

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



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL  
STATEMENTS OF THE REGIONAL ADMINISTRATIVE SECRETARY  
MANYARA REGION**

**VOTE 95**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> 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](mailto:ocag@nao.or.tz)  
DAR ES SALAAM.

February 2006

**Office of the Controller and Auditor General**  
The National Audit Office,  
United Republic of Tanzania

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

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

**Our Vision**

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

**Our Mission**

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

**Therefore, our Core Values are**

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

**We do this by**

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

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## Definition of terms and Abbreviations

Financial statements means the following statements, notes and supporting schedules of the Manyara Region 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.

Region Means            Manyara Region

### Abbreviations

AAS	-	Assistant Administrative Secretary
CAG	-	Controller and Auditor General
DPs	-	Development Partners
GDP	-	Gross Domestic Product
GOT	-	Government of Tanzania
HIPC	-	Highly Indebted Poor Countries
IFMS	-	Intergrated Financial Management
IG	-	Investment Grant
ISA	-	International Standard of auditing
LGA	-	Local Government Grant
LGRP	-	Monitoring and Evaluation
M&E	-	Monitoring an Evaluation
MoF	-	Ministry of Finance
OCAG	-	Office of the Controller and Auditor General
PER	-	Public Expenditure Review
PMO-RALG	-	Prime Minister's Office -Regional Administration and Local Government
PRSP	-	Poverty Reduction Strategy Paper
PSRP	-	Public Service Reform Programme
PS	-	Permanent Secretary
RAS	-	Regional Administrative Secretary
RS	-	Regional Secretariat

## **1.0 BACK GROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

I have completed the audit of the Manyara Regional Secretariat- Vote 95 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 requires management attention and action are set out under part three of this report.

### **1.2 Brief history of client establishment**

The Manyara Regional Secretariat was established by Parliament Act No.12 of 1994. The new region of Manyara came into effect from 1<sup>st</sup> August 2002 as per Government Notice No.367 Published on 02/08/2002.

### **1.3 Operational Objectives**

According to the Regional Secretariats Act, the Regional Secretariat has the following objectives:-

- (a) To ensure and facilitate maintenance of peace to all the regional Inhabitants to enable them to pursue their goals.
- (b) To facilitate and assist LGAs in the region to undertake and discharge their responsibilities by providing and securing the enabling environment for the successful performance of their duties and functions.
- (c) To be representative of the Central Government (CG) within the region.
- (d) To help the local authorities putting together technical expertise in the area of local Government, Community development, legal and labour affairs and auditing.
- (e) To support the economic development for the production of related activities in the region, provided through experts in agriculture, livestock, cooperatives, industry and trade, wildlife, fisheries and beekeeping.
- (f) To support infrastructure and land management activities. This includes support for and regulation of technical designs, surveys, contracting tendering in the sectors of physical planning, engineering and land development.
- (g) To support and regulate social development activities related to health, education, water provision and social welfare activities (both public and private) in the region.

#### 1.4 Financing

The Regional Secretariat like any Government MDA received funds appropriated by Parliament through the Treasury by means of Exchequer Issues. During the year under review, a total sum of Shs.4,354,525,828 was released for the operations of the Secretariat as follows:-

• Supply vote	Shs.	1,118,652,996
• Development vote	Shs.	<u>3,235,872,832</u>
<b>Total</b>	<b>Shs.</b>	<b><u>4,354,525,828</u></b>

#### 1.5 Management

The Regional Secretariat Manyara operates under directives of the Prime Minister's Office - Regional Administration and Local Government.

Under the Ministry there is a Regional Commissioner (RC), under RC there is a Regional Administrative Secretary who is the Accounting Officer of vote 95. Below RAS there are four departments which are Management Support, Economic Development, Physical Planning and Engineering Support Services and each of them is headed by an Assistant Administrative Secretary.

The management structure of the Regional Secretariat is shown as annexure II to this report.

#### 1.6 Internal Audit Section

A System of internal control that should be adopted by Regional Secretariats is given under the Public Finance Act No.6 of 2001. The Management should ensure assignment of specific responsibilities to individual officers. An organization chart of the Finance Department division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Regional Administration Secretary or his designated representative to check effectiveness of the control system is mandatory. The Secretariat is also required to employ its own Internal Auditors who report directly to the RAS. Similarly, the Public Procurement Act No.21 of 2004 Section 28 (1) requires the Regional Secretariat to establish a Tender Board, and Section 34 (1) provides for Establishment of Procurement Management Unit.

The Internal Control set up of the Regional Administrative Secretary-Manyara abide by this order and Procurement Act.

Nevertheless, weaknesses arising from the review of internal control system are included under part 3 of this report.

## **1.7 Financial Performance Issues**

### **Supply Vote**

The Supply Vote closed with a net expenditure balance of Shs.14,412,572,035 against a net approved estimates of 15,136,681,700 realizing a saving of Shs.724,109,665.

