



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

A GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE PERFORMANCE AND FORENSIC AUDIT REPORTS FOR THE PERIOD ENDING 31ST MARCH, 2011

March 2011

National Audit Office

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 usage of public resources

Core Values

In providing quality service, NAO shall be guided by the following Core Values:

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To be an impartial entity, which offers services to our clients in an unbiased manner

We aim to have our own resources in order to maintain our independence and fair status

Excellence

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To be a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization.

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THE UNITED REPUBLIC OF TANZANIA

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31st March, 2011

Your Excellency Dr. Jakaya M. Kikwete,
The President of the United Republic of Tanzania,
State House,
P.O. Box 9120,
Dar es Salaam.

**Re: Submission of a General Report of the Controller and Auditor
General on the Performance Audit regarding two
Performance Audit Reports and two Forensic Audit Reports**

Pursuant to Article 143(4) of the Constitution of the United Republic of Tanzania of 1977 (as revised in 2005), and Sec.10 (1) of the Public Audit Act No. 11 of 2008, I hereby submit to you the above mentioned report.

This report concerns two performance audit reports and two forensic audit reports covering the Central Government to be tabled before our august Parliament as of April, 2011.

I submit.

Ludovick S. L. Utouh

CONTROLLER AND AUDITOR GENERAL

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LIST OF ABBREVIATIONS

| | | |
|------------|---|---|
| AFROSAI-E- | | African Organization of Supreme Audit Institution for English Countries |
| AMREF | - | African Medical and Research Foundation |
| CAG | - | Controller and Auditor General |
| CBOs | - | Community Based Organizations |
| CED | - | Customs and Excise Department Government |
| HMIS | - | Health Management Information System |
| HQ | - | Headquarter |
| IAD | - | Internal Audit Department |
| IMC | - | Ilala Municipal Council |
| INTOSAI | - | International Organizations of Supreme Audit Institutions |
| KMC | - | Kinondoni Municipal Council |
| LAPF | - | Local Authorities Pension Fund |
| LGAs | - | Local Government Authorities |
| MDAs | - | Ministries, Department and Agencies |
| MDGs | - | Millennium Development Goals |
| MMR | - | Maternal Mortality Reduction |
| MNCH | - | Maternal, Newborn and Child Health |
| MNCHTWG- | | Maternal, Newborn and Child Health - Technical Working Group |
| MoFEA | - | Ministry of Finance and Economic Affairs |
| MoHSW | - | Ministry of Health and Social Welfare |
| MoID | - | Ministry of Infrastructure Development |
| MRS | - | Manyara Regional Secretariat |
| MSD | - | Medical Stores Department |
| NAOT - | | National Audit Office of Tanzania |
| NBS | - | National Bureau of Statistics |
| NGOs | - | Non Governmental Organizations |
| PA | - | Performance Audit |
| PAA | - | Public Audit Act |
| PA&OB | - | Public Authorities and Other Bodies |
| PMNC | - | Partnership Maternal Newborn Child |
| PMO | - | Prime Minister's Office |

| | | |
|------------|---|--|
| PMO-DMD | - | Prime Minister's Office - Disaster Management |
| Department | | |
| PMO-RALG- | | Prime Minister's Office -Regional Authorities and Local Government |
| RCHS- | | Reproductive and Child Health Section |
| SIDA | - | Swedish International Development Agency |
| SNAO - | | Swedish National Audit Office |
| TANROADS | - | Tanzania National Roads |
| TDHS | - | Tanzania Demographic and Health Survey |
| TRA | - | Tanzania Revenue Authority |
| TRCHS | - | Tanzania Reproductive and Child Health Survey |
| TShs | - | Tanzanian Shillings |
| UN | - | United Nations |
| UNFPA | - | United Nations Food and Population Activities |
| UNICEF | - | United Nations Children Fund |
| VFM | - | Value for Money |
| WHO | - | World Health Organization |

FOREWORD

I am pleased to present my second General Report on Performance Audit and Forensic Audit. The Performance Audit report concerns two individual performance audits of the Central Government (Ministry of Health and Social Welfare, Ministry of Infrastructure Development and Tanzania National Roads Agency) that were tabled before our August Parliament. The Forensic Audit report, on the other hand, concerns two individual audits conducted in the Medical Stores Department (MSD) and the Customs and Excise Department (CED) which is under the Tanzania Revenue Authority (TRA). The Forensic Audit reports were submitted to the Board of Directors of the respective auditees.

This report aims at providing our stakeholders (Members of Parliament, Central and Local Government Officials, Media, the Donor Community, NGOs, CBOs etc.) with a summary of findings arising from the individual performance and forensic audits conducted by my office as of March 2011. The details of the summarized matters can be read from the individual audit reports issued to individual Accounting Officers.

This report is being submitted to the President of the United Republic of Tanzania, Dr. Jakaya Mrisho Kikwete, in accordance with Article 143 of the Constitution of the United Republic of Tanzania and Section 34(1) & (2) of the Public Audit Act No. 11 of 2008.

Under Article 143(4) of the Constitution of the URT of 1977 as amended from time to time, the Controller and Auditor General is required to submit to the President every report he makes pursuant to the provisions of sub Article (2) of the same Article. Upon receipt of such report, the President shall direct the persons concerned to submit such reports before the first sitting of the National Assembly before the expiration of seven days from the day the sitting of the National Assembly began. The same Article allows the Controller and Auditor General to submit his reports to

the Speaker of the National Assembly should the President, for whatever reason, fail to submit the reports to the Speaker as is required by law.

The enactment of the Public Audit Act No. 11 of 2008 enhanced the operational independence of my office in the fulfilment of my constitutional mandate. This was a result of the efforts of his Excellency, the President of the United Republic of Tanzania.

The operational independence of my office is expected to enable me acquire the necessary controls over all the resources available for the office including human and financial resources, which will enable my office to perform its tasks without being under the undue influence and control of any person or authority including those that I audit.

The legislation has broadened the scope of audit to be conducted by my office by mandating me to carry out Performance, Forensic, Environmental and Special Audits in addition to the normal Regularity Audits we have been conducting over the years.

Following the broadening of the scope of audit, my office has produced this report, which includes two (2) Performance Audit Reports already tabled in Parliament and two (2) Forensic Audit Reports which have already been submitted to the Boards of Directors of the audited entities. In essence, this report has enabled me to provide the necessary independent assurance to Parliament concerning the proper use and accountability, transparency and probity in the use of public resources on areas such as management of road construction projects and maternal health care. Further essence was to establish whether such resources have been effectively spent with due regard to economy, efficiency and effectiveness as intended and appropriated by Parliament in the above mentioned areas.

On the other hand, the two forensic audits done so far have focused on the control environment at the Customs Department within Tanzania Revenue Authority (TRA) and Medical Stores Department (MSD). The audits concerned: the risk assessment and

handling of suspicion of fraud within MSD; and the internal control systems on the protection against fraud and other kinds of irregularities within CED.

It is worth noting that while my office conducts audits and reports on the performance of various Central, Local Government and Public Body programs and activities based on various laws, rules and regulations, the ultimate responsibility for the effective and adequate implementation of recommendations I have issued lies with each Accounting Officer.

Parliament looks upon the Controller and Auditor General and the National Audit Office (NAO) for assurance in regard to financial reporting and public resources management in the MDAs, LGAs and PA&OBs, particularly regarding efficiency and effectiveness in programme implementation. My office contributes through recommendations given towards improvements in the public sector performance. In this regard, the Central, Local Governments and Public Authorities and my office each has a role to play in contributing to parliamentary and public confidence building in public resources management. However, while the roles of public sector entities and NAO may differ, the desire for efficient utilization of public resources remains a common ground.

In order to meet the Parliamentarians' expectations and, more broadly, of the public at large, NAO continually reviews its audit approaches to ensure that the audit coverage provides an effective and independent review of the performance and accountability of public sector entities. Moreover, we seek to ensure that our audit coverage is well targeted and addresses priority areas so as to maximize our contribution in improving public administration. Hence, our work acts as a catalyst in improving efficient utilization of public resources.

I would like to acknowledge the professionalism and commitment of my staff in achieving our goals and undertaking the work associated with meeting our ambitious audit programs despite the fact that they have been working in very difficult conditions

marked with insufficient funding, working tools, low salaries and sometimes working in very remote and inaccessible locations.

I hope that the National Assembly, the media and the public at large will find the information in this report useful in holding the Government accountable for its stewardship of public funds and its delivery of services to Tanzanians. In this regard, I will appreciate to receive feedback on how to further improve this report in the future.

Ludovick S.L. Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam.

31st March, 2011

ACKNOWLEDGEMENT

I would like to express my gratitude to those who created an enabling environment for me to discharge my constitutional obligations. I would like to thank every member of my staff for their endeavours to once again, meet the statutory reporting deadline. With lots of appreciation, I am obliged to pay tribute to my family and the families of my staff members for their tolerance during our long absence from home in fulfilling this Constitutional obligation.

I would like to thank the Government and the Parliament for their continued support to my Office in carrying out its duties.

Further, my sincere appreciation are extended to the donor community particularly the Swedish National Audit Office (SNAO), the Government of Sweden through SIDA and SNAO and all well wishers who have contributed immensely towards the transformation of my office. Their contributions in developing the mental asset, IT systems and physical assets have had tremendous impact in our success.

I am equally indebted to all our other stakeholders including Accounting Officers of the Ministry of Infrastructure Development, Ministry of Health and Social Welfare, Tanzania National Roads Agency, Medical Stores Department and Tanzania Revenue Authority for providing full support in providing vital information needed for the preparation of individual performance and forensic audit reports which are the inputs to this general report. The performance audit reports were successfully tabled before the Parliament whereas the forensic audit reports were sent to the respective auditees.

My special appreciation is also extended to the academic community and subject matter experts from the University of Dar es Salaam (UDSM), National Construction Council (NCC), Tanzania Association of Civil Engineering Contractors (TACECA), freelance experts and retired officers who added value to our reports

through their very useful inputs such as critical reviews which immensely improved the output of the performance audit reports.

Last but not least, I would like to thank all the Accounting Officers and all public servants throughout Tanzania, without forgetting the role of the taxpayers to whom this report is dedicated. Their invaluable contributions in building the nation cannot be underestimated.

