



**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF RUKWA REGIONAL SECRETARIAT -  
(VOTE 89) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

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AR/CG/VT 89/2015/2016

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## 1.0 GENERAL INFORMATION

### 1.1. Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008 the Controller and Auditor General is the statutory auditor of all Government revenues and expenditures including the revenues and expenditures of the Rukwa Regional Administrative Secretariat.

### 1.2. Vision, Mission and Core Values

#### Vision

To be a centre of excellence in public sector auditing

#### Mission

To provide efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

#### Core Values

In providing quality services, NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective and unbiased manner;
- ✓ **Excellence:** We are professionals providing the highest quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain the highest standards of ethical behaviour and the rule of law;
- ✓ **People focus:** We focus on our stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization and
- ✓ **Best resource utilisation:** We are an organisation that values and uses public resources entrusted to it in an efficient, economic and effective manner.

#### 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 appropriate training, adequate working tools and facilities that promote their independence.

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### **1.3. Audit Objectives**

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

### **1.4. Audit Scope**

The audit was carried out in accordance with the, the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of Rukwa Regional Secretariat.

The audit was conducted on a sample basis; therefore the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Regional Secretariat.

As an auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of Rukwa Regional Secretariat

### **1.5. Audit Methodology**

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.

- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued PAC to ensure that proper action has been taken in respect of all matters raised.

## 2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Accounting Officer,  
Rukwa Regional Secretariat,  
P.O. Box 128  
**SUMBAWANGA.**

**RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF RUKWA REGIONAL SECRETARIAT (VOTE 89)  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

### **Introduction**

I have audited the financial statements of Rukwa Regional Secretariat which comprise of the Statement of Financial Position as at 30<sup>th</sup> June, 2016, Statement of Financial Performance, Statement of Change in Equity and Cash Flows Statement for the year then ended, Statement of Comparison of Budget and Actual Amounts and a Summary of Significant Accounting Policies and Other Explanatory Information attached as **Annexure I** to this audit report.

### **Management's Responsibility on the Financial Statements**

Management of Rukwa Regional Administrative Secretariat is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error as per the Statement of Management Responsibility on the Financial Statements. Attached in **Annexure II**.

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

My responsibility as an auditor is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with, International Standards of Supreme Audit Institutions (ISSAIs) and such other procedures I considered necessary in the circumstances. These standards require that, I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making the risk assessments, I considered internal control system relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. The audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

I believe that, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis for Adverse Opinion**

- i. Note 52 to the financial statements discloses value of RS's Inventories as TZS170,354,720; however Inventory balance in stock taking sheets was reported as TZS 115,228,295 thus resulting into unexplained difference of TZS 55,126,425.
- ii. Note 90 to the financial statements disclosed Taxpayers' funds as TZS5,412,721,083.84' while opening and closing balances in the Statement of Change in Net Assets/Equity were reported in 2015/2016 as TZS8,759,427,155.79 and in 2014/2015 TZS7,966,298,715.49 respectively resulting into unexplained difference between Note 90 and both the opening and closing balances (which in principle, ought to be the same).
- iii. Note 90 to the financial statements was a disclosure of the Taxpayers' Fund adjustment shown as TZS 2,285,952,663.22 for the financial year 2015/2016 and TZS 1,956,756,118.25 for the year 2014/2015. No analyses for this adjusting figure were provided for audit purposes despite my request for the same.
- iv. Note 90 to the financial statements was a disclosure of Assets adjustment of TZS 200,000,000 in the financial years 2015/2016 and 2014/2015 respectively. No analysis for the adjusting figure of TZS 200,000,000 was provided for audit purposes despite my call for the same.
- v. Note 59 to the financial statements disclosed Computer Equipment as part of Property, Plant and Equipment at a value of TZS 85,753,632. The same item was reported at TZS 98,774,932 in the Movement schedule for Property, Plant

and Equipment. There was no explanation for the difference of TZS 13,021,300 between the two figures which, in principle, ought to be the same.

