

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



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

SINGIDA

VOTE 84

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) 2117527/2255333
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.
- © This audit report is intended for use by government authorities. However, upon receipt of the General Report of the CAG by the Speaker, this report is a matter of Public record and its distribution may not be limited.

Definition of terms and Abbreviations

Financial statements mean Financial Statements and notes of the Regional Administrative Secretariat -Singida 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

Vote:	Means vote 84
Region:	Means Singida Region
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

CONTENTS

	<u>Page</u>
1.0 BACKGROUND INFORMATION TO THE AUDIT	5
1.1 Introduction	5
1.2 Brief history of the client establishment	5
1.3 Operational objectives	5
1.4 Financing	6
1.5 Management structure	6
1.6 Brief Description of internal control system	6
1.7 Financial Performance	7
1.8 Audit mandate	7
1.9 Audit Objectives	7-8
1.10 Audit methodology	8
1.11 Audit Scope	8-9
1.12 Presentation of audit findings	9
2.0 AUDIT REPORT AND FINANCIAL STATEMENTS	10-12
3.0 AUDIT FINDINGS AND RECOMMENDATIONS	13
3.1 Status of previous audit recommendations	13
3.2 Current year's audit recommendation	13
3.2.1 Position of Audit Queries	13
3.3 Financial Performance issues	13-16
4.0 CONCLUSION	16

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 letter.

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 1984 as a result the District development Directories were abolished.

In 1996 the government decided to further the reforms through streamlining of its functions. It was 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 little 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) 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 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 Secretary		1,345,047,296
Councils		<u>13,620,175,326</u>
	Total	<u>14,965,222,622</u>
Development		
Regional Administrative Secretary		909,413,000
Councils		-
	Total	<u>909,413,000</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 five functional districts namely:-

- Manyoni
- Iramba
- Singida Urban
- Singida Rural

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 operate 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.14,965,029,183 against an approved budget of TShs.14,975,985,900 resulting in a favourable saving of TShs.10,966,717. However, the Exchequer issued by the Treasury was TShs.14,965,222,222 resulting in a real saving of TShs.193,439.
- **Development Account**
The net Expenditure for the year under review was TShs.909,410,720 against an approved budget of TShs.1,353,979,200 resulting in a favourable saving of TShs.444,568,480. However, Exchequer issues from the Treasury was TShs.909,413,000 resulting in a saving of TShs.2,280.

1.8 Audit mandate

By virtue of the provision of section 143 of the constitution of 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 Singida.

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 12 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 84,
Singida 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 84) 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

- (i) There are long outstanding audit recommendations since financial year 2001/2002, which have not yet been attended and finalized.
- (ii) Unvouched and Improperly vouched expenditure made during the year. TShs 98,810,736
- (iii) Stores purchased and paid for but not delivered and accounted for. TShs. 8,988,000
- (iii) Differed payments from the previous year paid during this financial year without proper budgetary provision. TShs.31,885,759

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.

The details of these matters are given in 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 audit recommendations

During the course of the current year's audit we reviewed implementations of the previous year's report. Recommendations were made to some of the key issues which require action for improvement.

We have noted that some of the key issues which required actions for improvements had not been replied.

The status is as follows:-

F/Y 2001/2002

S/N	Details	Amount (Shs)	Status
1	Para 775:Overexpenditure	144,547,685	Not yet recovered
2	Para 776:Items spent without budgetary provisions	9,002,950	Not rectified
3	Para 779 Valuation of fixed Assets	-	Valuation Report awaited

2003/2004

1	Para 725 Improperly vouched Expenditure	22,399,351	Relevant documentations not yet produced to support payment effected
2	Para 726 Missing acknowledging Receipts	148,123,348	Acknowledging Receipts amounting to Shs.132,226,158 were made available leaving a balance of Shs.15,897,190
3.	Para 722.2 Parliament approval over issue of Exchequer Issues	172,865,050	The matter is still un resolved
4.	Para 729: Erection of booster tower Missing contract agreement between RAS and Vodacom	-	Contract Agreement not availed to audit.
5	Para 724.2 Twenty five (25) motor cycles not physically produced for audit	-	Physical evidence of 25 motor cycles awaited.

