

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



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

MWANZA

VOTE 81

FOR THE FINANCIAL YEAR ENDED 30TH 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 mean Financial Statements and notes of the Regional Administrative Secretariat -Mwanza for the period ended 30th June, 2005.

- Statement of Vote Account -Recurrent(Balance Sheet)
- Statement of Vote Account-Development(Balance Sheet)
- Cash flow statement for Recurrent
- Cash flow statement for Development
- Cash flow statement for deposit
- Detailed statement of Revenue-Recurrent
- Summary Appropriation Account-Recurrent
- Summary Appropriation Account-Development
- Summary Statement of Losses
- Statement of commitment outstanding
- Statement of composition of fund
- Notes to the accounts

These financial statements and notes are attached as annexure to this report

A/C	Account
AQ	Audit query
Act	Public Finance Act, 2001 as amended in 2004 Public Procurement of 2001 as amended in 2004
ISA	International Standards on Auditing
LGAS	Local Government Authorities
MDAs	Ministry Department and Agencies
RAS	Regional Administrative Secretariat
URT	United Republic of Tanzania

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1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

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

1.2 Brief history of establishment of the Secretariat

The Secretariat was established under the Regional Administrative Act no.19 of 1997. The government decided to abolish the former Regional Directorates (RDDs) and establish the Regional Secretariats which are composed of Technical Advisers to the Regional Commissioners (RCs) who is assisted by the Regional Administrative Secretary (RAS).

1.3 Operational objectives

The Regional Administrative Secretariat was established to perform the following :-

- To assist the local authorities to build capacities so as to enhance economic development
- To introduce good planning of engineering services on infrastructure and land management development
- To supervise and manage social services and regulation of policies relating to health education, water and other social welfare
- To be a representative of the Central Government in the Region

1.4 Financing of the Regional Secretariat

The Regional Secretariat like any Regional Secretariat receives funds from the Treasury in the form of Exchequer issues. During the financial year 2004/2005 the Exchequer Issues received by the Secretariat were as follows:-

Recurrent	
Regional Administrative Secretariat	2,310,579,993
Councils	<u>31,505,971,917</u>
Total	<u>33,816,551,910</u>
Development	
Regional Administrative Secretary	244,895,400
Councils	<u>1,275,090,175</u>
Total	<u>1,519,985,575</u>

1.5 Management Structure

The Regional Secretariat is headed by the Regional Commissioner. The day today activities are managed by the Regional Administrative Secretary (RAS) who is also the Accounting Officer of the Region. The detailed Organization Structure of the Secretariat is attached as Annexure II to this Report.

The Region is subdivided into seven functional districts namely:-

- Mwanza Urban
- Ilemera
- Sengerema
- Magu
- Misungwi
- Ukerewe
- Geita

Other supporting divisions include Policy and Planning, Administration & Personnel and Finance and Accounts. These divisions are available at the Regional and District level.

1.6 Brief description of internal control system

- **Accounting System**

The Secretariat operates the usual government accounting system. The financial statements are being prepared and presented based on cash accounting pursuant to Public Finance Act No.6 of 2001.

- **Internal Audit**

To comply with Public Finance Regulation 28, the Regional Administrative Secretary has established the unit of Internal Audit to examine and evaluate the adequacy and effectiveness of internal control in the Secretariat. The Secretariat operates under usual system of internal control as stipulated by Public Finance and Procurement Acts of 2001 as amended in 2004 and Regulations of 2001 as amended in 2004 guidelines to ensure orderly and efficient conduct, proper recording and safeguarding of assets and resources.

1.7 Financial Performance Issues

Recurrent expenditure Account

The net expenditure for the year under review was TShs.33,811,307,239 against an approved budget of TShs.33,816,551,900 resulting in a favourable saving of TShs.5,244,661. However, Exchequer Issues received was TShs.33,811,307,239 resulting from NIL saving.

Development Expenditure Account

The net expenditure for the year under review was TShs.1,519,985,575 against an approved budget of TShs.5,131,523,600 resulting into a favourable saving of 3,611,538,025. However, Exchequer Issues from the Treasury was TShs.1,519,985,575 resulting into a NIL Saving.

