

Show Me the Money!

An Analysis of Tanzania's CAG¹ Report for - 2006/07

What do the Controller and Auditor General's findings tell us?

In recent months, demand for accountability from Members of Parliament has transformed the face of the National Assembly and resulted in several ministerial resignations, including a Prime Minister. An Audit Bill has been introduced in Parliament under a certificate of urgency and will be discussed during the budget session this year. This Bill aims to give the NAO greater independence from the Executive arm of Government which should help the Controller and Auditor General (CAG) to do his job better without interference from Government. Tanzanians will be watching closely to monitor whether this Bill delivers better accountability in the management of public money.

According to the CAG Report, financial management has improved in the last year at all levels of Government. The unprecedented demand for accountability last year, which came from as high up as the President himself, has clearly begun to

bear fruit. Complete audit reports from central to regional to local government levels are available on the website of the National Audit Office (NAO) (see www.nao.go.tz) for 2003/04, and 2005/06, as well as the summary for 2006/07. This year there were no adverse opinions. The number of clean audits has increased and the number of qualified audits has decreased. However, the audit reports noted a number of systemic weaknesses in the management of public resources, some of which are shown in Box 1.

Box 1: Some serious financial management weaknesses in the CAG Report for 2006/07

- Failure to implement recommendations from previous years:** Audit recommendations from previous years amounting to approximately **65 Billion Shillings** for MDAs and Regional Secretariats, **4.6 Billion Shillings** for LGAs and **136 Billion Shillings** for the National Consolidated Account have yet to be implemented! Some outstanding recommendations date as far back as the mid 1990s!
- Non-compliance with procurement laws:** There were irregularities in procurement amounting to nearly 26 Billion Shillings at Central Government level!
- Weak management of cash and assets:** Losses of cash and assets due to theft, fraud, overpayment, or unforeseeable disasters amounting to over **2.5 Billion Shillings** (an increase of 5.8% from 05/06) were noted in this year's audit of Central Government.

Central Government

Table 1: Analysis of Audit Opinions for Central Government

	Unqualified		Qualified		Adverse		Total	
	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07
MDA ² s	24	37	22	12	3	0	49	49
RAS ³	16	15	6	6	0	0	21	21
Total	40	52	28	18	3	0	70	70

Generally, the trend at central government level has been positive. While unlike in previous years, there were no adverse opinions in 2006/07, no completely clean (or unqualified) opinion was issued either. The most common opinion was 'unqualified with emphasis of matter'. This is essentially a clean opinion but it highlights urgent matters that may affect the auditor's opinion. In MDAs the number of qualified opinions decreased significantly with a