May the almighty God bless you all as we commit ourselves to promote accountability on the use of public resources in the country.

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EXECUTIVE SUMMARY

Performance auditing is a relatively new phenomenon worldwide and is now being introduced by Governments in the Third world countries including Tanzania. This is in response to demands made by taxpayers, donors and the public for more accountability in the use of their resources. Governments are compelled to give information on how resources have been used and whether they have been used economically, efficiently and effectively.

The Controller and Auditor General of Tanzania has been given the legal mandate to carry out performance audit by virtue of Section 28 of the Public Audit Act No.11 of 2008.

Performance auditing is an audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities. Goals for performance auditing include improvement of programmes and operations, saving tax payers money, providing better services to the public and obtaining best value for money.

Performance auditing aims at promoting economy, efficiency, and effectiveness in the management of public resources. Performance auditing (sometimes referred to as value for money audit) has a wider scope and goes further than the physical inspections to verify that money spent according to the accounting books is manifested on site in terms of physical and observable investments. Physical verification of schools, health clinics, bridges etc is an important follow-up exercise in itself but does not constitute performance auditing. Its result may possibly initiate a performance audit (pre-study) to further explore the causes of poor, questionable investments so as to come up with an in-depth analysis and recommendations.

This year's consolidated performance audit report summarizes two performance audit reports tabled before our august Parliament and two forensic audit reports that were submitted to management/boards of directors of the respective audited

agencies. These performance audit reports concern management of road construction projects and maternal health care whereas the forensic audit reports concern the risk assessment and handling of suspicions of fraud within Medical Stores Department (MSD) and the internal control systems on the protection against fraud and other kinds of irregularities within Customs and Excise Department (CED).

MolD's and TANROADS' Performance in managing road construction time, cost and quality of roadworks

The Road sector is an important sector in the economy of our nation. Accordingly, construction and repair of roads utilizes a great part of government expenditure, i.e. about 13 percent of the national budget¹ in 2007/2008. Irrespective of the importance and quantum of expenditure recorded above, the road construction sector in the country is evidenced to experience persistent problems in time management, cost control, and quality of the completed works.

Given the importance of the road construction sector and the above mentioned problems, a Performance Audit (PA) on the management of roadworks has been conducted by the National Audit Office of Tanzania (NAOT).

The audit found out that design works were not done properly and efficiently which resulted into redesigning leading to inevitable time and cost overruns. Engaged consultants determine their own schedules, have multiple roles and are not being managed well. There is serious lack of independent analysis to verify the adequacy of the time extensions requested by contractors. There is lack of monitoring mechanism of the consultants who are involved in the design and supervision of the works. Other findings were as followed:

Quality assurance system within the road construction sector does not function well. The MolD/TANROADS inspections and

¹ 2007/2008 Budget of Tanzania

evaluations were obviously not able to detect certain weaknesses of the road works.

Sanctions were not properly used for addressing and correcting the frequent and extended delays, cost overruns and also quality assurance problems.

We conclude that road works in the country are not managed with due regard to control of time, cost and quality. This implies that the sample of ten roads built and selected for audit were not constructed in the most efficient, economical and effective way that best serves the public interest.

It is, therefore, recommended that the Ministry of Infrastructure Development and TANROADS need to improve the process of the start-up activities in road construction undertakings, such as fulfilment of loan conditions and procurement processes.

The Ministry of Infrastructure Development and TANROADS should institute a mechanism to review the designs and estimates of road projects as they are prepared by consultants before they are implemented.

TANROADS should improve on its project management and quality control system in order to avoid delays, cost overruns and to avoid being forced to conduct repair works and maintenance services soon after the newly constructed roads are opened to traffic.

Monitoring, evaluations and budget allocation for maternal health care activities

Over the years, maternal mortality has remained one of the major public health problems in developing countries. In spite of the efforts taken globally and locally, Tanzania is among the top 20 countries with the highest maternal mortality rates². Additionally, for each one woman who dies as a result of pregnancy or

² www.unfpa.org/upload/lib_pub_file/717_filename_mm2005.pdf (retrieved on 20th October 2010).

childbirth, a further 20 women suffer serious or chronic health consequences³. These can have severe physical, psychological, social and economic repercussions for both the woman and her family.

The audit examined the monitoring of maternal mortality, maternal health education, evaluation of components of the health system that relates to maternal health care and allocation of funds for maternal health care. This audit covered the Ministry of Health and Social Welfare in Tanzania which is responsible for the monitoring and evaluation, provision of guidance on maternal health education and budget allocation for maternal health care activities.

The audit found out that the Ministry of Health and Social Welfare has not adequately managed to monitor the level of Maternal Health Care activities. The Ministry lacks plans for monitoring the level of maternal health care. Data related to maternal health is not complete and timely provided by health facilities to the Ministry. Health education is not adequately emphasized. Also, the Ministry lacks periodical evaluations of the key components on Maternal Health System. In addition to that, the Ministry of Health and Social Welfare has yet to institute an appropriate budget model to allocate funds for maternal health care in Tanzania.

The Ministry of Health and Social Welfare should ensure that:

- there are plans in place for monitoring maternal health;
- it provides appropriate guidance to health facilities about Maternal Health education that needs to be provided;
- periodically, it evaluates the components of the health system that relates to Maternal Health Care; and
- there is an appropriate budget model in place for allocating funds for maternal health.

³ www.unfpa.org/mothers/morbidity.htm (retrieved on 20th October 2010)

Internal control systems on the protection against fraud and other kinds of irregularities within CED

The main function of the Customs and Excise Department (CED) is to collect taxes and excise. For optimal collection of revenues from the tax base, the CED is expected to have adequate controls in place that would safeguard them against potential fraud or malpractices.

The objective of the audit was to assess whether CED exhibits effective controls related to prevention of fraud and other kinds of irregularities.

The audit found that:

- There is no clear written procedure for handling information about irregularities obtained through suggestion boxes and toll free telephone lines.
- The IAD and the CED management have not performed any specific and formal analysis relating to the risk of fraud and other types of irregularities in its own operations.
- Staff regulations are not effectively communicated to all the employees.
- Job rotation scheme is not implemented making employees stay in one station for more than the limit of five years.
- The CED does not fully exercise segregation of duties in its operations thus increasing the likelihood of staff's involvement in unethical behaviours.
- The CED does not carry out direct checkups of line functions, done independently, to detect indications or suspicions of fraud.

- The CED does not conduct follow-up activities to assess the department's general compliance with ethical rules focusing on the prevention of fraud.

Based on the above observations, we recommend that the CED take some concrete action in its work programme to establish a satisfactory protection measures against fraud and other kinds of irregularities as follows:

- Perform a risk analysis for the organization regarding fraud and other kinds of irregularities.
- Improve the control environment so that the top management activities and behaviour effectively communicate to staff what they regard about fraud and other kinds of irregularities.
- Improve the internal control systems regarding job rotation, team work and training targeting and communicating ethical standards and behaviour.
- Exercise segregation of duties in its operations to reduce the likelihood of staff's involvement in unethical behaviours.
- Develop direct control measures that focus on individual performance and also group performance.
- Make the staff regulations available for all employees. This includes translating them into Swahili and distributing them to all staff members.

Risk assessment and handling of suspicion of fraud within MSD

The Mission of the MSD is to make available at all times essential medical supplies of acceptable quality at cost effective prices to the population through government and approved non government health facilities.

Responsibility of risk assessment and suspicions of fraud handling is vested to the MSD Management. The management is, therefore,

expected to continuously and periodically conduct risk assessment and suspicions of fraud handling evaluation.

The main objectives of the audit are: to examine whether MSD has a documented overall risk assessment policy over fraud; and determine whether MSD conducts risk assessment and handling of suspicious of fraud.

The audit found that MSD does not conduct any risk assessment with a view to prevent fraud or other types of irregularities in its own operations. Generally, the risk assessment carried out by MSD is rather reactive than proactive.

There are no specific documented procedures for detecting, investigating and handling indications of fraud. The risk assessment policy and strategy document does not provide guidelines for investigative assignment.

The MSD does not use staff with relevant education and experience when performing investigations.

In view of the above findings, we recommend MSD to:

- perform and document an overall risk analysis for the organization regarding fraud and irregularities;
- conduct regular and comprehensive risk assessment to all critical activities and related processes for early understanding of the indications of fraud;
- establish guidelines for the investigation and handling of fraud indications; and
- ensure that indications of fraud are canalized and assessed by persons with suitable academic and professional background including experience in investigative knowledge.

Message to Standing Committees of Parliament

This general report on performance and forensic audits together with the respective individual reports can be used by the Standing Committees of Parliament to raise issues to the Accounting Officers at the Ministries, Departments, Agencies and Local Government Authorities on the weaknesses identified in the different areas audited.

Improvement in the management of road construction projects and maternal health care concern complex systems with several actors at various levels of government as well as in the private sector. Likewise, improvement in control environment for prevention of fraud requires management commitment in setting the tone, developing control systems, communicating the message to employees and enforcing the rules adequately.

These tasks involve the improvement of the existing operational systems and procedures. Changes for better service delivery will by necessity be gradual and take time. The concerned parliamentary committees are therefore advised, under the coordination of the Speaker, to annually call the concerned Accounting Officers to hearings about implementing the recommendations in the CAG's reports.

CHAPTER ONE

INTRODUCTION TO THE GENERAL REPORT

1.1 Background

Government auditing is a cornerstone of good public sector governance. By providing unbiased objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders. The government auditor's role combines oversight, insight, and foresight. Oversight ensures that government entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of government programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, as well as investigation (forensic) and advisory services to fulfil each of these roles.

This general report is focusing on two tools namely, Performance Audit and Forensic Audit. Performance audit aims at assessing whether the public resources are being managed properly with due regard to economy, efficiency and effectiveness. On the other hand, Forensic auditing is the investigation of fraud or presumptive fraud with a view of gathering evidence that could be presented in a court of law.

1.2 Purpose of this general report

The presentation of this general report aims at assisting Members of Parliament, the Government, Mass Media, the Public and other stakeholders to take informed decisions in order to implement the proposal for increased economy, efficiency and effectiveness in the conduct of government business. To this end, the summary of each report is concluded by a message to the standing committees

of Parliament regarding issues to be raised in hearings with Accounting Officers.