1.8 Audit mandate

By virtue of the provision of section 143 of the Constitution of the United Republic of Tanzania and Section 30 (i) of the Public Finance Act No.6 of 2001 the Controller and Auditor General is the appointed Auditor of all Government revenue and expenditure including the Regional Secretariat Mwanza.

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 30th June, 2005 and in particular:

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of accounts to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Public Finance Act No.6 of 2001.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per regulations governing the Secretariat.
- To ascertain whether all relevant supporting documents, records and accounts have been kept in respect of the Secretariat's activities.
- To verify whether all relevant supporting documents, records and accounts have been kept in respect of the entire Secretariat financial directives.
- To perform compliance tests to determine whether the Secretariat's management complied in all material respects with the Public Finance Act No.6 of 2001 as amended in 2004.
- 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 management of the Secretariat has taken adequate corrective action on the previous years audit recommendations
- Accounts have been kept in respect of all the Secretariat financial directives.

- To perform compliance tests to determine whether the Secretariat management complied in all material respects with the Public Finance Act No.1 of 2001.

1.10 Audit methodology

Our audit included tests of the accounting records; other procedures in order to satisfy the objective of the audit. The procedures included the following.

- (a) Review the Internal Control System and testing whether it comply with the Public Finance and Public Procurement Act of 2001 as amended in 2004.
- (b) Examination of payment vouchers and their related supporting documents to establish compliance with proper documentations.
- (c) Planning the audit to obtain adequate information of RAS operations.
- (d) Making Comparison of budgets estimate against actual expenditures to establish reasons for variances.
- (e) Obtaining Bank Reconciliation Statements and note any unreconciled items with the cash book balances.
- (f) Evaluating the status of implementations of previous year's audit recommendations to determine whether management has taken action to implement them.

1.11 AUDIT SCOPE

The audit of the Secretariat's financial statements for the period ended 30th June, 2005 was carried out in accordance with International Standards on Auditing (ISA) and procedures that are consistent with the 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 and other auditing procedures as was considered necessary under the circumstances for the purposes of forming and 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 required to search specifically for fraud; therefore our audit cannot be relied upon to disclose all such matters. However, our audit was planned so 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 detecting and prevention of fraud and irregularity rest with the Secretariat's who are responsible for setting up and maintaining an adequate system of internal control.

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 which is given in pages 13 to 15 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 ON THE FINANCIAL STATEMENTS

**To: The Regional Administrative Secretary,
Accounting Officer of Vote 81,
Mwanza Region.**

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

I have audited the financial statements of the Regional Secretariat attached as annexure I for the year ended 30th 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.

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

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 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 practice; all reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, all expenditures of public money has 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 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 are consistent with those recommended by INTOSAI. Those standards 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 Secretariat (Vote 81) 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 pointed out below, the financial statements of the Secretariat comply with 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 30th June, 2005, and the financial position as at that date.

Matters which require rectifications

- 1 There are long outstanding audit recommendations since financial year 2001/2002 to date(4 audit queries relating to 2001/2002 and 2003/2004 have not yet been replied)
- 2 Improperly vouched expenditure TShs.443,595,658
- 3 Stores purchased and paid for but not delivered TShs. 30,565,267
- 4 Missing acknowledgement receipt from M/S STTBC TShs. 5,179,413
- 5 Understatement of Revenue TShs. 2,375,327
6. Omission of movable Fixed Assets in the Financial Statements TShs.107,502,914

The details of these matters are given under part 3 of this report. Without prejudice to the qualified opinion given above, the procurement of office supplies and services were generally done in accordance with the requirements of the Public Procurement Act No. 21 of 2004 and the related Regulations.

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 Follow-up of Previous Audit Findings

1.12 Current year's Audit Findings

1.12.1 Position of Audit Queries

A test check of the Regional Secretariat accounts and related records for the year under review resulted in the issue of 8 audit queries; the more significant matters of which are referred in the succeeding paragraphs. At the time of writing this report (February 2006) 4 queries relating to the previous years were still outstanding.

