

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF THE REGIONAL ADMINISTRATIVE SECRETARY  
MARA REGION**

**VOTE 77**

**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.

- Notes to 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
- 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

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.

The Region - Mara Region (Vote 77)

G.N	Government Notice
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
LGA	Local Government Authorities
MDAs	Ministries, Departments and Agencies
RAS	Regional Administrative Secretary
PFR	Public Finance Regulations
RC	Regional Commissioner

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

### **1.1 Introduction**

We have completed the audit of the Regional Administrative Secretary Vote 77 for the year ended 30<sup>th</sup> June 2005. Audit findings arising from the examination of accounting records, appraisal of 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 Establishment**

In 1972 Tanzania embarked on decentralization by de-concentration where by the regional administration was established. The development directorates at the District and Region, formed the directorates, which were led by District and Regional Development Directors respectively. The Decision to form Regional Administration resulted into the abolition of Local Government Authorities which were inherited at independence.

In 1984 the Tanzania Government revisited its decision on the decentralization by de-concentration and hence reinstated the Local Government Authorities because it was realized that there was lack of community involvement in decision making. The decision was made vide Act No.7 of 1982 as a result the District Development Directorates were abolished.

In 1996 the government decided to further the reforms through streamlining of its functions. It was decided to establish the Regional Secretariat to be led by Regional Administrative Secretary (RAS). The Regional Secretariat composes of sector Technical Advisors. In line with the abolition of Regional Administration the Regional Department heads titles were also abolished vide Prime Minister's Circular No.1 of 1996 the Establishment of Regional Secretariat changed the roles of the region from service provision to advisory role (Act 19 of 1997 section 12). The Regional Secretariat as other MDAs Operates its mandated functions in fiscal year basis from 1<sup>st</sup> July to 30<sup>th</sup> June, each year.

### **1.3 Operational Objectives of the Region**

The Regional Secretariat was established under the Regional Administrative Act No.19 of 1997 to perform Development and Administrative Functions.

The Development role centres on building capacity within and supporting Local Government Authorities (LGAs) for them to be able to deliver the following.

- Management development services, which focus on local authorities putting together expertise in the area of local Government

Administration and finance, training planning and economic analysis, community Development, legal, labour affair's and Auditing.

- Economic Development services which focus on support for production related activities in the region provided through experts in Agriculture. Trade and Natural Resources.
- Physical Planning and Engineering services which focus on support to Infrastructure and land management activity. This includes support for and regulation of technical designs. Contracting and tendering in the sections of physical planning engineering and land development.
- Social development services which focus on support services and regulation of services development activities related to health, education, water services and local welfare activities (both public and private) in the region.

**The administrative role includes:**

- To ensure peace and tranquility for all regional inhabitants so as to enable them to pursue their goals.
- To facilitate and assist LGAs in the region to undertake and delivery their responsibilities by providing and recurring the enabling environment for the successful performance of their duties and functions.
- To be the representative of the central government within the region.

**1.4 Financing of the Regional Secretariat**

The RAS like any Regional Secretariat receives funds from Treasury in the form of exchequer issues. During the year under review, a total sum of Shs.23,030,192,836 was released for the operations of the Region as follows:-

<u>Description</u>	<u>Amount(TShs.)</u>
Supply vote	20,678,308,348
Development Vote	<u>2,351,884,488</u>
<b>Total</b>	<b><u>23,030,192,836</u></b>

**1.5. Management Structure**

Mara Region like other regional votes is under the President's Office; Regional Administration and Local Government. The Region is headed by the Regional Commissioner (RC). The RC is also the Accounting Officer.

The Accounting Officer is assisted by five Assistant Administrative Secretaries who are heads of 5 clusters, these clusters are:

- Staff services
- Management Support Services
- Economic Development support Services
- Physical Planning and Engineering support services

Social Sector Support “Services.

Assistant Administrative Secretaries (Head of Clusters) are assisted by Technical advisors.

#### **1.6. Brief description of Internal Control system**

- **Accounting System**

The Regional Secretariat operates the usual government accounting system based on Central payment office in Sub Treasury using Integrated Financial Management System and Epicor accounting packages. The financial statements are being prepared and presented based on the cash basis of accounting pursuant to Public Finance Act No. 6 of 2001 Regulations 53. To promote understanding and comprehension of the data the Secretariat has included additional details in compliance with the International Public Sector Accounting Standards for the cash basis of accounting.

- **Internal Audit Section**

The Region has not engaged any Internal Audit staff and established an Internal Audit Section. Taking into consideration of the diversity of the Region the need for internal audit function is crucial.

- **Audit committee**

The Region has established an audit committee comprising of three members nominated by the Regional Administrative Secretary and one member from the Treasury. The Committee co-opts 5 other persons within the Region.