However, exchequer issues received during the year totalled to Shs.14,412,654,723 resulting to a cash balance of Shs.82,688 with a Paymaster's General Account.

### **Development Vote**

The Development Vote closed with a net expenditure balance of Shs.3,235,872,832 against a net approved estimates of 4,373,604,000 realizing a saving of Shs.1,137,731,168. However exchequer issue received during the year totalled to Shs.3,235,872,832 resulting to a NIL cash balance.

## **1.8 Audit Mandate**

By virtue of the provision of Article 143 of the constitution of the United Republic of Tanzania of 1977 and the Public Finance Act No.6 of 2001 and Procurement Act No.4 of 2004 the Controller and Auditor General is the appointed auditor of all government revenues and expenditure, including the revenues and expenditure of this Regional 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 Vote 95 for the period ended 30<sup>th</sup> June,2005 and in particular:-

- To determine whether transactions were executed in accordance with financial regulations, and recorded properly in the books of accounts for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget governing regulations.
- To ascertain whether all 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 procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.

- 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 authority are adequately safeguarded against losses from unauthorized use or disposition.

#### **1.10 Audit Scope**

The Audit was carried out in accordance with International Standards on auditing (ISA). The audit covered the evaluation for the effectiveness of the financial accounting system and Internal control over the activities of the Region 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 required to search specifically for fraud; therefore our audit cannot be relied upon to disclose all such matters. However our audit was planned as 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 detection and prevention of fraud and irregularities rests with Secretariat management who are responsible for setting up and maintaining an adequate system of Internal Control.

#### **1.11 Audit Methodology**

In auditing the financial statements together with the related records, the followings steps were followed.

- A review of the regulations, guidelines circulars and other documents such as standing orders, Treasury instructions as was considered necessary under the circumstances.
- Examination of receipts and payments to confirm compliance with the existing financial regulations and other Instructions or directives.
- A review of the Internal control structure by assessing significant policies and procedures and establish its adequacy.
- Review of financial statements, progress reports, various implementation reports and any other associated information.
- Conduct Local inspection to verify physical implementation of planned activities as well as assessing the progress made.

- Conduct Local inspection to verify physical implementation of planned activities as well as assessing the progress made.
- Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit, respectively.

#### **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 ON FINANCIAL STATEMENTS

**To: The Regional Administrative Secretary,  
Accounting Officer Vote 95,  
Manyara Region**

**Re: AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE  
MANYARA REGIONAL SECRETARIAT FOR THE YEAR ENDED 30<sup>TH</sup>  
JUNE 2005**

I have audited the financial statements of Manyara Regional Secretariat for the year ended 30<sup>th</sup> June 2005 which have been attached to this report as annexure I.

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

Section 25 (4) of the Public Finance Act of 2001 places responsibility to the Accounting Officer to prepare the financial statement based on the 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 myself 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures into 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 of 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 received and cash payments are recognized when they are paid.

### **Opinion**

In my opinion, the financial statements fairly reflect, in all material respect, the financial position of Manyara Regional Secretariat as at 30<sup>th</sup> June 2005 and the result of the operations for the year then ended.

Further to my opinion, the procurement of goods, works and consultancy was generally done in accordance with the Public Procurement Act No. 21 of 2004.

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.  
**31<sup>st</sup> March 2006**

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Current year Audit findings:

##### 3.1.1 Unvouched expenditure Shs.3,058,324

A test check of the accounts disclosed missing payment vouchers totaling Shs.3,058,324 as detailed below:-

Account	Pv. No.	Amount	Cheque. No.	Payee
Recurrent	110/3	425,698	00661178	Halima Ibrahim
	104/4	600,000	00661843	Hamadi Mbigam
	232/6	450,000	00663391	M. K. Chagama
	263/6	407,626	0063525	RAS - Manyara
Deposit	7/3	300,000	00661073	H. M. Rajab
	12/3	225,000	00672525	A. D. Kayungi
	15/3	<u>650,000</u>	00672541	T. S. Matia
<b>Total</b>		<b><u>3,058,324</u></b>		

##### Implication

In the absence of payment vouchers, the propriety of expenditure could not be determined.

##### Recommendation

The Secretariat should exert more efforts to trace the missing payment vouchers for proper accountability and audit verification.

##### 3.1.2 Imprests not retired Shs.4,046,000

Examination of payment vouchers revealed that imprests amounting to Shs.4,046,000 were granted to various officers of the Secretariat out of which Shs.1,950,000 granted from Recurrent Account and Shs.2,096,000 from Deposit Account. However, the imprests remained unaccounted for more than two weeks after the officers have returned from journeys or after finalization of activities.

##### Implication

Lack of Internal Control over payments and retirements of imprests.