It should be emphasised that, this general report is not intended to substitute the two individual reports summarized in subsequent chapters. For in-depth understanding of the matters at stake and for raising issues to the responsible Accounting Officers on the concerned subject areas, the reader is advised to rely on the full reports.

1.3 Data validation process/scrutiny of facts

The audited Ministries, Departments and Agencies were given opportunities to discuss and comment on the audit findings and correct factual errors.

1.4 Structure of the report

This report has been structured in such a way that, part one focuses on the Performance audit which covers a summary of the performance audit conducted and tabled including key messages to parliament.

Part two presents the summary of the Forensic Audit conducted and submitted to the Board of Directors of the respective auditees. It also includes key messages to the Parliament.

PART 1: PERFORMANCE AUDIT

CHAPTER TWO

INTRODUCTION

2.1 Background

2.1.1 Introduction of Performance Audit in Tanzania

Performance auditing is a relatively new phenomenon world-wide and is now being introduced by Governments in the Third world countries including Tanzania. This is in response to demands made by taxpayers, donors and the public demand more accountability in the use of their resources. Governments are compelled to give information on how resources have been used and whether they have been used economically, efficiently and effectively. As Performance auditing is a relatively new concept in Tanzania, this chapter aims at orientating the reader briefly about its history, mandate, scope, and methodological approach.

Performance auditing was adopted and incorporated into Government auditing at the Twelfth International Congress of Supreme Audit Institutions (INTOSAI) held in Australia in 1986. It was introduced in the region (SADC countries) during the late 1980s by the Swedish National Audit Office (SNAO) with funds from the Swedish International Development Agency (SIDA).

The Controller and Auditor General (CAG) of the United Republic of Tanzania started conducting Performance Audit in 2005 following the enactment of the Public Finance Act No.6 of 2001 which for the first time gave the CAG the mandate to conduct performance audits in Tanzania.

In April, 2010 the first General Report of the Controller and Auditor General on Performance (VFM) Audits was tabled before our August Parliament. The report summarized five PA reports on: Management of Primary Health Care, School Inspection Programme for Secondary Schools, Management of Solid Waste in big Cities and Municipalities, Processing of Terminal Benefits and the Prevention and Mitigation of Floods in Tanzania with

particular reference to Babati Town and District Councils in Manyara Region.

2.1.2 Mandate

The Controller and Auditor General of Tanzania is given the legal mandate to carry out performance audit by the Public Audit Act No.11 of 2008. Section 28 of the Act states that *“The Controller and Auditor-General shall, for the purposes of establishing the economy, efficiency and effectiveness of any expenditure or use of resources of the entities, enquire into, examine, investigate and report, in so far as he considers necessary, on:*

- (a) The expenditure of public monies and the use of resources by such Ministries, departments, agencies, local authorities and all such public authorities and other bodies;*
- (b) The conduct of and the performance of their functions by accounting officers, head of department and Chief Executives of all such entities;*
- (c) Compliance with environmental laws, regulations and internal environmental policies and standards’.*

2.1.3 What is Performance Auditing?

Performance Audit compared with Financial Audit and Physical Verification of Investments

Most people associate auditing with the checking and verification of accounts to ascertain whether they show a true and fair view. The aim of financial auditing is to ensure compliance with existing regulations and detect errors, fraud and mismanagement of resources. It has a major effect on the information that forms a basis for decision-making, but it provides limited information on the extent to which Government programmes fulfil their objectives and goals. Financial auditing should, therefore, be

supplemented and complemented by an audit that examines how well public operations have been performed, that is, to what extent they have produced the intended results and effects. This is the main function of performance auditing.

Futhermore, performance auditing, aims at promoting economy, efficiency, and effectiveness in the management of public resources. Performance Auditing also has a wider scope and goes further than the physical inspections to verify that money spent according to the accounting books is manifested on site in terms of physical and observable investments.

Physical verification of investments or projects such as schools, health clinics, bridges etc is an important follow-up exercise in itself. Physical verification of projects (the exercise done by the Parliamentary Oversight Committees) enables members of the Committees to physically see for themselves the status of the projects being undertaken. Its result may possibly initiate a performance audit (pre-study) to further explore the causes of poor and/or questionable investments to come up with an in-depth analysis and recommendations. We believe that the performance audit reports summarized below portray, and serve as examples on the differences between performance audit, financial audit and physical verification of investments.

Definition

Performance auditing is an audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities. Goals for performance auditing include improvement of programmes and operations, saving tax payers money, providing better services to the public and obtaining best value for money. In brief, we may say that performance audit examines if taxpayers' money has been spent for the right purpose and in the right way.

The concept of the three E's (economy, efficiency and effectiveness) is defined as follows:

Economy refers to minimising the cost of resources used for an activity, having regard to quality; whereas, *Efficiency* is the relationship between the output, in terms of goods, services and the resources used to produce them. *Effectiveness* is the extent to which objectives are achieved or met and the relationship between the intended impact and the actual impact of an activity. Figure 1 below depicts the input-output model which explains the concept of the three E's.

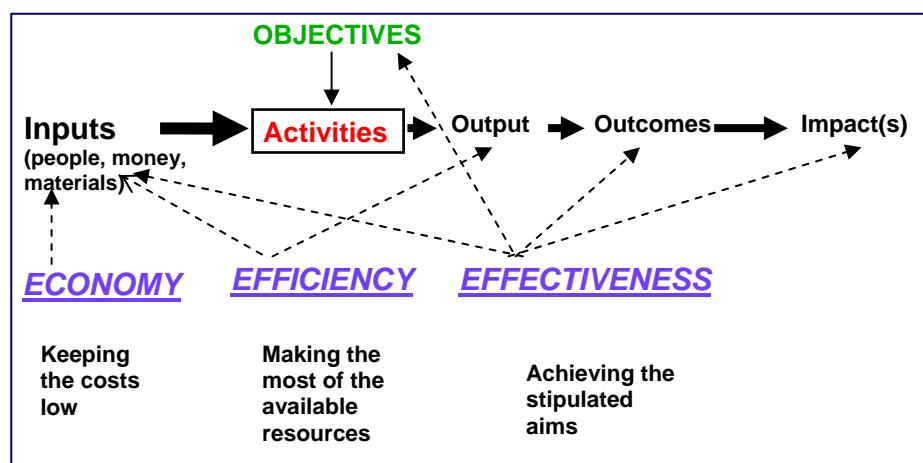


Figure 1: The three E's (Economy, Efficiency and Effectiveness)

2.1.4 Performance Audit and INTOSAI Auditing Standards

INTOSAI Auditing Standard No.38 and 40 state the following:

"The full scope of government auditing includes regularity and performance audit"

"Performance auditing is concerned with the audit of economy, efficiency and effectiveness and it embraces the following:

- (a) Audit of the economy of administrative activities in accordance with sound administrative principles, practices, and management policies:*

- (b) Audit of the efficient utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies: and*
- (c) Audit of the effectiveness of performance in relation to achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.”*

2.1.5 Aims of Performance Auditing

Performance Auditing has the following main aims:

- a) Drawing attention to obstacles to effective and efficient use of resources in the Government sector.
- b) Providing Parliament, MDAs, LGAs and Public Authorities with the basis for policy decisions concerning improved effectiveness.
- c) Giving Parliament, MDAs, LGAs and Public Authorities information to enable them to implement proposal for increased effectiveness.
- d) Encouraging the public sector management to introduce processes for reporting on performance to contribute to more accountability.

2.1.6 Deliberations from the Previous Audit Reports

The Controller and Auditor General tabled a similar consolidated report before our august Parliament in April 2010, summarising five (5) performance audit reports. The reports were on: Management of Primary Health Care, School Inspection Programme for Secondary Schools, Management of Solid Waste in Big Cities and Municipalities, Processing of Terminal Benefits and Management of Prevention and Mitigation of Floods. The five

performance audits had different objectives as explained hereunder:

Management of Primary Health Care: to review whether the Health Centers are managed efficiently and whether their performance is appropriately considered in allocating the available resources. The aim was also to study if adequate actions are taken to improve the situation.

School Inspection Programme for Secondary Schools: to examine whether the School Inspectorate in the Ministry of Education and Vocational Training appropriately fulfils its mission to safeguard good quality of training in secondary schools. In the light of the described failures in Mathematics and Science subjects, the audit chose to examine whether the School inspection addresses the problem of poor performance of students in secondary schools, given the resources available.

Management of Solid Waste in Big Cities and Municipalities: to determine whether the solid waste management functions of selected local government authorities in Tanzania were undertaken in the most efficient and effective manner giving consideration to services rendered by service providers, monitoring of solid waste activities, Solid waste (SW) fees administration, contracts management between franchisee contractors and Municipality/City Councils and appropriateness of the central governments' monitoring system of solid waste.

Processing of Terminal Benefits: to assess the efficiency of the Government, Pension Funds and selected employers on processing terminal benefits of retired public servants in Tanzania. The aim was also, to evaluate the adequacy of the systems and procedures in place for managing terminal benefits.

Management of Prevention and Mitigation of Floods: to examine how the PMO-DMD, MRS and Babati Town, District Councils and TANROADS-Manyara have implemented laws, regulations, policies and national strategic guidelines on floods management. The audit aimed at forming a conclusion regarding the current

performance of the DMD, the MRS and the mentioned councils in dealing with disasters particularly regarding prevention/mitigation of floods.

In the report, the concerned parliamentary committees were advised, under the coordination of PAC, to annually call the concerned Accounting Officers to hearings about implementing the recommendations in the CAG's reports.

The advice was given based on the understanding that the improvements in the audited areas involved complex systems with several actors at various levels of government and the private sector. The resulting tasks could thus involve changes in policies, designs and development of new operational systems.

2.1.7 Expectations from the Parliament

We expect our august Parliament, under the direction of the Honourable Speaker to deliberate on these performance audit reports tabled in 2007, 2010 and 2011 with a view of finding procedures to effectively instigate accountability and foster improvements in the way MDAs, LGAs and PA&OB are using public resources to render services to the "*wananchi*" with economy, efficiency and effectiveness.