- **Regional Tender Board**

The Region has a Tender Committee comprising of 8 members, the chairman of the committee is appointed by the Regional Administrative Secretary while the Regional Stores Officer is the Secretary to this committee. The Region has established a procurement management unit which consists of procurement officers from each department and sections.

#### **1.7 Financial Performance**

##### **(i) Revenue**

The year’s out-turn of revenue collection was Shs.4,096,110 against an approved revenue budget of Shs.990,000 which resulted in an over collection of Shs.3,106,110. Whereas, appropriation in Aid reflected a NIL collection as against the approved estimate of Shs.1,060,000.

### **Expenditure (Recurrent)**

The Supply Vote account during the year under review closed with an apparent saving of Shs.333,077,977 arising from the net expenditure of Shs.20,678,015,823 against approved estimate of Shs.21,011,093,800. Whereas, exchequer issues received during the year amounted to Shs.20,678,308,348 resulting in a real saving of Shs.279,425.

### **Expenditure (Development)**

The Development Vote account closed with a net expenditure of Shs.2,351,775,486 against the net approved estimate of Shs.2,164,861,100 resulting to over expenditure of Shs.186,914,386. However, exchequer issues received during the year amounted to Shs.2,351,884,488, making actual saving of Shs.109,002.

## **1.8 Audit Mandate**

The Controller and Auditor General is the statutory auditor of all Public Revenues and Expenditure by virtue of the provisions of Article 143 of the Constitution of the United Republic of Tanzania, and Section 30(1)(d) of the Public Finance Act No. 6 of 2001.

## **1.9 Audit Objectives**

- To enable the Controller and Auditor General to express a professional opinion on the financial Statements of the Region Administrative Secretary for the year ended 30<sup>th</sup> June, 2005.
- To ensure that receipts and revenue due are properly assessed, and collected.
- To determine whether the Appropriation Accounts and other financial statements are prepared in accordance with Instructions/Guidelines and International Public Sector accounting standards (IPSAS).
- To ascertain whether all necessary documents, books, register, accounts and information have been kept in respect of all transactions.
- To ensure adequate disclosure of assets and liabilities in the appropriation accounts/statements of Assets and Liabilities.
- To verify that payments for goods and services have been made in accordance to the financial regulations.
- To determine whether the Internal Audit Section properly performs its duties with absolute independence and whether the Audit Committee effectively performs its duties to ensure that the system of internal control is adequate and reliable.
- To determine whether the Internal control structure provides management with a reasonable assurance in regard to the procurement of goods and services to ensure that it is being done in accordance with prescribed procedures and that quality, right quantity and economy, efficiency and effectiveness are being considered in the procurement process.

- To verify whether the Tender Board effectively performs its prescribed duties and that proper procurement procedures are being followed in the execution of its duties.
- To determine whether the Region is managing or utilizing its resources in an economical and efficient manner and that the causes of any inefficiencies or uneconomical practices are promptly identified reported and corrected.
- To determine whether the desired results or benefits are being achieved, whether the objectives established by the parliament or other authorizing bodies are being met, and whether the Region has considered alternative ways to ensure the desired results are attained at lower costs.
- To determine whether the Region has taken corrective actions on all matters raised in previous years management audit reports.
- To closely follow-up on the previous year audit findings and recommendations and instructions/directives issued by the Public Accounts Committee (PAC) and to ensure that proper actions have been taken in respect of all matters being raised.
- To ensure that good governance has been enforced in the day-to-day operations of the Region and in carrying out the overall strategy of the Region.
- To determine whether the Region has properly addressed key social problem areas such as HIV AIDS, gender balance, environmental issues etc.

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

The audit of the Regional Administrative Secretary for the period ended 30<sup>th</sup> June 2005 was carried in accordance with International Standards on Auditing (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 Region, examination and verification of the accompanying financial statements 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 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. The responsibility for setting up and maintaining an adequate and

reliable system of Internal control rests with the Management of the Region. Our audit, however, was planned and carried out in such a way that we would have a reasonable expectation of detecting any material misstatement in the financial statements.

#### **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 Region, its activities and operations and assessment of the major risk areas.
- Carrying out substantive test of the balances reported by the Regional Administrative Secretary 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, policies, procedures and regulations.
- Conducting Interviews and discussions with some of the employees of the Region 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 findings are divided into two parts.

The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

## 2.0 AUDIT REPORT AND FINANCIAL STATEMENTS

**To: The Regional Administrative Secretary,  
Accounting Officer of Vote 77,  
Mara Region**

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

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

### **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, PFR 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 Regional Administrative Secretary (Vote 75) 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 Mara Regional Administrative Secretariat have been prepared based on the generally accepted accounting standards and that they fairly reflect, in all material respects, the true and fair view of 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 vehicle (Toyota Land Cruiser station wagon) was generally done in accordance with the Public Procurement Act No. 21 of 2004.