Implication

The Secretariat management should ensure that long outstanding issues are dealt with first with a view of clearing them.

Recommendation

The Accounting Officer's attention is drawn to the advantages of acting promptly on audit recommendation with a view to securing Public accountability by arresting financial and accounting control deficiencies.

3.2 Current year's audit findings and recommendations

3.2.1 Position of Audit Queries

A test check of the accounts statement and related records for the year under review (2004/2005) resulted in the issue of 15 audit queries being issued the more significant of which form the basis of this report. As at this reporting date (January,2006) the position of audit queries is as follows:-

<u>Financial Year</u>	<u>Queries Issued</u>	<u>Queries Closed</u>	<u>Outstanding Queries</u>
2003/2004	6	1	5
2004/2005	<u>15</u>	<u>4</u>	<u>11</u>
Total	<u>21</u>	<u>5</u>	<u>16</u>

3.3 Unvouched and Improperly Vouched Expenditure Shs.98,810,736

Paid payment vouchers amounting to TShs.43,183,675 were found missing from the folders or batches hence not made available for audit purposes, hence the nature and validity of them could not be established.

Further, payment vouchers amounting to TShs.55,627,061 were not supported by proper documentation hence improperly vouched.

Implication

Laxity in control over accounting records.

Recommendation

The Management of Regional Secretariat should establish efficient and effective modality of filing payment vouchers to avoid the situation of unvouched and improperly vouched expenditure.

3.4 Missing acknowledgement receipt Shs.29,178,730

The Public Finance Regulation (2001) para 70 (1) stipulates that a receipt in the proper form shall be issued immediately for any Public money received.

It was observed that a sum of Shs.29,178,730 was paid to M/S SMITH TIMBER STORE AND BUILDING CONSTRUCTION of Tabora. However the following anomalies were noted:-

- (i) The payment made vide certificate No.1 showed an amount of TShs.6,600,000 instead of TShs.29,178,730
- (ii) Acknowledgement receipt from the payee was not produced for audit verification.

Implication

Laxity in control over Secretariat funds.

Recommendation

The Secretariat should confirm the receipt of Shs.29,178,730 paid to M/S SMITH TIMBER STORE AND BUILDING and submit acknowledgement receipt for audit verification.

3.5 Stores purchased and paid for but not delivered Shs.8,988,000

We have noted that during the year under review that the Secretariat purchased stores worth Shs.8,988,000. However, as at the time of audit (August, 2005); the stores purchased and paid for had not been received and accounted for.

Implication

Laxity in control over stores purchases.

Recommendation

Management should ensure that stores purchased and paid for are received and accounted for.

3.6 Differed payments Shs.31,885,759

The Public Procurement Act of 2001 Section 22 stipulates that “ In order to make sure that funds are available to cover the cost of any proposed procurement of services, a procuring entity shall ensure that funds are available and that entry has been made in the relevant vote book; recording the estimated or known commitment before commencing procurement proceeding”. During the year under review the Regional Secretariat spent TShs.31,885,759 being cost of procuring goods and services. However, it was revealed that the procurement processes was made during financial year 2003/2004 and payments effected in the year 2004/2005 contrary to the Procurement Act No. 21 of 2004 and related Regulations.

Implication

- Non - Adherence to the Procurement Act No.21of 2004 and related Regulation.
- Invoices may be represented for payments
- Concealment of excess vote expenditure at the end of years.

Recommendation

The Regional Secretariat's management should ensure that procurement of goods and services are made within the year they belong and that funds are available before procurement processes are made.

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.

**ORGANIZATION STRUCTURE
REGIONAL SECRETARIAT - SINGIDA**