2.1.8 Introduction to 2 PA Studies

This year the consolidated general performance audit report summarises two (2) performance audit reports which have been tabled before our august Parliament. The reports concern:

- Performance Audit on MoID's and TANROADS' Performance in Managing Road Construction Time, Cost and Quality of Road Works in Tanzania; and
- Performance audit on the Monitoring, Evaluations and Budget Allocation for Maternal Health Care Activities in Tanzania

The report also highlights the previously tabled performance audit reports which are yet to be deliberated by the oversight committees. Since changes for the better are expected to be gradual and take time, it is the intention of NAO to help the Parliament to continuously follow up on the conduct of respective Accounting Officers in implementing the CAG's recommendations.

2.1.9 Purpose of this General Report on Performance Audit

The presentation of this general report on two (2) performance audit reports aims at assisting Members of Parliament, the Government, Mass Media, the Public and other stakeholders to take informed decisions in order to implement proposals for increased economy, efficiency and effectiveness in the conduct of government business. To this end, the summary of each report is concluded by a message to the standing committees of Parliament, regarding issues to be raised in hearings with Accounting Officers.

It should be emphasised that, this general report is not intended to substitute the two individual reports summarized in subsequent chapters. For in-depth understanding of the matters at stake and for raising issues to responsible Accounting Officers on the concerned subject areas, the reader is advised to rely on the full reports.

This report will also highlight the PA reports that have not been deliberated by Parliament so far with a view of making follow up on the implementation of our previous recommendations. We advise the Parliamentary Oversight Committees and other standing committees of Parliament to further deliberate on how to effectively make use of the Performance Audit Reports from NAOT.

2.2 Challenges of the audits

There were some challenges that had to be addressed during the course of the audit work which we wish to summarise as follows:

- i) Availability and adequacy of data from the Auditees: It has not been easy for the audit teams to get readily available data. The teams kept on collecting data throughout the audits until we got sufficient information to form conclusions.
- ii) Valid and reliability of data from the auditees: The teams got conflicting information from different Auditees, which illustrates that the systematic, result-orientated record-keeping (information infrastructure) is often a weak area for several auditees. However, through cross-checking and persistent analysis, we believe that the data presented in our reports reflects with reasonable accuracy the true state of affairs.
- iii) Reliance on verbal information: Inadequate record-keeping in terms of written documents made it necessary for the Performance Audit teams to rely to a certain extent on verbal information. This kind of information was corroborated with information obtained through other sources.
- iv) Authenticity of gathered information: The audit team consulted/contacted practicing scientists and other experts on the audited fields (areas) in order to make sure that the information collected was checked and validated.

2.3 Structure of Part I of the Report

The remaining chapters of this part of the report covers the following:

Chapter three presents the summary of the performance audit report on roadworks. The summary of the report on maternal health care is presented in Chapter four. Chapter five summarizes Key Messages to Parliament.

CHAPTER THREE

PERFORMANCE AUDIT ON ROADWORKS

3.1 Introduction

3.1.1 Background to the audit

The Road Construction sector is an important sector in the economy of any nation due to its impact on the welfare of its citizens and the investments involved. This importance is propounded by the fact that the transportation sector has a major role to play in the socio-economic development of a country as it provides access to markets, production, jobs, health, education and other social services.

The Tanzanian Road construction industry is also a significant contributor to the national economy accounting for 8 per cent of Gross Domestic Product (GDP) and employing more than 1.9 million people.

The Ministry of Infrastructure Development (MoID) and the Tanzania National Roads Agency (TANROADS) have a major influence on the road construction industry as sponsors, regulators and purchasers of road projects. These road projects range in size from repair works to large road projects. The road construction industry's turnover is mainly funded by the Government and donors.

Construction and repair of roads utilizes a great part of government expenditure. In the 2007/2008 budget, the estimates for road construction amounts to almost TSh. 800 billion, equal to 13% of the national budget⁴.

The country's road network is estimated to be 85,000 km long and includes trunk, regional, district, feeder and urban roads. Urban,

⁴ 2007/2008 Budget of Tanzania

district and feeder roads which are estimated to be over 56,000 km are managed by Local Government Authorities (LGAs) while regional and trunk roads (29,000 km) are managed by TANROADS. In addition to this, some road networks which are in National Parks and Game Reserve Areas are managed by the Tanzania National Parks (TANAPA) and other institutions⁵.

Irrespective of the importance and expenditure recorded above, the road construction sector is evidenced by many studies to experience extended problems. These problems are mainly grouped into three types⁶. The first problem concerns time management, i.e. road works are not completed within the agreed time and benefits of the works to the public are delayed. The second problem concerns cost overruns, i.e. additional but avoidable costs to the approved budgets for various reasons. The third problem concerns the quality of the road works, i.e. rates of deterioration are higher than anticipated which implies early repairs and maintenance⁷.

Tanzania's underdeveloped transportation network remains a key structural weakness. Nearly 80% of the population still live in rural areas, engaged in agricultural activities. These rural areas are not adequately served by the transportation system. Moreover, the country's transportation system also serves to handle transit traffic for Tanzania's landlocked neighbouring countries including Burundi, Malawi, Rwanda, Uganda and Zambia⁸.

Given the importance of the road construction sector and the above mentioned problems, a Performance Audit (PA) study on the management of Road Works has been conducted by the National Audit Office of Tanzania (NAOT).

⁵ MoID

⁶ Documentation and studies from the Annual Roads Convention 2008 "Road Financing and investment: Opportunity and Challenges".

⁷ From the Work Plan, p. 3-4

⁸ *National Population Policy*, Ministry of Planning, Economy and Empowerment, 2006

3.1.2 Audit Objective and Scope

The objectives of the audit were to study whether MoID and TANROADS have identified problems of delays, cost over runs and quality in the system of road works and minimize these problems within available resources.

The audit focused on development projects that were administered by TANROADS head office and the MoID. The selection of development projects was based on the fact that the investments involved per project was relatively higher than the other road projects.

3.2 System description

3.2.1 The Operating System

TANROADS enters into two Performance Agreements each financial year: one with the Roads Fund Board for the provision of road maintenance and the other with the Ministry of Infrastructure Development for the provision of project management services for road projects funded by Government and Donor Agencies. An over view graph of the system set up is shown in figure 2.

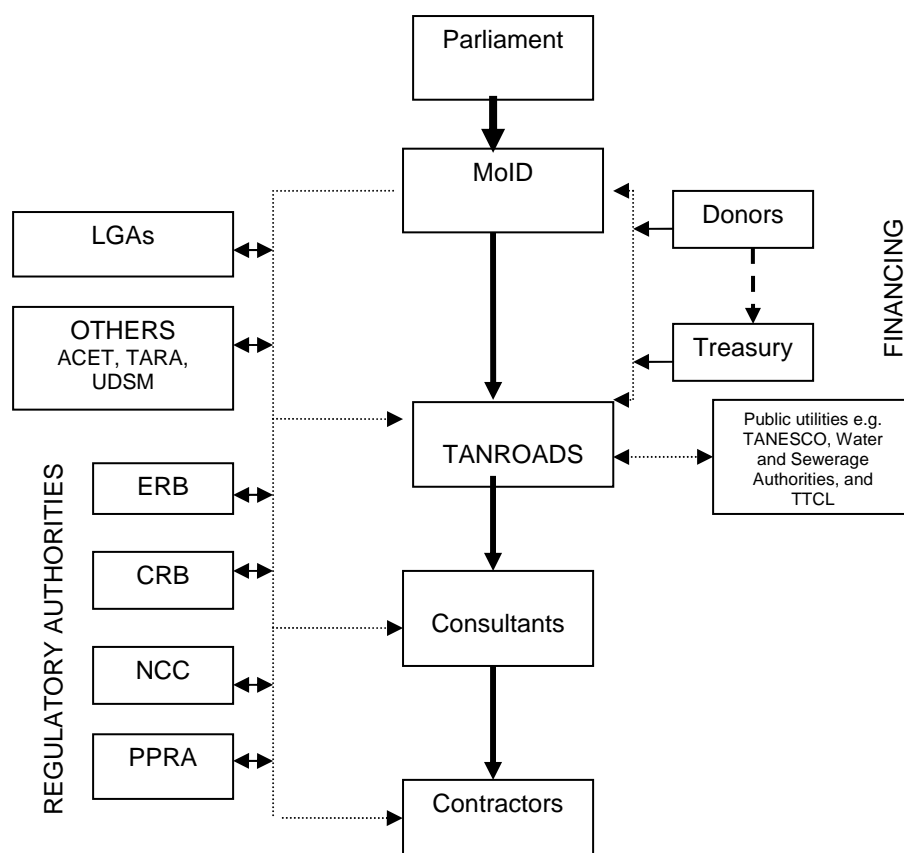


Figure 2: Systems Graph showing relationship between different actors

MoID and TANROADS are responsible to liaise with the authorities responsible for public utilities to ensure that construction works are not interfered with by delayed relocation of the utilities. The sources of funding for the projects were from government's own sources, funding by development partners or joint financing by the two sources. The Treasury is responsible for coordinating the funding.

3.2.2 Key Implementing Actors within TANROADS

At TANROADS, two key directorates which deal with the implementation of projects, the directorate of projects and the directorate of maintenance. This audit focused mainly on the projects that fall under the directorate of projects.

Directorate of Projects

This Directorate has the overall responsibility for the delivery of roads and bridges construction projects set out in the annual plans. At the national level, Project Managers are responsible to the Director of Projects for the delivery of projects assigned to them. The Project Managers are assisted by senior project engineers and project engineers. The assignments of the projects to the various Project Managers are on the basis of the sources of finance.

Directorate of Maintenance

The role of this Directorate is to implement the annual maintenance plan; i.e. the roads of all types are being maintained in accordance with the guidelines set down and; that maintenance contracts are providing value for money. This Directorate takes care of the products of the Directorate of Projects, i.e. maintaining the newly built or upgraded roads in accordance with the agreements on road maintenance.

3.2.3 Key players outside MoID/TANROADS

Besides MoID and TANROADS, there are other important actors in the audited road construction projects.

The consultants

MoID/TANROADS hire consultants who are required to design and supervise the implementation of the road works. MoID/TANROADS have the overall responsibility for supervising and monitoring the work done by the consultants and contractors.