### **Matters of Emphasis**

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

1. The Regional management do not respond promptly to queries, which may delay improvement in the accounting system.
2. Stores worth Shs.3,691,200 ordered and paid for had not been brought to account hence delivery of these stores could not be verified.
3. Shs.4,923,332 were paid to sundry payees, but were not acknowledged by the receiving institutions/Agencies, hence confirmation as to whether the amount was paid to genuine payee could not be ascertained.

4. There is no audit committee and there are un effective internal audit functions, hence effectiveness of Internal Control System is endangered.

Dr. Frank Mosses Hiza Mhilu  
**ACTING 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 RECOMMENDATON**

#### **3.1 Position of outstanding audit queries**

A test check of the accounts and related records for the year 2004/2005 resulted in the issue of 21 audit queries of which the more significant are referred to in this report. At the time of writing (February 2006) none of the queries has been settled.

##### **Implication**

The Regional management takes long time to attend queries raised by auditors.

##### **Recommendation**

The Regional management is advised to promptly respond to queries raised for the purpose of improving the accounting system.

#### **3.2 Stores not Accounted for Shs.3,691,200**

A test check of the account for the year disclosed that stores worth Shs.3,691,200 ordered and paid for by the Secretariat had not been brought to account in the stores ledger.

##### **Implication**

The actual delivery of stores could not be verified due to lack of goods received note and utilization records of these stores.

##### **Recommendation**

Immediately after the goods have been received and examined the storekeeper should record them in the relevant ledgers.

#### **3.3. Unceipted paylists Shs. 1,003,200**

Payments aggregating Shs.1,003,200 were not receipted by payees. Two queries issued on this issued have not been replied.

##### **Implication**

The genuiness of the expenditure incurred could not be verified and this may lead to misuse of government funds.

##### **Recommendation**

Management should take corrective action on the amount not accounted for and should strengthen controls over payment of allowances.

#### **3.4. Payment made without acknowledgement receipt Shs.4,923,332**

A test check of the payments for the year under review disclosed payments worth Shs.4,923,332 made to sundry payees which were not acknowledged by the receiving Institutions/Agencies.

**Implication**

Because of missing acknowledgement receipts, confirmation as to whether the amount was paid to the genuine payee could not be ascertained.

**Recommendation**

Management should ensure that all payment should ensure that all payments are properly paid and accounted for.

**3.5. Irregular and/or questionable payments Shs.9,911,130**

Cases of irregular payments were noted during audit as follows:-

	<b>Amount Shs.</b>
Questionable telephone & accommodation	500,000
Payment to suppliers not authorized by Tender Board	550,000
Contract Agreement - Missing	<u>8,861,130</u>
<b>Total</b>	<b><u>9,911,130</u></b>

Three audit queries have been issued concerning the above irregularities; up to the time of audit i.e. December 2005 all queries were yet to be replied.

**Implication**

There are inadequate internal control over payments and value for money could have not been achieved for the expenditure incurred.

**Recommendation**

Management should act on the queries raised and implement corrective action for improvement.

**3.6 Un claimed salaries Shs.2,532,700**

The statement of Assets and Liabilities reflected deposit of unclaimed salaries of Shs.2,532,700 which related to employees who are not longer in the Public Services.

**Implication**

Unapproved expenditure could be effected out of unclaimed salaries which is contrary to financial regulations.

**Recommendation**

Management should remit unclaimed salaries to the Treasury and strengthen controls over salaries.

### **3.7 Imprest not retired Shs.14,870,500**

Examination of payment vouchers for the year 2004/2005 disclosed payment of imprests worth Shs.14,870,500 in respect of imprest issued were not yet retired.

#### **Implication**

Less effort made by the Secretariat Management to strengthen accountability of money issued as imprests.

#### **Recommendation**

Management should re-enforce retirement of imprests in accordance with the requirements of Public Finance Regulations.

### **3.8 Audit Committee and Internal Audit**

The Public Finance Regulations (2001) Regulations 28-35 requires Accounting Officers to establish an effective Audit Committee and Internal Audit Unit. The aim is to have effective internal control functions.

During audit it was noted that the auditee has established an internal audit function (currently with one auditor only). But for the year 2004/05 no internal audit report was issued. Also the Region has not established an audit committee.

#### **Implication**

Lack of effective Internal Audit functions and audit Committee endangers effectiveness of internal control system.

#### **Recommendation**

Management should ensure that effective internal audit unit and audit committee are established.

## **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the Regional Administrative Secretary during exit meeting. The management 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 Mhilo  
**Ag. CONTROLLER AND AUDITOR GENERAL**

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## 5.0 ANNEXURES

1. Financial statements, accounting policies and notes to the financial statements.
2. Organization Structure

**ANNEXURE I**

**FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**