

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



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

**VOTE 88**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE, 2005**

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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 Dar es Salaam Region for the year ended 30<sup>th</sup> June, 2005.

- Responsibility for the Financial Statements
- 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
- Summary Statement of Losses
- Statement of composition of Fund

These Statements and notes form part of this report.

CAG	-	Controller and Auditor General
CPO	-	Central Payment System
INTOSAI	-	International Organization of Supreme Audit Institutions
ISA	-	International Standards on Auditing
LGA	-	Local Government Authorities
MDA	-	Ministries, Departments and Agencies
RDD	-	Regional Development Director
RC	-	Regional Commissioner
RAS	-	Regional Administrative Secretary
The Act	-	Public Finance Act (2001) as amended in 2004
The Region	-	Dar es Salaam Region
Vote	-	Vote 88
Regulations	-	Regulations of the Public Finance Act
Regional	-	Dar es Salaam Region

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

### **1.1 Introduction**

We have completed the audit of the DSM Regional Secretariat - Vote 88 accounts for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, appraisal of activities, and evaluation of the internal control system which require management attention and action, are set out under Part three of this report.

### **1.2 Brief history of the Client establishment**

The DSM Regional Secretariat was established under Section 10-(1) of an Act of Parliament No.19 of 1997 (the Regional Administration Act, 1997) as a department of the Government and came into effect from 28<sup>th</sup> June, 1996.

#### **Vision**

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

#### **Mission**

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

### **1.3 Operational Objectives**

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

- To ensure and facilitate maintenance of law and order
- To facilitate and assist the four urban Councils of DSM to undertake and discharge their responsibilities.
- To be representative of the Central Government
- To help the Local authorities (DSM Urban Councils) putting together technical expertise in undertaking and discharging of their functions.
- To support economic development to the production related activities.
- To support infrastructure and land management activities.
- To support and regulate social development activities.

#### 1.4 Financing

The Regional Secretariat like any Government MDA receives funds appropriated by Parliament through the Treasury by means of Exchequer Issues. During the year under review, a total sum of Shs.32,308,482,486 was released for the operations of the Secretariat as follows:-

<u>Description</u>	<u>Amount (Shs)</u>
Supply Vote	31,883,863,486
Development	424,619,000
<b>Total</b>	<b><u>32,308,482,486</u></b>

#### 1.5 Management Structure

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

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

#### 1.6 Brief description of Internal Control System

- **Accounting System**

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

- **Internal Audit Section**

The Secretariat has no Internal Audit Section. The internal audit unit helps to evaluate the adequacy and effectiveness of internal control

in an organization. It also reviews and conducts operational/value for money audits through out the office.

- **Audit Committee**

The Secretariat has established an Audit Committee pursuant to Regulation 28 of the Public Finance Act, 2001 but it has not met since it was set up. The Committee comprises the following officers of the Secretariat and one member appointed by the Treasury:-

- |                    |                            |             |
|--------------------|----------------------------|-------------|
| 1. D.B. Kantabula  | -Administrative Officer    | - Chairman  |
| 2. A.S. Msomba     | -Supplies Officer          | - Secretary |
| 3. J. J. Mackoba   | -Natural Resources Officer | - Member    |
| 4. Dr. D. J. Kundy | -Livestock Officer         | - Member    |

- **Regional Tender Board**

The Secretariat has a Tender Board which meets regularly as and when required.

## 1.7 Financial Performance

### Recurrent Vote Account

The Supply Vote closed with a saving of Shs.463,179,067 arising from net expenditure of Shs.31,871,707,533 against net approved estimates of Shs.32,334,886,600. However total amount of Exchequer Issues received during the year under review was Shs.31,883,863,486, hence the real saving with the Paymaster General's Account was Shs.12,155,953.

### Development Vote Account

The year's out-turn on Development Vote Expenditure was Shs.425,584,000 against the net Approved Estimates of Shs.642,598,200 resulting into an apparent saving of Shs.217,014,200. However, total amount of Shs.425,619,000 hence a cash balance of Shs.35,000 with the Paymaster General's Account.

### Statement of Revenue

The Statement of Revenue as at 30<sup>th</sup> June,2005 reflected an outturn of Shs.9,248,822 as against the approved estimates of Shs.199,000 resulting in an over collection of Shs.9,049,822.

## 1.8 Audit Mandate

By virtue of the provision of Article 143 of the constitution of the United Republic of Tanzania and Section 30(1) of the Public Finance Act no.6 of 2001, the Controller and Auditor General is empowered to audit all government revenue and expenditures including those appropriated to the Secretariat.