These consultants are engaged in all phases of road projects. They are for instance engaged in making designs as well as safe

guarding their quality. They are also engaged in supervision of construction works; serving the interest of clients (MoID/TANROADS) as general supervisors and advisors throughout the whole construction periods of road projects. In that capacity, they are expected to safeguard the correct implementation of the designs, while keeping the construction costs low. Their supervising duties include monitoring of the contractors' activities on site and performing different tests to check the quality of the works. They are also expected to examine and approve the contractors' claims for the proposed changes in the designs, plans or budgets. In addition, they prepare progress reports and final accounts of the projects. Moreover, consultants are also engaged in intermediate and final inspections or evaluations of the projects.

The same consultant or at least the same consulting firm may in fact be involved in all functions and activities mentioned above. The consultant's roles and tasks are regulated in a contract between TANROADS and the consultant in accordance with the Public Procurement Act No. 21 of 2004.

The contractors

MoID/TANROADS procures contractors who are responsible for the actual construction of the roads. They manage people, materials and equipment in order to be able to produce the intended results. Contractors enter into contracts with the client (MoID/TANROADS) who is responsible for paying them. Contractors perform their duties under the supervision of consultants.

Utility Bodies

These are entities responsible for provision of public utilities. They include: Urban Water Supply and Sewerage (UWSS) which are responsible for water supply and waste water disposal; TANESCO which is responsible for the generation and supply of electricity; and TTCL which deals with landline telephone services. Sometimes, especially when the road works are in urban areas, these utilities need to be relocated to give way to the contractors to do their job. Arrangements for relocation must be done prior to contractors' mobilization at site to avoid construction delays.

Local Government Authorities

The Local Government Authorities (LGAs) come into play when there is a need to relocate people and arrange for compensations to give way to the project.

Financiers

Financiers provide funds for implementation of the project. They include the Treasury and Development Partners. The most important issue on project financing is the timeliness of approvals and disbursement of funds to the beneficiaries since delays may paralyse the project delivery.

3.3 Audit Findings

The major findings of the audit are as follows:

Extension of time is common in most road projects

Revisions of completion times for the roadworks projects are common. These time revisions were done as requested by the contractors when they faced different problems which prompted them to request for the extension of time. For example from the ten selected projects, all of them were revised during the construction phase and seven (7) or two thirds at the design phase.

Review of extension of working days is granted as requested by contractors

MoID/TANROADS has a role to play when it comes to both reviewing and recommending extensions of time. The consultant is required to review the contractor's request for extension of time and give his recommendations. Also, MoID/TANROADs are required to review the consultant's recommendations and grant their own recommendations on time extension. However, MoID/TANROADS have approved almost all requests for extension of time as requested by contractors and approved by the consultants. Our findings indicate that MoID/TANROADS and its

consultants did not carry out any independent analysis to verify the adequacy of the time extension requested.

Inadequate design results into cost overruns

According to the project files, factors causing cost increase were new design and new specifications, inadequate project management and/or quantities and variation of price factors. A huge part of the increasing costs were related to miscalculation of some kind in the design stage.

Others factors like changed conditions, values; priorities, etc., have also affected the outcome.

Quality control system needs to be improved

Although TANROADS' officials insist that the quality control system is working very well, our audit has found that there is still a need for improvement. The quality control in the design phase is obviously not effective.

There are also several problems in the construction phase. Inspections and monitoring are not conducted as planned, documentation is not in order and the engaged consultants are given conflicting tasks without any proper follow up by TANROADS.

3.4 Conclusion

We conclude that the road works system in Tanzania is not managed efficiently, effectively and timely. Roadwork project plans and budgets are often revised, resulting in significant delays and cost overruns. Engaged consultants determine their own schedule, have multiple roles and are not managed effectively.

There is serious lack of independent analysis to verify the adequacy of the time extension requested by contractors. Initial design works are not done properly and efficiently which results into early redesigning leading to inevitable cost overruns. Conclusively, the audit of the ten roads constructed indicates that

the performance therein was not done in a manner that best serves the public interest.

Management of consultants by the client (MoID/TANROADS) is not adequate. There is lack of monitoring mechanism of these consultants who are involved in planning, preparation and design and in controlling activities of the road constructions like supervision, monitoring, inspections and evaluation of the works done by contractors. There are obvious conflicts of interests in the involvement of the same consultant in several steps of the process. Quality assurance system does not, therefore, function well. The MoID/TANROADS inspections and evaluations were obviously not able to detect certain weaknesses of the road works. All ten studied road projects were approved at the final inspections though most of the roads started to undergo repairs and improvement soon after the roads were launched for use. Sanctions were not properly used for addressing and correcting the frequent and extended delays, cost overruns and also quality assurance problems.

3.5 General Recommendations

Based on the findings and conclusions, we recommend the following to MoID/TANROADS:

- i) The Ministry of Infrastructure Development and TANROADS need to improve the process of the start-up activities, such as fulfilment of loan conditions and procurement processes.
- ii) TANROADS need to have a budget covering the whole project period and a strong budgetary control system throughout the project. For each project, it is important that clear roles and responsibilities among various parties are set regarding time, cost and quality issues. Moreover, measures need to be taken to enhance TANROADS capacity in identifying and managing risks.
- iii) MoID/TANROADS should set up a proper filing system and establish registers to record the performance of contractors and consultants for each road project.

- iv) MoID/TANROADS should, therefore, take proactive steps to reduce time and cost overruns by continuing its efforts to improve coordination with utility companies (eg. TANESCO, DAWASCO) and other parties who are involved in the road construction sites.
- v) MoID/TANROADS should recruit and keep their own independent strategic competent professionals who will act with full professionalism and integrity in monitoring and conducting of road construction projects. This is important even if MoID/TANROADS will continue engaging specialists or consultants for the actual follow-up of implementation of the various kinds of work to be undertaken by the specialists/consultants.
- vi) Government should ensure that MoID/TANROADS have the leadership and capacity required to manage its functions. We recommend that the Government and the Ministries concerned to set up a commission which will be responsible for finding solutions to these shortcomings as this will be cost effective to make TANROADS properly equipped with human resources for its tasks.
- vii) MoID/TANROADS should have a discussion on how far they should go in supervising contractors. There are risks with too much involvement by TANROADS. It may undermine and confuse the contractors' implementation responsibilities on the one hand and the oversight role of TANROADS on the other hand.
- viii) MoID/TANROADS should specify the responsibilities for the consultants they engage. If for instance a consultancy firm is engaged for design work, it's advisable to clarify in the contract that the firm is financially responsible for mal practice and the liability that arises from defective design work.

- ix) The Government should review the possibility of making vital road construction documents available to the public. Designs and final inspections could perhaps be made available or disclosed as soon as they are approved by the parties involved.
- x) The Government should give TANROADS clear instructions on how to manage consultants. This could include the setting up of a commission to review and strengthen MoID/TANROADS' integrity and professionalism and its performance of strategic functions, and examine transparency and accountability issues
- xi) The Government and TANROADS should deliberately take steps on the pre-contract stages of projects implementation to ensure that the designs are improved to reflect the reality on the ground and avoid unnecessary alterations during the implementation stage. The Ministry of Infrastructure Development and TANROADS need to establish a mechanism to review the designs and estimates of the project when they are prepared by the consultants and before they are implemented.
- xii) TANROADS should significantly improve their project management and quality control systems in order to avoid delays, cost overruns, to avoid being forced to conduct repair works and maintenance services soon after new roads are opened to traffic.

CHAPTER FOUR

PERFORMANCE AUDIT ON MATERNAL HEALTH CARE

4.1 Introduction

4.1.1 Background to the Audit

Over the years, maternal mortality has remained one of the major public health problems in developing countries. According to the World Health Organization (WHO, 2005⁹) half a million women die annually as a result of pregnancy and complications related to pregnancy and childbirth. In spite of the efforts taken globally and locally, Tanzania is among the top 20 countries with the highest maternal mortality rates¹⁰. Additionally, for each one woman who dies as a result of pregnancy or childbirth, a further 20 women suffer serious or chronic health consequences¹¹. These can have severe physical, psychological, social and economic repercussions for both the woman and her family.

Experience from successful maternal health programmes shows that much of these deaths and sufferings could be avoided if all women had the assistance of a skilled health worker during pregnancy and delivery, and have access to emergency obstetric care when complications arise. The death of a mother during pregnancy or childbirth is a human tragedy at the individual, family and societal levels. The death of a mother significantly diminishes the chance of survival of the newborn child as well as any other older children still dependent on the mother.

⁹ www.who.int (retrieved on 20th October 2010)

¹⁰ www.unfpa.org/upload/lib_pub_file/717_filename_mm2005.pdf (retrieved on 20th October 2010)

¹¹ www.unfpa.org/mothers/morbidity.htm (retrieved on 20th October 2010)

Trend of Maternal Mortality in Tanzania

The table below shows the trend of the maternal mortality ratio in Tanzania from the year 2000 to 2010. The table shows that, maternal mortality ratio has dropped significantly from year 2000 to 2010. Despite the significant reduction of the maternal mortality rate in the country over the ten year period, the ratio is still unacceptably high and in that sense pregnant women continue being in danger.

Table 1: Trend of Maternal Mortality Ratio, 2000 - 2010

| Year | 2000 | 2005 | 2010 |
|--|------|------|------|
| Estimated Maternal Mortality Ratio (WHO) | 1500 | 950 | N/A |
| Estimated Maternal Mortality Ratio (NBS) | 529 | 578 | 454 |

Source: NBS - Tanzania Demographic and Health Survey 2010

4.1.2 Audit Objective and Scope

Audit Objective

The objective of this audit was to assess whether the Ministry of Health and Social Welfare's system for monitoring, evaluating, provisioning of maternal health education and budget allocation for activities related to maternal health care are done economically, efficiently and effectively with the view of reducing the maternal mortality ratio by three quarters by 2015 in line with the United Nations millennium development goals.

Audit Scope

This audit focused mainly on monitoring maternal mortality, maternal health education, evaluation of components of the health system that relates to maternal health care and allocation of funds for maternal health care. The selection of the above four mentioned areas are based on the fact that they are important for the development of Maternal Health Care system in the country. However, there are other important areas that were not selected for the the purpose of this audit.

The audit is also focused on three phases of the Maternal Health Care. These are Antenatal (before delivery), Natal (during delivery) and Post natal (after delivery).

This audit covered the Ministry of Health and Social Welfare in Tanzania. This is the ministry responsible for the Monitoring and Evaluation, provision of guidance on maternal health education and budget allocation for maternal health care activities. The audit also covered three financial years of 2006/2007, 2007/2008 and 2008/2009.