- vi. Note 59 to the financial statements reported Motor Vehicles as part of Property (PPE), Plant and Equipment at a value of TZS 2,802,018,603.97. However, the same PPE was shown as TZS 2,982,018,603.97 in the movement schedule for PPE. Management failed to render an account of the difference of TZS 180,000,000 between the two PPE figures which, in principle, ought to be the same.
- vii. Note 41 to the financial statements disclosed prepayment adjustment of TZS 34,525,943 in financial year 2015/2016 for which no analysis leading to this figure were provided for audit purposes despite my repeated request for the same.
- viii. The RS reported acquisition of non - current assets in the Cash Flow Statement for the year 2015/2016 as TZS 3,821,300. However, a schedule for movement of the Property, Plant and Equipment showed additions for the same during the year 2015/2016 as TZS 333,017,844.97 resulting into unexplained difference of 329,196,544.97.
- ix. Note 41 to the financial statements disclosed Development Exchequer Received during the year 2015/2016 as TZS 9,678,829,199. However, the same transaction was reported in the Statement of Vote Account as TZS 13,093,347,094, resulting to unexplained difference of TZS 329,196,545.
- x. Note 41 to the financial statements disclosed Recurrent Issues Exchequer Received during the year 2015/2016 as TZS 91,187,696,055.79 (a total of OC TZS 86,003,334,595.79 and PE TZS 5,184,361,460). However, the same transaction was reported in the Statement of Vote Account as TZS 87,982,332,271.28. This works an unexplained difference of TZS 3,205,363,784.
- xi. The financial statements showed that in the year 2015/2016, RS received TZS 2,721,079,388 as development funds from third parties. Included in this amount was TZS 2,202,821,466.50 for Health support (HIV/AIDS) from PEPFAR (Henry M. Jackson Foundation) for the Regional Referral Hospital. The remaining issues amounting to TZS 518,257,922 were received from World Bank for renovation of Warehouse at Kalambo District Council. There was no disclosure Note in the



financial statements for the amount of TZS 2,202,821,466 received by the Regional hospital.

### **Adverse Opinion**

In my opinion, because of the significant of the matters described on the basis for adverse opinion paragraph above, the financial statements do not present fairly, in all material respects, the financial position of Regional Secretariat Rukwa as at 30<sup>th</sup> June 2016, its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs) and Part IV of the Local Government Finances Act No. 9 of 1982 (revised 2000).

### **Report on Other Legal and Regulatory Requirements**

#### **Compliance with the Public Procurement Act, 2011**

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Rukwa Regional Secretariat procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013.

Prof. Mussa J. Assad  
**CONTROLLER AND AUDITOR GENERAL**

**March, 2017**

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Ministry of Finance and Planning,  
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**11468 DAR ES SALAAM.**

Permanent Secretary,  
PO - RALG,  
P.O. Box 1392,  
DODOMA.

**STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

These financial statements have been prepared by the management of the Rukwa Regional Secretariat in accordance with the provisions of Sect 25(4) of the Public Finance Act. No 6 of 2001 (Revised 2004).The financial statements as required by the said Act are presented in a manner consistent with the International Public Sector Accounting Standards (IPSAS) - Accrual basis of accounting.

The management of Rukwa Regional Secretariat is responsible for establishing and maintaining an effective Internal Control system 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 Rukwa Regional Secretariat.

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the financial statements and underlying records provide a reasonable basis for the preparation of the financial statements for the 2015/2016 financial year.

I accept responsibility for the integrity of the financial statements, the information they contain and their compliance with the Public Finance Act No. 6 of 2001 (revised 2004) and instructions issued by Treasury in respect of the year under review.

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**Signed by Accounting Officer**

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**Date**

**Audited financial Statements and Notes to the Financial Statements**

- (a) Statement of Financial Position;
- (b) Statement of Financial Performance;
- (c) Statement of Changes in Net Assets/Equity;
- (d) Cash Flow Statement;
- (e) Statement of Comparison of Budget and Actual Amounts; and
- (f) Notes, Comprising a Summary of Significant Accounting Policies and Other Explanatory Notes

Organization Structure