## 1.9 Audit objectives

The main objective of conducting the audit is to enable me to express a professional opinion on the financial statements of the Secretariat for the period ended 30<sup>th</sup> June, 2005 and in particular: -

- To determine whether transactions were executed in accordance with management authorization and the preparation of the financial statements in accordance with the international accounting principles and requirements of the treasury.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and the regulations governing government expenditure.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all Secretariat activities.
- To verify whether goods and services bought were acquired through laid down procurement procedures and the public procurement act.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management for implementing and monitoring activities and that the assets of the Secretariat are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the Secretariat has taken, adequate corrective actions on previous year's audit recommendations.

## 1.10 Audit Scope

The audit was carried out in accordance with the ISA and procedures that are consistent with those recommended by the INTOSAI. The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Secretariat, examination and verification of the accompanying financial statements to the appropriation account, and other procedures as was considered necessary under the circumstances. Therefore, the audit findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to audit.

As auditors, we are not required to search specifically for fraud; therefore our audit cannot be relied upon to disclose all such matters. However, our audit was planned in such a way that we would have reasonable expectation of detecting material misstatements in the financials statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the management of the Secretariat who are responsible for setting up and maintaining an adequate system of internal control.

### **1.11. Audit Methodology**

Our audit included such tests of the accounting records, site visits and other procedures in order to satisfy the objective of the audit. Our audit procedures included the following steps:-

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

### **1.12 Presentation of Audit Findings**

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation. The audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

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

## 2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

**TO: Regional Administrative Secretary,  
Dar es Salaam Region,  
Accounting Officer of Vote 88.**

**Re: Audit Report on the Financial Statements of the Dar es Salaam-  
Region for the year ended 30<sup>th</sup> June, 2005**

I have audited the financial statements of Dar es Salaam Region for the year ended 30<sup>th</sup> June 2005 which have been attached to this report as annexure.

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

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

In addition, Regulation 35 of the Public Finance Regulations (2001) requires the Accounting Officer and the entity management to establish an effective Internal Control System appropriate to the circumstances of the Region and the affiliate bodies.

### **Responsibilities of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements, and on procurement procedures adopted by the Region 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 Region.

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; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, that the laws, directions and instructions applicable thereto have been duly observed, expenditures of public monies has been properly authorized; and satisfy my self whether the funds appropriate to the Region 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 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 Region 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 specified below, the financial statements of the Region and related bodies 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 the date.

### **Limitation of Scope of Audit and non-Compliance with Laws:**

1. There are outstanding audit findings from previous audits that are yet to be acted upon.
2. The Audit Committee of the Secretariat has not been effective during the year under audit.
3. During the year the Secretariat had no Internal Audit services as required by the Regulations.

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

Without prejudice to the qualified opinion stated above, the procedures applied for procurements of vehicles and related services, office equipments and stationeries were generally done in accordance with Public Procurement and Act No.21 and the related Regulations.

Dr. Frank Mosses Hiza Mhilu,  
**Ag: CONTROLLER AND AUDITOR GENERAL**

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National Audit Office,  
Dar es Salaam,  
February, 2006

### 3.0 Audit findings and recommendations

#### 3.1.0 Follow up of previous year's findings

<u>Para</u>	<u>Observation</u>	<u>Amount Involved</u>	<u>Amount Cleared</u>	<u>Amount Outstanding</u>
776.1	Over expenditure on Recurrent Vote A/C	Shs.188,519,239	-	188,519,239
778	Licensing Proceeds of DRTLTA not banked	Shs. 66,013,083	30,720,830	35,292,253

#### **Recommendation**

Accounting officer's attention is drawn to the advantages of acting promptly on audit findings with a view to securing public accountability by arresting financial and accounting controls deficiencies.

### 3.2 Current year's findings

#### 3.2.1 Deposit Account

The Reconciliation Statement revealed an adjusted figure of Shs.2,599,000 due to the failure of the system.

#### **Implication**

The correctness of the Deposit Account could not be established.

#### **Recommendation**

The Secretariat Management should liaise with the Central Payments Office to clear the above balance.

#### 3.2.3 Internal Audit Service

Regulation 28 of the Public Finance Regulations of 2001 requires the Accounting Officer to establish an effective Internal Audit Service. It was observed that during the year under review (2004/2005), the Regional Secretariat operates without the services of Internal Audit.

#### **Implication**

Weaknesses in the system of Internal Control may not be detected and rectified promptly.

#### **Recommendation**

The Regional Secretariat should set up an Internal Audit Unit to independently review and assess management control in financial, administrative and operating areas and make recommendation for improvements wherever beneficial.

### 3.2.3 Effectiveness of Audit Committee

Audit noted that, during the financial year under-review (2004/2005) no single meeting was held by the Audit Committee contrary to the requirement of Regulation 32 (l) (a) which require the committee to meet at least quarterly.