¹Controller and Auditor General

²Ministry Department or Agency

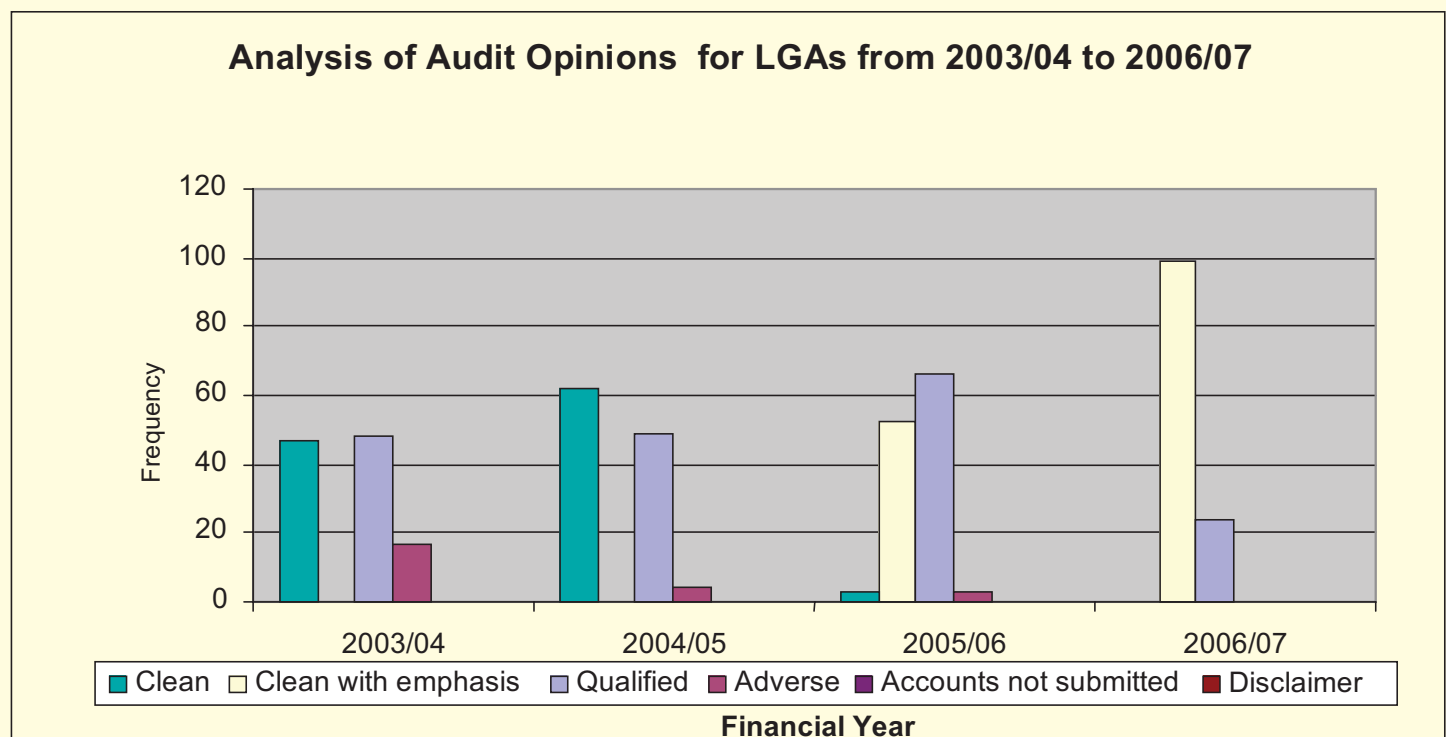
³Regional Administration Secretariat

corresponding increase in the number of unqualified opinions with emphasis of matter. For regional administrations, the trend in 2006/07 was more or less consistent with the previous year with a slight decrease in unqualified opinions and a slight increase in qualified opinions. Figure 1 shows the frequency of the different auditor's opinions. (A detailed list is shown in Table 1.)

Local Government

The Auditor General's report for Local Government also shows considerable improvement from last year. Unqualified opinions with emphasis of matter have increased significantly. Qualified opinions have decreased significantly and no other types of opinion were issued.

Figure 1



Public Authorities and Other Bodies

This year the Controller and Auditor General was also mandated to report on 141 of the 158 existing Public Authorities and other state-owned enterprises. Of the 141 identified for audit, only 91 (65%) were issued with an opinion. 50 (35%) public authorities failed to submit their accounts by the due date and out of these 17 (12%) had not submitted their accounts at all at the time the CAG Report was issued. Of the 91 public authorities that were audited, there were 80 Unqualified opinions, 10 Qualified opinions, and 1 Disclaimer which was issued to TANESCO. Major areas of weakness cited for public authorities included unremitted statutory deductions (eg. PAYE, NSSF, PPF, PSPF), failure to collect revenue due, absence of proper financial and operational manuals, among others. Nineteen public authorities did not have an internal audit unit and thirty had not established audit committees.

If things are getting better, then what is the problem?

Despite the positive trend in terms of audit opinions, fundamental weaknesses still exist in public financial management. The National Consolidated Statement, which enables one to assess the financial performance of the entire Government, received a qualified audit opinion. In addition, a number of serious issues were raised by the Auditor General's report for central government that require urgent attention. This brief will focus on 3 key areas of systemic weakness in the management of public finances that were noted by the Auditor General at all levels. We anticipate that addressing these 3 areas would have a significant positive impact on most of the major weaknesses highlighted in the report. These are:

- Public Procurement
- Internal Audit
- Prompt implementation of audit findings

Public Procurement

Procurement forms the bulk of government spending at all levels. The Public Procurement Act of 2004 and its related regulations set out clearly the mechanisms through which the Government will implement sound procurement practices. This should minimise wastage, ensure value-for-money, and prevent corruption in the public sector. Yet in 2006/07 procurement irregularities noted in the CAG report for central government amounted to Tshs 25,836,825,981. This section discusses the nature of these irregularities and the amounts involved.