##### Recommendation

The management should ensure that all imprests are retired as soon as the purposes for which they were issued are completed. In addition, recovery should be effected from each imprest holder.

### 3.1.3 Improperly vouched Expenditure

Examination of payment vouchers for the year 2004/2005 disclosed the existence of improperly vouched expenditure of Shs.4,682,000 as detailed below:-

Pv. No.	Cheque No.	Amount Shs.	Missing documents
10/9	00657719	850,000	Claim form, payroll and activity period not stated
34/9	00657757	310,000	Received payroll
236/10	00658544	270,000	Invitation letter
187/11	00658976	750,000	Claim form and payroll
70/1	0060120	1,832,000	Received payroll
13/4	00661582	670,000	Received payroll
	<b>Total</b>	<b>4,682,000</b>	

#### Implication

Without relevant supporting documents the genuineness of the expenditure could not be justified.

#### Recommendation

The Secretariat management should confirm that all supporting documents are traced and submitted for audit scrutiny.

### 3.1.4 Direct-to-Project Funds Shs.1,696,278,832

The account reflected an amount of Shs.1,696,278,832 being expenditure of direct-to-project aid that was provided by donor countries. Although the value of such aid had been adjusted and shown as expenditure in the books of accounts, there were no documents produced to confirm receipt and proper utilization of the goods. The goods were distributed as follows:-

<u>Project</u>	<u>Estimates</u>	<u>Actual</u>	<u>Variance</u>
LAMP - Babati	850,000,000	431,774,482	418,225,518
LAMP - Kiteto	875,786,000	641,287,600	234,498,400
LAMP - Simanjiro	837,000,000	623,216,750	213,783,250
HIV/AID	271,224,000	NIL	271,000,000
<b>Total Shs.</b>	<b>2,834,010,000</b>	<b>1,696,278,832</b>	<b>1,137,731,168</b>

#### Implication

No proper accounting records are kept.

#### Recommendation

The Secretariat should ensure that proper records are maintained for each project funds.

**3.1.5 Irregular payments Shs.5,294,000**

The Manyara Secretariat has paid a total amount of Shs.5,294,000 to E & M Division vide cheque No.657239 as final payment outstanding from previous year's accounts in respect of maintenance and repair for STJ.2767 Toyota L/C S/W. However, the debts paid had no record in the previous year's accounts.

**Implication**

Payments for non budgeted expenses might hinder implementation of budgeted activities.

**Recommendation**

The Secretariat management should introduce creditors register for recording all incoming bills and settlement particulars during the year. In addition, the unpaid bills should be shown as creditors in the final accounts.

**3.1.6 Stores not taken on ledger charge Shs.9,114,180**

Audit verification carried out on accountability of purchases of stores revealed that stores worth Shs.9,114,180 paid for and received was not taken on ledger charge.

**Implication**

No proper accountability of stores procured.

**Recommendation**

The Secretariat management should confirm that the stores procured have been accounted for and used for official purposes.

**3.1.7 Procurement without competitive tendering Shs.5,614,625**

During our audit examination we noted that goods worth Shs.5,614,625 were purchased without calling for competitive tendering contrary to the requirement of Public Procurement Regulation and Section 32 of the Public Procurement Act No.3 of 2001.

**Implication**

The Secretariat might not obtained the lowest price from stores procurement.

**Recommendation**

Procurement of goods and services should be done in accordance with the requirement of section 32 of the Public Procurement Act, 2001 and section 80 (1) of Public Procurement Regulations.

### 3.1.8 Payments on the strength of proforma invoices Shs.4,149,000

Examination of procurement of goods and services through LPO revealed that the items worth to Shs.4,149,000 were ordered and paid for against proforma invoices. Neither cash sales nor delivery notes were produced as follows:-

<u>Pv/No</u>	<u>Details</u>	<u>Amount</u>
217/8	Paid to Gwandu to purchase	270,000
19/8	Paid to Gwandu to purchase 300 ltrs of diesel	270,000
67/12	Paid to Twiga stationeries for supply of computer accessories and stationeries	1,271,800
68/12	Paid to Twiga Stationeries	754,600
852/10	Paid to Ufoo O. Ulomi for supply of 1000 ltrs of diesel	870,000
1087	Paid to Manyara Rainbow and General Supplies for supply of stationery and printing services	528,800
124/12	Paid to Tanganyika Farmers Association Ltd for supply of various stationery for office use	183,800
<b>Total Shs.</b>		<b><u>4,149,000</u></b>

#### Implication

In the absence of invoices/cash sales, receipts and delivery notes, the goods mentioned above could not be confirmed.

#### Recommendation

The secretariat should ensure that the items were collected, receipted and accounted for.