<u>F/Y</u>	<u>No of Audit Queries Outstanding</u>
2002/2003	1
2003/2004	3
2004/2005	8
Total	<u>12</u>

1.13 Expenditure made from revenue collections Shs.5,179,413.

The Public Finance Regulation (2001) para 62(3) stipulates that "Between the time of receipt and the time of payment of revenue to the Bank, Treasury or other public office designated by the Accountant General; no expenditure shall be made of it by any Public Officer".

We have noted during the year under review banking particulars of revenue collections amounting to Shs.5,179,413 were not produced for Audit verification an indication that the funds were used for unauthorized expenditures.

Implications

Non availability of banking particulars could lead to misappropriation of funds.

Recommendation

The Secretariat's management should ensure that revenues collected are banked instantly after collections and produced evidence of banking of TShs.5,179,413 for audit verifications.

3.5 Improperly vouched expenditure Shs.443,595,658

During the year under review we have noted that in some instances paid vouchers were not fully supported by proper documentation to authenticate payment effected as follows:-

<u>S/N</u>	<u>Audit Query No.</u>	<u>Amount involved</u>
1	RM 3	35,067,748
2	RM 4	400,000,000
3	RM 6	8,524,037
4	RM 1	<u>3,872,000</u>
	Total	<u>443,595,658</u>

Implication

- Laxity in control over accounting records
- Misappropriation of funds

Recommendation

The Secretariat's management should ensure that paid payment vouchers are dully supported by proper documentations.

3.6 Undercollection of Revenue Shs.2,375,327

During the year under review the statement of revenue reflected total revenue collection amounting to TShs.2,056,672 against approved estimates of TShs.3,415,000 resulting into under collection of TShs.1,358,327.

Further, the Statement of Appropriation in Aid reflected total collection of TShs.227,693 against approved estimates of TShs.1,017,000 resulting to a revenue shortfall of TShs.789,037.

Implication

Undercollection of revenue could have been contributed by Unrealistic budget estimates.

Recommendation

The Secretariat's management should ensure that realistic budgets are drawn so as to avoid reporting of under collection of revenue collections.

3.7 Outstanding Commitment Shs.30,565,267

During the year under revenue (2004/2005 we have noted payments amounting to Shs.30,565,267 made to various officers as night out and other allowances were not shown in the financial year 2003/2004 as outstanding commitments.

Implication

Laxity in Financial Control over recording of commitments.

Recommendation

The Secretariat's management should ensure that all commitments are properly recorded and are authorized by the Accounting Officer.

3.8 Movable assets omitted in the financial statements Shs.107,502,914

During the year under review movable assets valued Shs.107,502,914 were recorded in the fixed assets register. However, they were omitted in the financial statements as follows:-

Reg. No.	Type/Model	Cost price	Year of Acquired	Location
STH2668	Pajero	2,846,017	1992	RWE
STH2524	"	892,650	"	DMO-KWIMBA
STH9040	L/Rover 110	13,452,849	1995	DAS-MAGU
STH9042	"	13,452,849	"	DAS - UKEREWE
STH9044	"	13,452,849	"	DAS-KWIMBA
STH9044	"	13,452,849	"	DAS-SENGEREMA
STH9586	"	13,452,849	"	DAS-MAGU
STG3712	Isuzu Lorry	33,000,000	2004	HQ-MZA POOL
	Total	107,502,914		

Implication

Laxity in recording of movable fixed assets in the Finance Statements.

Recommendation

The Regional Secretariat should ensure proper control over recording of Movable Assets so as to reflect them in the Financial Statements.

4.0 CONCLUSION

The detailed audit findings/presented above have been communicated to Regional Secretariat during exit meeting. Management of the 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 report.

Lastly, I would like to express my appreciation for the Cooperation given to the audit team. It is my hope that such good making 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.

“ Permanent Secretary,
 Prime Minister’s Office,
 Regional Administration and Local Government,
 P.O. Box 1501,
 Dodoma.

5.0 Annexure
Financial Statements, accounting policies and notes to the financial statements.

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

These Financial Statements have been prepared by the management of the Mwanza Region 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 Mwanza Region 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 Office of the Regional Administrative Secretary.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the records and underlying accounts 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 instructions from the Treasury in respect of the year under review.

Signed by Accounting Officer

Date

ORGANIZATION STRUCTURE
REGIONAL SECRETARIAT - MWANZA