Table 2: Procurement Irregularities in Central Government

Details involved	No. of Entities	Amounts
	involved	in Tshs.
1. Absence of annual procurement plans	9	-
2. Failure to establish procurement management units and tender boards	5	-
3. Procured items not recorded in stores ledger	17	569,756,467
4. Services paid for despite partial or non-delivery	6	10,490,648,384
5. Procurement without competitive bidding	7	645,092,064
6. Irregularities in maintenance and servicing of motor vehicles	14	351,246,386
7. Procurement without tender board approval	2	88,619,348
8. Weaknesses in contract management	10	12,444,277,577
9. Other procurement irregularities	18	1,247,185,755
	TOTAL	25,836,825,981

At local government level, similar irregularities were noted. The most significant weakness in terms of cost to Tanzanians was the delay in implementation of projects at local government level. Regulation 121(1) of the Procurement Regulations requires that procuring entities monitor the progress and timely completion of works in accordance with the terms of each contract. Yet, the completion of projects worth a staggering **868 billion shillings** has been delayed during 2006/07 according to the CAG Report for LGA s. Some of the reasons cited for these delays were inadequate planning, weak supervision, and late release of funds.

The above demonstrates serious weaknesses in compliance with procurement laws and regulations as well as in the management of procurement processes. The large amounts and the number of entities lead us to conclude that there are serious systemic weaknesses, and this was noted in the CAG report.

Internal Audit

Internal audit is an important part of financial control. Its primary purpose is to help accounting officers evaluate and strengthen their management of public resources. In an environment where internal audit is consistently implemented and taken seriously, misuse of public resources cannot thrive. The CAG Reports for 2006/07 noted serious weaknesses in the internal audit function at all levels. Among the weaknesses noted at central level were understaffing of most internal audit units, management seldom acting on internal audit recommendations, weak capacity of internal auditors. Regulation 30(1) of the Public Finance Regulations requires MDAs/RAS to establish an internal audit committee following some basic criteria.

The 2006/07 CAG Reports evaluated the effectiveness of these committees through a selected sample of MDAs/RAS by performing an audit test. Box 2 shows the results of this test.

Box 2: Findings from CAG Test on 19 Audit Committees

- None of them held 4 meetings annually as required by law.
- None of them had and approved Charter.
- None of them had prepared an annual report.
- 8 of them had a member who was employed outside of the MDA/RAS

Note: All the above criteria are requirements from the Public Finance Regulations.

Table 3

MDAs/RAS with Highest Amounts of Outstanding Matters from Previous Audits

Vote	MDA/RAS	Amount (Shs billions)
93	Immigration Services	20.02
58	Ministry of Energy and Minerals	12.25
32	President's Office Public Service Management	4.55

The CAG assessment of Local Government audit committees was even more concerning. Their findings showed that most Councils had not formed audit committees at all. Failure to establish audit committees was also a concern for Public Authorities.

Prompt Implementation of Audit Findings

In 2006/07, 17 MDAs/RAS had outstanding issues from previous years' audits that had not been addressed. The total outstanding issues for MDAs/RAS amounted to 64.5 Billion Shillings. Although this is a 41% decrease from the previous year, it is still a significant amount. The MDAs/RAS with the highest proportion of outstanding matters are shown in Table 3. Likewise, 52 LGAs had a total of 4.66 Billion Shillings in outstanding audit recommendations collectively. The situation at LGA level is also an improvement from last year. However, the CAG Report cited delayed or non-compliance with previous audit recommendations as the number one point of concern for both central and local government.

Conclusion

Tanzania has good laws regarding financial accountability – what is needed is the leadership and responsibility to put them into practice. This will require leaders at all levels to ensure that oversight bodies function well. In particular, the CAG emphasizes strengthening internal audit systems, establishing audit committees and following laid down procurement laws. Those who fail to perform duties should face sanctions (not the citizens they serve), and those who perform well should be recognized and rewarded.

What Can I Do About This?!

- Read this leaflet and share it with others. Discuss and debate!
- Learn more the CAG's official website (www.nao.go.tz)!
- Push for audit reports to be posted on all public offices, including district and ward notice-boards!
- Ask questions in public meetings!
- Write to your MP and ask him or her to follow up!
- Write a letter to the editor!
- Send your comments to the Government website for comment at www.maoni.org!

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