4.2 System description

4.2.1 Key Actors on Provision of Maternal Health Care

This section deals with the actors (see the following sub sections) systems set up at the National, Regional and District levels with the support from international organizations, civil society and the private sector, as multi-sectoral strategy for comprehensive reproductive and child health implementation. The system of Maternal Health Care in Tanzania is as indicated in Figure 2 below.

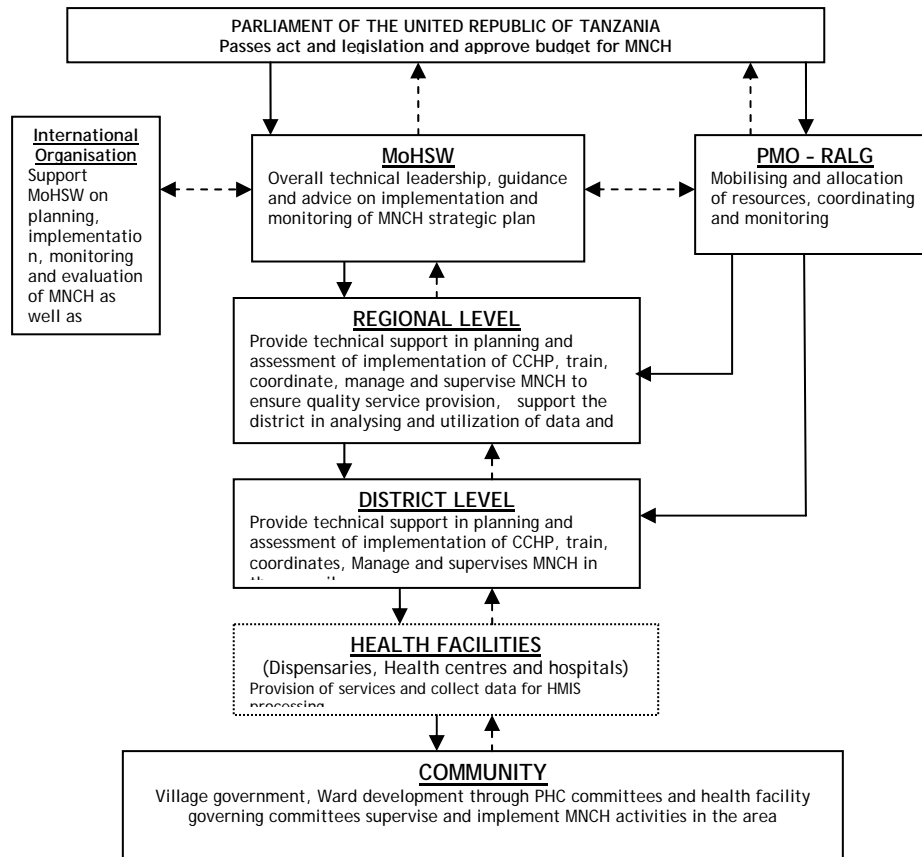


Figure 3: System Graph - Maternal Health Care provision in Tanzania

4.2.2 Specific Roles and Responsibilities of Key Actors

Central Government

Ministry of Health and Social Welfare:

The Ministry of Health and Social Welfare (MoHSW) is responsible for developing policies and standards for health care entities. It is also responsible for the overall technical leadership, guidance and advice on the implementation and monitoring of the strategic plan.

The Ministry of Health and Social Welfare through the Directorate of Policy and Planning is responsible for ensuring adequate budget allocation for Maternal, Newborn and Child Health (MNCH) care and set indicators into policy frameworks. The Health Management Information System (HMIS) facilitates the monitoring of all indicators from routine data collection systems.

The Prime Minister's Office - Regional Administration and Local Government:

The Prime Minister's Office - Regional Administration and Local Government (PMO-RALG) - deals with the implementation of the country's health policies. This task includes monitoring of the use of funds and also administration of human resources at the Regional and Council levels when it comes to the implementation of the Maternal health care policies.

Regional level (Regional Authorities)

Regional authorities under the Regional Medical Officers are supposed to provide technical support for effective planning and implementation of the integrated Maternal, Newborn and Child Health care activities in the Comprehensive Council Health Plan (CCHP); Coordinate, monitor and supervise Maternal, Newborn and Child Health care; and Support districts in the analysis and utilization of Maternal, Newborn and Child Health care data and disseminate/report to the national level.

District Level (Local Authorities)

Local Government Authorities under the District Medical Officers are responsible for the implementation and monitoring (health facilities in the area of jurisdiction) of Maternal, Newborn and Child Health care interventions.

Health Facility (Dispensaries, Health Centres and Hospitals)

Incharge of health facilities are responsible for the provision of quality Maternal, Newborn and Child Health care services and provision of technical and supportive supervision to community interventions

Health facilities committees

Health facilities committees are responsible for monitoring and ensuring quality Maternal, Newborn and Child Health care service provision; Providing technical and supportive supervision to community interventions; and link community and Health Care facilities.

4.3 Audit Findings and Conclusion

Major findings and conclusions are as follows:

There is inadequate Monitoring of the level of Maternal Health Care in Tanzania

The Ministry of Health and Social Welfare is not adequately engaged in monitoring the level of Maternal Health Care activities.

The Ministry of Health and Social Welfare officials reported to have done monitoring focusing on the Maternal Health care with the aim of taking necessary action to improve some of the areas which need the attention of the central government.

However, during the assessment, the Audit team could not find any reports/documents that showed monitoring activities on Maternal Health Care.

The above general conclusion is manifested by:

Lack of plans for monitoring the level of maternal health care

The Reproductive and Child Health Section of the MoHSW has not developed an annual comprehensive monitoring plan specifically for monitoring the provision of maternal health care in Tanzania. Failure to have adequate and comprehensive monitoring plans for maternal health care services resulted into not knowing exactly important issues to be monitored and how, who should be involved and when and resources are needed and available.

Lack of monitoring plan specifically tailored for Maternal health hampers the effectiveness of monitoring system in making sure that the management of the Ministry of Health and Social Welfare has reliable information for controlling and making right decisions in attaining the goals set.

Failure to carry out risk assessment on the identified key issues

Despite the fact that the Ministry of Health and Social Welfare has identified key areas/issues on the Maternal Health namely, antenatal care, family planning, skilled labor attendance and emergency obstetric care, there is no evidence showing that it has critically carried out risk assessment on these key issues so as to determine which ones should be given priority.

Failure to carry out risk assessment in those key issues which have been identified resulted into the Ministry's failure to tackle the challenges which are happening in each key area. The ultimate result indeed was the failure of the Ministry to reduce the maternal death to a set target of 265 per 100,000 live births by the year 2010.

Failure to translate the national targets to LGAs level

The Ministry of Health and Social Welfare has not translated the national target related to key issues on maternal health to LGAs level. The only target set is for the entire country and for the general goal of reducing maternal death by 265 per 100,000 live births by the year 2010¹². The Health Facilities are providing Maternal Health services in different areas with the expectation of reducing maternal death without knowing that key issues need to be addressed differently (depending on the nature of the issue and location) in order to reduce the maternal deaths in Tanzania.

Comprehensive Council Health Plan guide has just mentioned the targets to be used by Councils without elaborating on how these targets are chosen or adjusted accordingly depending on different

¹² From 950 per 100,000 live births in 2005 (WHO statistics)

environment and how they do link with the key issues on Maternal Health Care at the national level.

The Ministry of Health and Social Welfare and Health Facilities therefore, are operating without having strong benchmark which can be used to measure their performance. This lack of appropriate bench marks makes it very difficult to assess in quantitative terms whether they are doing well based on the targets.

Questionable reliability and inadequate timeliness of Maternal Health data

The audit revealed that feedback to collecting health facilities, particularly from the district level is practically non-existent. The registration of vital events (births and deaths) does not have good coverage, while this information is critical for planning health services.

However, it was also acknowledged that mis-classification of maternal deaths was a common phenomenon. All maternal deaths needed to be counted and investigated. The Ministry does not have the means of capturing all maternal deaths, especially those that takes place in home deliveries.

Furthermore, the Health Management Information System (HMIS) requires provision of overall information on the quality of the health status of the population, diseases and on health services provision. However, review of documents revealed that data collected using the Health Management Information System has weaknesses related to reliability and timeliness of the information.

Inadequate analysis of data collected and submitted

Although there are no enough data collected which solely focus on the maternal health care, the audit revealed that the Councils use the Health Management Information System (HMIS) to prepare Comprehensive Council Health Plan (CCHP). However, the collected information is largely forwarded without an in-depth analysis at the lower level of administration. Districts and regions are treated more or less as the collection points with no analysis of the collected data done at this level.

An in-depth data analysis enables to highlight useful information, suggesting conclusion and support the decision making. An effective monitoring requires also an identification of the data analysis techniques, presentation format to be used, analysis tools, time to be completed and submitted to higher level for further action.

According to the Health Management Information System guide, data is supposed to be analyzed at all levels of administration and such analysis should aim at bringing about improvement in service delivery.

An effective performance monitoring on maternal health care is to plan not only for data collection but also for data analysis, reporting and use, which has not been done by the Ministry of Health and Social Welfare.

Inadequate actions/steps taken to accurately report maternal health care issues

The audit revealed that contemporary data is mostly gathered from health facilities, leaving aside many deaths occurring outside the health care system. However, the data in those reports collected are compounded by underreporting, as maternal death is believed to be a natural phenomenon. Decisions were based on incomplete data due to non incorporation of community based data. Feedback to collecting facilities, particularly from the district level of administration is practically nonexistent.

Although maternal mortality data reporting from health facilities in the Local Government Authorities (LGAs) have not been properly provided timely and completely as a major source of data, the Reproductive and Child Health Section of the MoHSW has not taken enough steps to ensure that the problem of under-reporting, failure to get maternal health data on time and complete data are addressed.

The Ministry of Health and Social Welfare has an activity component in its strategic plan which focus on addressing the problem of inaccurate reporting. This will help to produce, disseminate and distribute updated data collection tools at all levels, conduct supportive supervision, follow up training and documenting and share best practices on maternal, newborn and child health. However, the Ministry has not used planned activities to address the problem.

