's audit recommendations.

### **1.10 Audit Scope**

The audit was carried out in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Secretariat, examination and verification of the accompanying financial statements to the appropriation account, and other procedures as was considered necessary under 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 financials statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Secretariat who are responsible for setting up and maintaining an adequate system of internal control.

### **1.11 Audit Methodology**

Our audit included such tests of the accounting records, site visits 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 Secretariat, its activities and operations and assessment of the major risk areas.
- Carrying out substantive test of the balances reported by the Secretariat in order to obtain reasonable assurance regarding the amounts and disclosures included in the financial statements.
- Review the adequacy of the Internal Control System in place, testing whether it is in compliance with laid down rules, polices, procedures and regulations.
- Conducting interviews and discussions wit some of the employees of the Secretariat and
- Site visits to selected areas or stations.

### **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 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. AUDIT REPORT AND FINANCIAL STATEMENTS

**To: The Regional Administrative Secretary,  
Accounting Officer of Vote 76,  
Lindi Region**

**Re: Audit Report on the Financial Statements of the Lindi Regional  
Secretariat for the year ended 30<sup>th</sup> June 2005.**

I have audited the financial statements of Lindi Regional Secretariat shown as annexure I for the year ended 30<sup>th</sup> June 2005.

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

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

In addition, Regulations 35 requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the entity.

### **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 RAS.

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 properly authorized; and to satisfy myself whether the funds appropriated to the RAS, 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 Lindi Regional Secretariat Vote 76 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 recognised when they are received and cash payments are recognised when they are paid.

### **Opinion**

In my opinion, the financial statements of the Lindi Regional Secretariat have been prepared based on the generally accepted accounting standards; and that they fairly reflect, in all material respects, the results of its operations and cash-flows for the year ended on 30<sup>th</sup> June 2005, and the financial position as at that date.

Further to my opinion, the procurement of motor vehicles, Furniture, Air conditioner, internet and computers, which I have tested as part of the audit has generally complied with the Public Procurement Act No. 21 of 2004 and the related Regulations

### **Matters of emphasis:**

Without qualifying the opinion expressed above, the following matters are brought to the attention of the Secretariat management.

1. There are improperly vouched expenditures amounting to Shs.61,868,986.24
2. There are stores not taken on ledger charge totalling Shs.5,474,420

The details of 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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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 on previous years Audit Reports

Audit queries relating to the previous financial years are still outstanding. Progress achieved in replying to audit queries is as follows:-

Year	No. of queries outstanding
2003/2004	6
2002/2003	<u>1</u>
<b>Total</b>	<b><u>7</u></b>

#### Audit queries

A test check of the Accounts and related records for the year ended 30<sup>th</sup> June 2005 resulted in 20 queries being issued the most significant of which are commented upon in this report. At the time of writing (January, 2006) eight (8) queries have been replied and settled.

#### 3.2 Improperly Vouched Expenditures Shs.61,868,986.24

Examination of Payments for the year under review resulted in 6 queries being issued for the expenditures made whose supporting documents were not attached to the Payment Vouchers though the same were not reported in the footnotes of the Appropriation Account.

#### Implication

Improperly Vouched expenditure implies inadequate internal check and that Financial Regulations have been contravened.

#### Recommendation

The missing supporting documents should be traced and submitted to audit for verification

#### 3.3 Items of Stores not taken on ledger charge Shs.5,474,420

Audit examination of Payment Vouchers for the year under review resulted in 2 audit queries being issued for procurements made without accountability of the goods in the stores ledger.

#### Implication

There is violation of stores procedures

#### Recommendation

Management should ensure that stores procedures are followed in full.

#### 4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Lindi Regional Secretariat during exit meeting. The management of the Regional Secretariat has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the actions taken in this respect.

Lastly, I would like to express my appreciation for the 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,  
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## 5.0 ANNEXURES

Financial statements, accounting policies and notes to the financial statements