

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



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

**VOTE 89**

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

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February, 2006

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

The National Audit Office,  
United Republic of Tanzania

*(Established under Article 143 of the Constitution of the URT).*

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

### **Our Vision**

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

### **Our Mission**

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

### **Therefore, our Core Values are .....**

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

### **We do this by.....**

- contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of public resources;
- providing technical advice to our clients on operational gaps in their operating systems;
- systematically involve our clients in the audit process and audit cycles; and
- providing audit staff with adequate working tools and facilities that promote independence.

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## Definition of terms and Abbreviations

Financial statements means the following statements, notes and supporting schedules of the Regional Administration Secretary for the year ended 30<sup>th</sup> June, 2005.

- Notes to the Financial Statements
- Statement of Vote Account - Supply
- Statement of Vote Account - Development
- Cash Flow Statement for Recurrent Account
- Cash flow statement for Deposit Account
- Summary Statement of Revenue
- Summary - Development Appropriation Account
- Summary - Recurrent Appropriation Account
- Statement of Arrears of Revenue
- Summary Statement of Losses
- Statement of composition of Fund

These Statements and notes form part of this report.

Act means the Public Finance Act No. 6 of 2001 as amended in 2004.

Regulations means the Regulations of the Public Finance Act issued under G.N. Number 259 of 2003.

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 Secretariat Rukwa Vote 89 for the year ended 30<sup>th</sup> June 2005. Audit findings arising from the examination of accounting records, appraisal of the Secretariat 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 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 Directorates were abolished.

In 1996 the government decided to further 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 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 1<sup>st</sup> July to 30<sup>th</sup> June 2005 each year.

### **1.3 Operational objectives**

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

The Development role centre 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.15,903,092,484 was released for the operations of the RAS Office as follows:-

Description	Amount(TShs.)
Supply vote	15,404,195,484
Development Vote	<u>498,897,000</u>
<b>Total</b>	<b><u>15,903,092,484</u></b>

**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 89. Organization Structure of the Regional Secretariat Rukwa 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 during the year under review closed with an apparent saving of Shs.183,526,764 arising from the net expenditure of Shs.15,402,406,836 against approved estimate of Shs.15,585,933,600. Whereas Exchequer issues received during the year amounted to Shs.15,404,195,484 resulting in an apparent saving of Shs.1,788,648

### **(ii) Development vote out turn**

The Development Vote Account closed with a net expenditure of Shs.498,897,000 against the net approved estimate of Shs.1,469,717,200 resulting in an apparent difference of Shs.970,820,200. However, Exchequer issues received during the year was Shs.498,897,000 only. The difference of Shs.970,820,200 was a result of Foreign funds which were not issued during this year (2004/2005)

## **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**

- To enable the Controller and Auditor General to express a professional opinion on the financial Statements of the Region Administrative Secretary for the year ended 30<sup>th</sup> June, 2005.
- To ensure that receipts and revenue due are properly assessed, and collected.
- To determine whether the Appropriation Accounts and other financial statements are prepared in accordance with Instructions/Guidelines and International Public Sector accounting standards (IPSAS).

- To ascertain whether all necessary documents, books, register, accounts and information have been kept in respect of all transactions.
- To ensure adequate disclosure of assets and liabilities in the appropriation accounts/statements of Assets and Liabilities.
- To verify that payments for goods and services have been made in accordance to the financial regulations.
- To determine whether the Internal Audit Section properly performs its duties with absolute independence and whether the 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 year's 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 Rukwa Regional Secretariat for the period ended 30<sup>th</sup> June 2005 was carried in accordance with International Standards on Auditing (ISA) and procedures that are consistent with those recommended by the INTOSAI.

The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the 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.

As Auditors we are not specifically required to search for fraud, therefore, our audit cannot be relied upon to disclose all such matters. The responsibility for setting up and maintaining an adequate and reliable system of Internal control rests with the Management of the 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 89,  
Rukwa Region**

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

I have audited the financial statements of Rukwa Secretariat Region shown as Annexure 1 to this report for the year ended 30<sup>th</sup> 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 Rukwa Regional Secretariat (Vote 89) 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.

**Qualified opinion:**

In my opinion, except for matters specified below, the financial statements of the Rukwa Regional Secretariat have been prepared based on 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 30<sup>th</sup> June 2005, and the financial position as at that date.

Further to my opinion, without prejudice my opinion stated above, the procurement of office supplies, motor vehicles, fuel and lubricants, which I have tested as part of the audit, have generally complied with the requirements of the Public Procurement Act No. 21 of 2004 and related Regulations.

**Non compliance with Laws:**

1. Outstanding bills amounting to Shs.40,183,069 are not included in the statement of commitment as per instruction by the Accountant General
  2. Uncleared Bank balances amounting to Shs.222,149,632 in respect of supply, Development and miscellaneous deposit accounts
- The details of these matters are given in para 3 of this report.