Failure to do the above mentioned actions resulted into its officials performing their work depending on inaccurate information or under-reported information.

Inadequate provision of guidance to health facilities on maternal health education

Health education is not adequately emphasized. Though the role of the MoHSW is to issue policy and guidelines regarding health issues, the Ministry has not adequately ensured that maternal health education is appropriately delivered. This has resulted into poor quality of education. For example, of the 95 percent women attending antenatal care services at least once, only less than half of them deliver in a health facility. This implies that the quality of education provided to pregnant women is poor¹³. However, other socio-cultural issues also contribute to fewer deliveries taking place in health facilities¹⁴.

¹³ Health Sector Strategic Plan III of (July 2009 - June 2015)

¹⁴ Example of socio-cultural issues is woman living far from health facility, interference by the mother in law who block the woman not to go to the health

Lack of periodical Evaluations of the key components on Maternal Health System

The Ministry of Health and Social Welfare has not periodically conducted evaluation of the key components on the Maternal Health Care activities.

The Ministry of Health and Social Welfare officials have not conducted evaluation focusing on the Maternal Health care services rendered by Health facilities in Tanzania and take necessary action to improve some of the areas which need the attention of the central government.

The Audit team has, however, not been able to find documentation from the Ministry of Health and Social Welfare showing that evaluation activities on Maternal Health Care key issues have taken place. The only report on evaluation seen by the audit team is that of the evaluation that took place in March 2010 which indeed focused only on general issues of the Ministry itself and not specifically on the technical aspects of Maternal Health Care issues.

The above general conclusion is manifested by:

Non existence of Plans for Evaluation of maternal Health care provision

The Ministry of Health and Social Welfare does not have plans in place for evaluating the performance of maternal health care in the health facilities. This is because the Ministry of Health and Social Welfare has not carried out a risk based analysis specifically on maternal health that could be used as a basis for developing the plan.

It is well known that evaluation plans are of utmost importance as they help the evaluators to have some useful information such as

facility for delivery, refusal of the husband to provide funds for transportation to health facilities etc.

identified data needs and standardized national indicators to monitor the achievement of program objectives and goals.

Such a plan also includes indicator baselines and targets to be achieved, methods of data collection, data sources, frequency of data collection and the partners responsible for data collection and management.

The Maternal Health Care evaluation plans were supposed to also cover all components of the evaluation system, including evaluation needs and how they were addressed, data analysis and data use at different levels of the system.

Lack of specific evaluation Criteria on maternal health

The audit has noted that, the evaluation criteria assigned to Reproductive and Child Health Section (RCHS) are too general to be able to reflect the actual problems facing maternal health care in Tanzania.

No indicator is assigned for measuring the impact of the health education provided on the Maternal Health. The quality of supervision conducted is not evaluated if it is aimed at reducing maternal deaths.

The set criteria for measuring progress of the strategic plan using Biennial implementation report tracking progress is not done as required.

This is the result of the Ministry lacking relevant criteria for assessing/evaluating maternal health which has resulted into inadequate corrective action being taken.

Evaluation conducted on maternal health services in the health facilities

The Ministry of Health and Social Welfare has not conducted an evaluation specifically focusing on performance of the maternal health care provision in Tanzania. The one that has been

conducted by the Ministry was too general focusing only on administrative issues and was done on an ad hoc basis.

Similarly, the frequency of supportive supervision conducted as a means of evaluation is very minimal and if conducted, the focus is mainly on the administrative issues and not technical part to see if instructions given in official guidelines were properly implemented and followed.

Budget model for funds allocation on Maternal Health Care

The Ministry of Health and Social Welfare has yet to institute an appropriate budget model to allocate funds for maternal health care in Tanzania.

The budget for Reproductive and Child Health is done without having adequate or systematic way of allocating funds to maternal health care. This is despite the fact that Maternal Health Care is a priority area in Reproductive and Child Health in Tanzania.

The reviewed budget shows that there is no model which defines how the Ministry determines the amount of funding that is to be allocated to maternal health issues. The lack of this budget model has resulted into allocating very little funds to maternal health care activities which amounted to about only 7.0% compared to the entire budget of Health in Tanzania. Failure to allocate enough funds in this area is contrary to the Abuja declaration¹⁵ as this area is of great importance in the Health Care provision in Tanzania.

More so, even for the little allocated funds to Maternal Health Care, there also was no model which defines how the funding for maternal health issues was supposed to be allocated to the individual identified key issues under the maternal health care component.

¹⁵ The Abuja declaration requires the Ministry of Health and Social Welfare to allocate 15% of the health budget to reproductive and child health.

Allocation of funds do not consider the maternal death ratio

Allocation of funds as analyzed regionally does not also consider the maternal death rate in the respective areas. The following is a model used to analyze maternal death against funds allocated to maternal health section.

Figure 4: Model for analysis of funds allocation in Region against maternal death

| | | Budget allocation | |
|-----------------------------------|----------|---------------------------|---------------------------|
| | | 0% - 7.5% | 7.6% - 15% |
| Number of Maternal Deaths in 2009 | 0 - 50 | (Category 1) 7 Regions | (Category 2) 1 Region |
| | 51 - 176 | (Category 3) 7 Regions | (Category 4) 6 Regions |

Source: Auditors' Analysis

Category 1: Regions whose maternal death is less than 50 and its budget allocation is also less than half of the percentage required (i.e 15%). This concerns seven regions namely Coast, Arusha, Lindi, Kilimanjaro, Manyara, Tanga and Singida. Regions under category one are Coast, Arusha, Lindi, Kilimanjaro, Manyara, Tanga and Singida

Category 2: Refers to regions allocating more than 50 percent of the required amount while death mortality is relatively low. This concerns Ruvuma region that has allocated high budget to maternal health while maternal deaths occurring were relatively low

Category 3: Refers to regions with high maternal mortality while allocation is very low. Seven regions were allocating low budget to maternal health while relatively high maternal deaths were recorded in those regions. However, the Abuja declaration requires the Ministry of Health and Social Welfare to allocate 15% of the

health budget to reproductive and child health. This indicates that funds are not allocated properly with the intention of reducing maternal deaths. Regions under this category are Kagera, Mara, Dodoma, Dar-es-salaam, Shinyanga, Tabora and Mwanza.

Category 4: Refers to regions with budget allocation of above the half of the required amount while the maternal death is relatively very high. Six regions were allocating high budget to maternal health while deaths recorded also were relatively high. This indicates that funds allocated not properly focused on the key issues causing maternal death. Regions under this category are Mtwara, Rukwa, Iringa, Kigoma, Morogoro, Mbeya.

Thus allocation of funds to the regions gives less consideration on maternal deaths ratio since there are regions with high rates of maternal deaths but with less budgetary allocations.

Lack of effective coordination between the LGAs and the Ministry

There was lack of effective coordination between the health facilities in LGAs and the Ministry. Community data was not adequately captured in the locality and incorporated in the health system. Evaluation of the Councils' performance - which includes health facilities performance - was done at Regional level and reports sent to the central level. No detailed assessment of maternal health care services was conducted at the Regional level that was forwarded to the central government level.

The PMO-RALG deals with the implementation of the country's health policies in the health facilities. This task includes monitoring of the use of funds and also administration of human resources at the Regional and Council levels when it comes to the implementation of the maternal health care policies. The Ministry of Health and Social Welfare (MoHSW) is responsible for developing policies and standards for the maternal health care. It is also responsible for the overall technical leadership, guidance

and advice on the implementation and monitoring of the country's health policies.

4.4 General Conclusion

The RCHS under the MOHSW lacks specific plans for monitoring and evaluating the maternal health care activities. The Monitoring and Evaluation Unit of the Ministry has not performed the monitoring and evaluation function focusing on maternal health services. The MOHSW lacks Health Education Guidance to be used by the health facilities when providing maternal health care services. Resource allocation to RCHS activities was not itemised well enough to be able to determine the actual amount allocated to the maternal health care activities.

4.5 General Recommendations

The audit findings and conclusions point out that there are many weaknesses in the area of monitoring and evaluation of maternal health care in Tanzania. Similarly, weaknesses are surfacing on the maternal health education provided to the population and also failure to have adequate budget model for allocation of maternal health fund to the identified key issues on the maternal health.

We therefore recommend the following as the way forward:

The Ministry of Health and Social Welfare should ensure that it appropriately monitors the level of maternal health care.

This can be done by ensuring that, there are/is:

- plans in place for monitoring maternal health;
- identified key issues related to maternal health based on risk assessment;
- established targets related to maternal health key issues to be attained at different levels of the Health system in Tanzania; and
- have an adequate information system and data in place that allows the Ministry to identify the possible

points of intervention in the maternal health care system in Tanzania.

The Ministry of Health and Social Welfare should provide adequate guidance to health facilities about Maternal Health education that should be provided to the population.

This can be done by ensuring that:

- the Ministry comes up with a plan for educating the population about the maternal health and ensuring compliance with that plan;
- there is an adequate timetable for the provision of maternal health education to the population; and
- maternal health information issued during the health education is appropriate and sufficient enough to help the population.

The Ministry of Health and Social Welfare should ensure that periodically, it evaluates the components of the health system that relates to Maternal Health Care.

This can be done by ensuring that, the Ministry:

- establishes a timely risk based plan for the evaluation of the health facilities in the country;
- provides the health facilities with the standards for antenatal care and appropriate standards for documentation and retention of health records related to antenatal care;
- evaluations should include clinical procedures on a test basis, the effectiveness of the education programmes, assessment of health facilities at resource level, including location of the facility, adequacy of the equipments and levels of competency of care givers;
- assesses whether corrective measures have been taken against the underperforming health facilities on maternal health issues; and
- evaluates the extent of communication of the results of evaluations to the health facilities.

The Ministry of Health and Social Welfare should ensure that there is an appropriate budget model in place for allocating funds for maternal health.

This can be done by ensuring that:

- the budget model defines how the MoHSW determines the amount of funding that is to be allocated to maternal health issues;
- the budget model should also define how the funding for the identified key issues on the maternal health is allocated; and
- there is an elaborated mechanism of the implementation follow up of the budget model used in maternal health facilities.

CHAPTER FIVE

KEY MESSAGES TO PARLIAMENT

5.1 Key Messages from the PA Report on Roadworks

The aim of this Section is to facilitate the respective parliamentary committees, their secretariats and other stakeholders on the use of our performance audit reports. This report is not supposed to substitute the full report on the audit on roadworks.

