

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



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

VOTE 79

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
National Audit Office
Samora Avenue/Ohio Street
P.O. Box 9080,
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
E-mail ocag@nao.or.tz
DAR ES SALAAM

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 30th 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.

Vote means: Vote 79

Region means: Morogoro Region

AU	African Union
AR	Audit Report
BOT	Bank of Tanzania
IAS	International Accounting Standards
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Standards
ISA	International Standards on Auditing
NAO	National Audit Office
NMB	National Microfinance Bank
PAC	Public Accounts Committee
PMS	Performance Management System
PPA	Public Procurement Act No. 21 of 2004
PPR	Public Procurement Regulation of 2005
RDD	Regional Development Director
RAS	Regional Administrative Secretary
MDAs	Ministries, Departments and Agencies
LGAs	Local Government Authorities
PFR	Public Finance Regulations
PFA	Public Finance Act

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

We have completed the audit of the Regional Administrative Secretary Vote 79 Morogoro for the year ended 30th June 2005. Audit findings arising from the examination of accounting records, appraisal of the RAS activities as well as an evaluation of the internal control system which require management attention and action are set out under Part 3 of this report.

1.2 Brief History of the client Establishment

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 in the abolition of Local Government Authorities which were inherited during the 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 1984 as a result the District Development Directorates were abolished.

In 1996 the government decided to further the reforms through stream lining of its functions. It decided to abolish 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 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 provider to advisory role (Act 19 of 1997 section 12) Regional Secretariat as other MDAs Operates its mandate functions in fiscal year basis from 1st July to 30th June each year.

1.3 Operational objectives

The Regional Secretarial 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 actives in the region provided through experts in agriculture trade and nature resources.
- Physical planning and engineering services which foods on support to in fracture and land management activity. This includes support for an 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. These roles and functions have been assigned in five clusters.

1.4 Financing of the Regional Secretariat

RAS office like any other government office receives funds from Treasury in the form of exchequer issues. During the year under review, a total sum of Shs.28,707,909,775 was released for the operations of the RAS Office as follows:-

Description	Amount(TShs.)
Supply vote	24,633,344,458
Development Vote	<u>4,074,565,317</u>
Total	<u>28,707,909,775</u>

1.5 Management Structure

The Regional Administration is headed by a Regional Commissioner and the day to day activities are managed by the Regional Administrative Secretary who is also the Accounting Officer for Vote 79. Organization Structure of the Morogoro Regional Secretariat is shown at annexure II of this report.

1.6 Brief description of Internal Control System

The internal control system is in place. The Internal Auditor was employed to check and report shortcomings in connection with the accounts, finances and related operations of the Secretariat. The accounting system in place is adequate. There is job description in order to ensure that, any activity is done by the appropriate officer. The procurement system is also in place and is headed by a Supplies Officer. Tender Board and Audit Committees are in place and they are functioning effectively according to the requirements of Public Finance Act No. 6 of 2001 and Public Procurement Act No. 21 of 2004.

1.7 Financial performance

(i) Supply Vote out-turn

The supply vote account for the year under review closed with an apparent saving of Shs.16,170,882 arising from net expenditure of Shs.24,633,181 against approved estimates Shs.24,649,352,400. However, exchequer issues received during the year totaled Shs.24,633,344,458 resulting in real saving of Shs.162,940.

(ii) Development out-turn

- The year's out-turn on the Development Vote account was Shs.4,074,564,696 against the net approved estimates of Shs.4,074,565,317. However, the exchequer issues received during the year amounted to Shs.4,074,565,317 resulting in cash balance of Shs.621 with the Paymaster Generals Account.
- The statement of Development Vote Account incorporated actual expenditure of Shs.3,104,741,800 in respect of "D" funds. However, the statement of expenditure and the related documents of goods and services delivered direct to projects revealed expenditure of Shs.3,004,741,800 only leaving a balance of Shs.100,000,000 unsupported.

1.8 Audit Mandate

The Controller and Auditor General is the statutory auditor of all Public Revenues and Expenditure which include this Secretariat's accounts 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

The main objective of conducting the audit is:

- 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 30th 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 Secretariat 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 Regional Secretariat 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 Regional Secretariat 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 Secretariat has considered alternative ways to ensure the desired results are attained at lower costs.
- To determine whether the Regional Secretariat 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 Secretariat and in carrying out the overall strategy of the Region.
- To determine whether the Regional Secretariat 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 Morogoro Regional Secretariat for the period ended 30th June 2005 was carried out 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 Regional Secretariat, 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.