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

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Office of the Controller and Auditor General,  
National Audit Office,  
Dar es Salaam  
February, 2006

### **3.0 AUDIT FINDINGS AND RECOMMENDATIONS**

#### **3.1 Status of the previous year findings and recommendations**

3.1.1 All matters raised in the previous year's management letter were dealt with satisfactorily and have been closed.

#### **3.1.2 Position of audit queries**

A test check of the financial statements and related records for the year under review (2004/2005) resulted in the issuance of 29 audit queries, the more significant of which form the basis of this report. As at this reporting date (January 2006) no audit queries have been replied satisfactorily and closed.

Further, there were no queries outstanding relating to the previous years.

#### **3.2 Current year's audit findings**

##### **3.2.1 Development Vote Account**

The statement of Development Vote Account has incorporated the supplies of goods, works and services, which represents development projects carried out by the Regional Secretariat as detailed below.

Development projects under Administration	297,307,000
Development project under Health services (self help schemes)	10,000,000

No operational progress reports have been furnished detailing achievements of the intended goals of targets set by the Regional Secretariat.

##### **Implication**

Achievements of the Regional Secretariat's goals or targets for development activities have not known.

##### **Recommendation**

The Regional Secretariat should ensure that progress reports are prepared in respect of development projects carried out during the year.

### 3.3 Outstanding Commitments not yet paid Shs.40,183,069

3.3.1 The Accountant General's guidelines for the preparation of annual final accounts directs that all Accounting Officers should prepare statement of commitments outstanding and in addition provide a note for:

- (i) Commitment cancelled and reasons for cancellation
- (ii) Commitments outstanding for more than two years and reasons

The Regional Secretariat has prepared a "NIL" statement of Commitment outstanding as at 30<sup>th</sup> June 2005. However, we observed that Government bills totalling Shs.40,183,069 remained outstanding as at 30<sup>th</sup> June 2005 and the list of these unpaid bills does not provide an age analysis, which is necessary for management decision making.

#### Implication

- Non disclosure of Commitments outstanding at year end subsequently leads to Excess Vote against supply/Development Vote accounts.
- Violation of instructions issued by the Accountant General.

#### Recommendation

The Regional Secretariat should ensure that a statement of commitments outstanding is prepared as per Accountant General issued Guidelines/Instructions.

### 3.4 Bank Reconciliation Statements

3.4.1 The Public Finance Regulation section 162(i) stipulate that the balance of every bank account as shown in the bank statement must be reconciled with the corresponding cash book balance at least monthly, the reconciliation statement being filed or recorded in the cash book.

In view of the above, during the year under review we observed that Bank Reconciliation Statements in respect of Supply, Development and miscellaneous deposit accounts were all prepared. However, the following balances were not cleared:

S/ No.	Account	Description	Amount (Shs.)
(i)	Supply Vote	Unpresented cheques not yet cleared	161,265,643
(ii)	Development Vote	Unpresented cheques not yet cleared	<u>60,883,989</u>
		<b>Total</b>	<b><u>222,149,632</u></b>

**Implication**

Unpresented cheques not cleared by the bank remain outstanding contrary to accounting practices.

**Recommendation**

The Regional Secretariat should ensure follow-up and clear all unpresented cheques with the bank.

**3.5 Operational performance issues****3.5.1 Performance overviews**

The Accountant General's Guidelines for the preparation of annual final accounts stipulate that all MDAs should comment on what has been achieved at each target level, when reporting the current year's performance.

However, a review of physical progress of activities performed by the Regional Secretariat in order to achieve intended objectives has revealed that the Secretariat has not commented in detail on what has been achieved at each target level. Further, the targets recorded or narrated are not relevant to the intended objective as follows:

S/ No.	Objective	Target	Achievements	Audit comments
1.	To facilitate capacity building and monitor implementation of Government policies in the Region	Salaries and wages paid to workers by the year 2007	NIL	The Secretariat is yet to comment in detail on what has been achieved and elaborate more on relevant target levels.
2.	Education materials, supplies and services are supplied in the Secretariat by the year 2007	To improve technical capacity and working environment of the Regional Secretariat by 2007	NIL	-do-

**Implication**

The Target/goals to achieve intended objectives are not well formulated

**Recommendation**

The Regional Secretariat should ensure that its targets are relevant to achieve intended objectives.

#### 4.0 CONCLUSION

The detailed audit findings presented above have been communicated to management of the Regional Secretariat Rukwa 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**

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The Permanent Secretary,  
Prime Minister's Office,  
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## 5.0 ANNEXURES

- I Financial statements, accounting policies and notes to the financial statements.
- II Organization structure