### 3.1.9 Missing payrolls

Audit of payrolls during the period under review noted missing payrolls for two months as here under:-

<u>Station</u>	<u>Month</u>	<u>Year</u>
(i) RAS	July	2004
(ii) DAS - Hanang	June	2005

#### Implication

In the absence of the receipted payrolls, we could not ascertain whether all salaries due were received by the bonafied payees and amount drawn match with payrolls totals.

#### Recommendation

The management should ensure that the missing payrolls are traced and submitted for audit verification.

#### **4.0 CONCLUSION**

The detailed audit findings presented above have been communicated to management of the Manyara Regional Secretariat during the exit meeting. The Management has promised to take appropriate action with a view to rectify the situation. I 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**

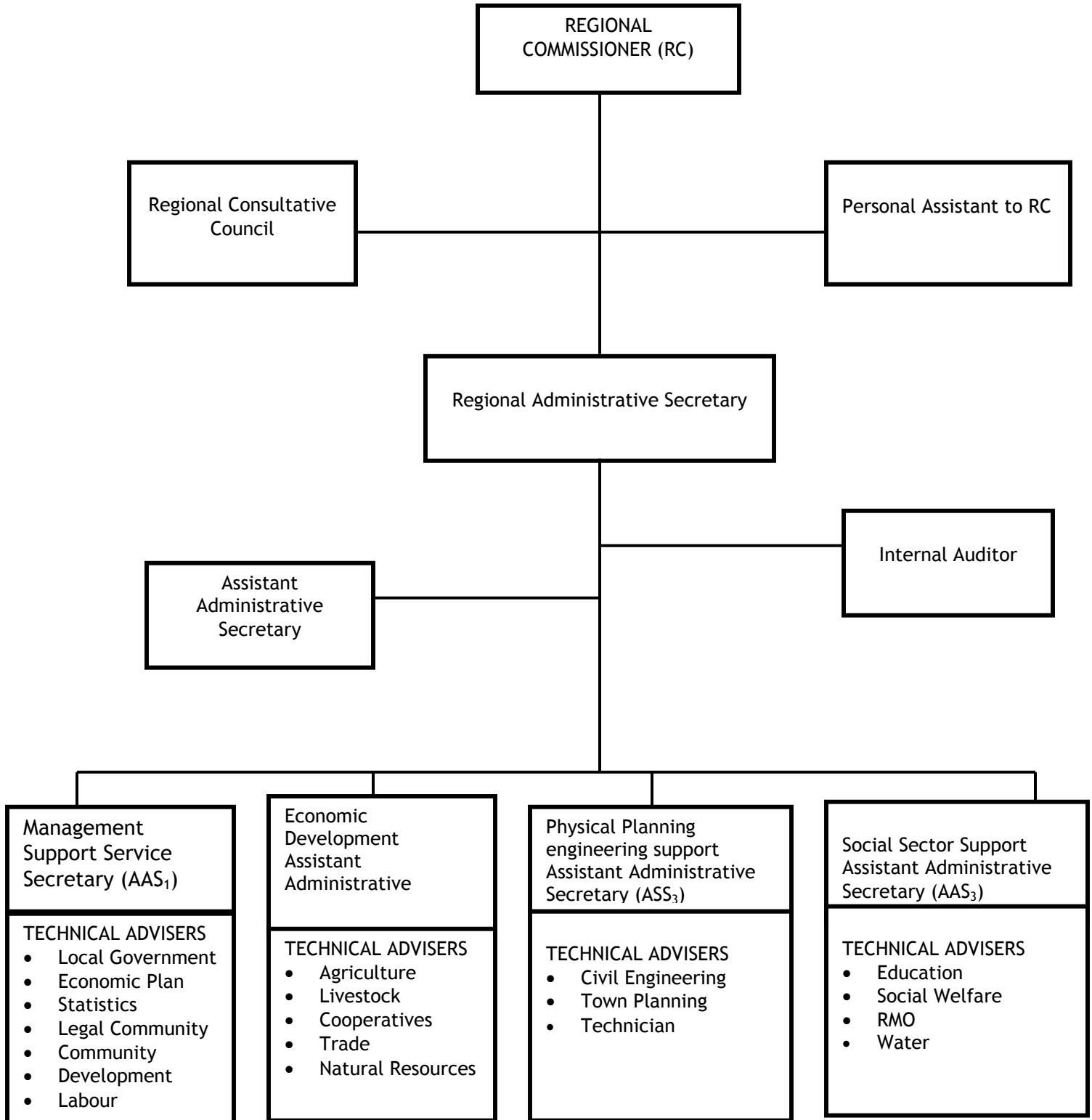
“ The Permanent Secretary and Paymaster General,  
Ministry of Finance,  
P.O. Box 9111,  
**Dar es Salaam.**

“ 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 - MANYARA**



**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 Manyara 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 Manyara 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 Manyara.

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**