#### Implication

Unsatisfactory follow-up of external audit reports

#### Recommendation

The Regional Secretariat management should ensure that, in future Audit Committee meets at least quarterly and perform its functions as required by finance regulations.

## 4.0 CONCLUSION

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

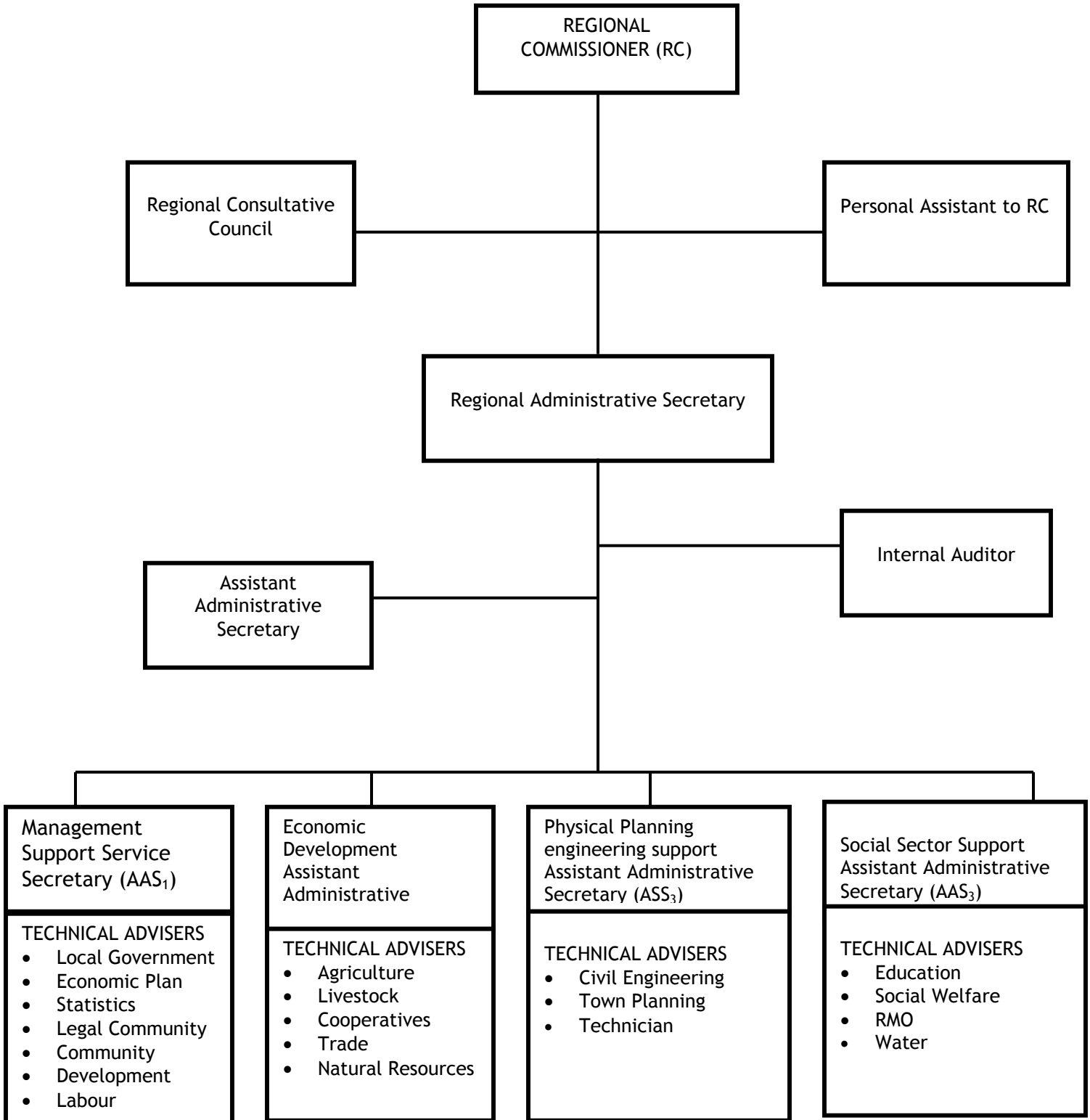
“ The Permanent Secretary and Paymaster General,  
Ministry of Finance,  
P.O. Box 9111,  
Dar es Salaam.

“ 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.

**ORGANIZATION STRUCTURE  
REGIONAL SECRETARIAT - DAR ES SALAAM**



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

These Financial Statements have been prepared by the management of the Regional Administrative Secretary Dar es Salaam 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 Regional Administrative Secretary Dar es Salaam 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 Regional Secretariat Dar es Salaam.

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.

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**Signed by Accounting Officer**

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**Date**