Auditors 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 Regional Secretariat. 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 Regional Secretariat, 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 Secretariat.
- Site visits to selected areas or districts.

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 79,
Morogoro Region**

**Re: Audit Report on the Financial Statements of the Morogoro
Regional Secretariat for the year ended 30th June 2005.**

I have audited the financial statements of Morogoro Secretariat Region shown as Annexure 1 to this report for the year ended 30th 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, 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 Regional Secretariat.

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 Secretariat, 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 Morogoro Regional Secretariat (Vote 79) 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 Morogoro Regional Secretariat have been prepared based on the generally accepted accounting standards; and they fairly reflect, in all material respects, the results of its operations and cash-flows for the year ended on 30th June 2005 and the financial position as at that date.

Further to my opinion, the procedures for procurement of stationery supplies, diesel, computer, printers, scanners, motor vehicles and consultancy services were generally done in accordance with Public Procurement Act No. 21 of 2004 and the related Regulations.

Matters of emphasis

Without qualifying the audit opinion expressed above, the following matters are brought to the attention of the secretariat management:

- Expenditure of Shs.100,000,000 under “D” funds was not supported by the relevant documents.

The details of these matters are given under part 3 of this report.

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

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

February, 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Status of the previous year's findings and recommendations

Para 4.3.7 Statement of fixed Assets Shs.381,967,490

The original queried figure of fixed assets was Shs.381,967,490. However, the revised schedule of fixed asset submitted revealed assets worth Shs.971,476,684 which was not accompanied by a valuation report from the valuers.

Implication

In the absence of valuation report the revised schedule of fixed assets could not be ascertained.

Recommendation

The Secretariat management should provide the status of the previous year's findings and recommendations.

3.2 Current year's audit findings

3.2.1 Financial Controls

(i) Payment for Renovation and Extension of the Regional Block - Morogoro - Shs.6,081,109

The Secretariat paid Shs.6,081,108.85 to M/s Josu Ltd -Morogoro as part payment for renovation and extension of the regional Block-Morogoro vide PV 9/6 Chequer No. 375080 of 22/6/2005. However, the expenditure of shs.6,018,108 was wrongly charged under Boma la Mvomero item within the deposit account of Regional Block - Morogoro.

Recommendation

The misallocation of expenditure should be adjusted in order to reveal true balances of Boma la Mvomero Account and Regional Block Account. In addition accounts of individual depositors in the Deposit account Register should be maintained properly to reveal all receipts received and payments made.

3.2.2 Operational and performance

During the year under review, the secretariat targeted to carry out various activities, most of which have been accomplished and few are still under progress.

The following is the status of implementation of those activities and achievement obtained.

S/ No.	Activity	Funds Allocated Shs.	Actual Expenditure Shs.	Physical Achievement	%
1.	Rehabilitation of Regional Block Phase iv	95,565,000	95,565,000	Completed	100%
2.	Construction of Mvomero DC's Office at Wami Luhindo	63,418,000	63,418,000	Phase I In progress	60%
3.	Support District integrated activities of Kilombero District by Ireland Government	449,671,000	449,671,000	Projects Completed	100%
4.	District integrated activities of Ulanga District by Ireland and other Donors	533,449,000	533,449,000	Project Completed	100%
5.	Rehabilitation of Roads and Bridges in Morogoro Region Through SDC Support	1,441,821,800	1,441,821,800	Road/Bridge maintenance Completed	
6.	To prevent mother to child transmission of HIV/AIDS in Kilombero District	250,000,000	250,000,000	Implemented	100%
7.	Capacity Building to Health Staff in Morogoro Region Supported by Govt. of Japan. (JICA)	55,000,000	55,000,000	Implemented	100%
8	To conduct rehabilitation/Const ruction of Pediatric ward at the Region Hospital	15,000,000	15,000,000	Implemented	100%
9.	Follow-up of CSPD activities in all 5 District	Local 17,400,000 Foreign 274,800,00	Local 17,4000,000 Foreign 274,000,000	Implemented	100%
10.	Development Activities in District Council's Supported by Central Government	256,594,000	256,594,000	Implemented	100%
11.	Development Activities in Morogoro Municipal Council	29,584,000	29,589,000	Implemented	100%

Recommendation

The Regional Secretariat should ensure that more efforts are exerted to complete the construction work of Mvomero District Council's Office at Wami Luhindo.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Morogoro 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

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

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

The Permanent Secretary,
Prime Minister's Office,
Regional Administration and Local Government,
P.O. Box 1501,
DODOMA

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