This audit report summary and the full report of the road construction value for money audit can be used by Parliamentary standing committees responsible for road construction to raise issues to the Accounting Officers on the following matters/areas:

- i) Improvement in the processing of the start-up activities, such as fulfilment of loan conditions and procurement processes;
- ii) Workflow in construction projects with a view to minimize delays in completion;
- iii) Communication among stakeholders to ensure that relocation of public utilities, reimbursement of taxes, and payments of compensation to relocated people are timely handled;
- iv) Cost control of the projects;
- v) The quality assurance extending from the design stage to the construction stage;
- vi) Improvement in monitoring and inspections of the activities carried out by the specialists or consultants;
- vii) Steps taken by TANROADS to ensure that the consulting firms involved in the design work become more financially responsible for malpractice if any or avoidable additional costs to the client;
- viii) Improvement in handling of pre-contract stages of projects implementation to ensure that the designs are improved to

reflect the reality on the ground and avoid unnecessary alterations during the implementation stage; and

- ix) Improvement in project management and quality control system in order to avoid delays, cost overruns and also to avoid being forced to conduct repair works and maintenance services soon after the roads are opened to the traffic.

Due to the similarities in challenges facing various actors in the construction industry, the relevant Parliamentary Committees, under the direction of the Speaker, are advised to annually call the concerned Accounting Officers to hearings about the activities implemented in addressing serious shortcomings noted in the implementation of construction projects in the Country.

5. 2 Key Messages from the PA Report on Maternal Health Care

This audit summary and the full performance audit report can be used by the Parliamentary Standing Committees responsible for health to raise issues to the Accounting Officers both at the central and local levels on the following areas:

- i.) Actions taken to ensure plans are in place to monitor maternal health;
- ii.) Actions taken to ensure that the Ministry has established targets related to maternal health key issues to be attained at different levels of the Health system in Tanzania;
- iii.) Availability of adequate information system and data is in place which allows the Ministry of Health and Social Welfare to identify the possible points of intervention in the maternal health care system in Tanzania;
- iv.) Actions taken to ensure that the Ministry of Health and Social Welfare provides adequate guidance to health facilities about Maternal Health education that is required to be provided to the population;
- v.) Actions taken to ensure that the Ministry of Health and Social Welfare periodically evaluates the components of

- the health system that relates to Maternal Health Care;
and
- vi.) Actions taken to ensure that the Ministry of Health and Social Welfare has in place an appropriate budget model for allocating funds for maternal health activities.

PART 2: FORENSIC AUDIT

CHAPTER SIX

INTRODUCTION OF FORENSIC AUDIT IN TANZANIA

6.1 Background

Tanzania has committed itself to reform its government administration to promote accountability and good governance. The aim is inter alia, to foster a culture of financial discipline, transparency and accountability, to fight corruption and get value for taxpayer's money with the ultimate aim to deliver more effective services to citizens and combat poverty. Audit is a tool that can effectively be used in this endeavour.

The National Audit Office started conducting forensic (fraud) audits in the late 2007 aiming at enhancing the financial discipline and combat fraudulent activities within government operations. As a starting point, the CAG decided to conduct audits focusing on internal control systems with a special focus on prevention of fraud and other kinds of irregularities.

6.2 Mandate

The Controller and Auditor General has been mandated to carry out forensic audits under Section 27, of the Public Audit Act No.11, 2008. Regulation 83 of the Public Audit Regulations of 2009 require the CAG to order forensic audit to be conducted once notified by an Officer of the NAO on suspicion of fraud, and upon being fully satisfied that it is probable that the fraud might have occurred with regards to the accounts of any entity audited by the CAG.

6.3 What is Forensic Auditing?

Forensic auditing is the investigation of a fraud or presumptive fraud with a view of gathering evidence that could be presented

in a court of law. However, there is an increasing use of auditing skills to prevent fraud by identifying and rectifying situations which could lead to frauds being perpetrated (i.e. risks). Forensic audit, therefore, can be either 'Reactive' or 'Proactive'.

The objective of reactive forensic audit is to investigate cases of suspected fraud so as to prove or disprove the suspicions, and if the suspicions are proven, to identify the persons involved, support the findings by evidence and to present the evidence in an acceptable format in any subsequent disciplinary or criminal proceedings. Proactive forensic audit, on the other hand, refers to audit that can be used to carry out general reviews of activities to highlight risks arising either out of fraud or from any other source with the purpose of initiating focused reviews of particular areas, targeting specific threats to the organization. Reactive forensic audit, therefore, refers to detecting fraud whereas proactive forensic audit refers to preventing fraud. The forensic audits conducted by the CAG so far have focused on proactive audits which have aimed at reviewing operational systems with the view of identifying potential risk areas for fraud and recommend ways of mitigating their occurrence.

6.4 Aim of Preventive Forensic Auditing

Preventive forensic (fraud) audit as one category of fraud audit, basically is intended to assess whether controls in place prevent fraud from occurring. The aim of conducting these audits involves the following:

- (a) To identify the causative factors and collection of facts by evaluation of internal control weaknesses that allow unethical behaviour and practices to occur;
- (b) To identify and address weaknesses found within the system;
- (c) To push for entity's managements to develop the entity's Fraud Risk Assessment program; and
- (d) To promote education and awareness on fraud risk management within the entity.

6.5 Preventive Forensic Audits Conducted

This general report summarizes two individual forensic audit reports issued to respective Boards of Directors of the audited entities. The reports concern:

- The Internal Control of the Customs and Excise Department in Tanzania Revenue Authority (TRA); and
- The Risk Assessment and Handling of Suspicion of Fraud within the Medical Stores Department (MSD).

These audits basically aimed at determining the effectiveness of the internal controls as preventive measures related to frauds. The reports can be used as tools to minimise risks of fraud and to prevent occurrence of fraud within the entities.

6.6 Purpose of the general report

The purpose of this general forensic audit report is to enlighten the Legislature, the Government and other stakeholders with the outcome of the forensic audits conducted so far. The reports can be used for raising issues to the Accounting Officers regarding the actions taken to establish control environment and maintain policies and procedures to prevent fraud in their work places.

6.7 Challenges of the Audits

In conducting these audits we encountered the following challenges from the auditees:

- i) *Untimely submission of documents:* we experienced unnecessary delays in getting the documents we requested from the clients.
- ii) *Inconveniences with scheduled interviews:* Some interviews scheduled were cancelled by the auditees without prior notice. Some interviewees were represented by their junior staff who were not capable of providing relevant information.

- iii) *Inadequate records keeping*: some of the information obtained from the interviewees was not supported by written documentation. We had to corroborate the information collected from the interviews with observations or other sources.

6.8 Audit Methodology

The audit team conducted interviews, reviewed documents and conducted surveys in order to determine the effectiveness of the internal controls. The soundness of the internal controls concerning prevention of fraud within the entities was assessed by looking at six components namely control environment, risk assessment, control functions, control measures, information and communication, and monitoring.

6.9 Structure of Part 2 of the Report

The remaining chapters of this part of the report cover the following:

Chapter seven presents the forensic audit report on Internal control systems on the protection against fraud and other kinds of irregularities within the Customs and Excise Department (CED), whilst, Chapter eight summarises another forensic audit report on risk assessment and handling of suspicion of fraud within the Medical Stores Department (MSD).

Chapter nine contains key messages to Parliament regarding issues raised in the forensic audit reports.

CHAPTER SEVEN

PROTECTION AGAINST FRAUD AND OTHER IRREGULARITIES WITHIN THE CUSTOMS AND EXCISE DEPARTMENT

7.1 Introduction and Background to the Audit

The main function of the Customs and Excise Department (CED) is to collect of taxes and excise. For optimal collection of revenues from the tax base, CED is expected to have adequate controls in place that would safeguard them against potential fraud or malpractices.

This audit centered on the assessment of the Internal Control Systems with a special focus on the mechanism to prevent fraud and other irregularities. The key issues assessed were: control environment, risk assessment, control functions, information and communication, and monitoring. The shortfalls noted have been summarised in the audit findings section.

7.2 Audit Objective and Scope

The objective of the audit was to assess whether CED exhibits effective controls related to prevention of fraud and other kinds of irregularities.

7.3 Audit Findings

We observed shortfalls for all the component areas as follows:

(i) Control environment

The attitudes or cultures which prevail in an organisation are of great importance to prevent the occurrence of fraud. The control environment of an organisation is considered to be good if its top management has an explicitly stated attitude and exhibit

consistent behaviour as regards fraud to benefits, rewards, gifts and contacts with suppliers or clients. It should be perfectly clear from policy documents and guidelines what top management's values are as regards to protection against fraud. Top management of an organisation can make their values in relation to fraud even more explicit by creating opportunities for employees to report any suspicions of fraud anonymously, by investigating any such suspicions vigorously and by always filing a report with the police when there are well-founded suspicions of fraud or other types of irregularities.

Disciplinary actions taken against defaulters not communicated to staff

We learnt that indications or cases of fraud and other irregularities, once they occur, are referred to the ethical committee. If the matter is considered serious and staff regulations have been violated, the matter is taken to a disciplinary committee. Punishments resulting from the disciplinary committee's decision are not officially reported, although the news could informally spread within the organisation. Lack of communication regarding disciplinary actions taken could have negative impact on ethical behaviour of the organisation and view the management in a negative light as some may perceive that there is always no punishment for unethical conduct.

Lack of proper procedures for handling information from whistle blowers

The CED has a system for collecting information about irregularities. This is done through the use of suggestion boxes placed in all offices and toll-free telephone lines.

There is no clear written procedure for handling information about irregularities obtained through suggestion boxes and toll free telephone lines. It is a common practice for the suggestion box to be opened by only one or two persons. There is no formal and structured way of documenting, review and follow up of the information obtained from the suggestion boxes and toll free telephone lines.

(ii) Risk Assessment

Top management's assessment of risks determines the subsequent design of controls in an organisation. Risk assessments should be made by top management and by the board of directors, and they should include the risk of fraud. Only when top management of a government agency has carried out such an assessment, it is possible to weigh the need for measures against the existing risks. A prior risk assessment by top management is a prerequisite for assessment by the audit whether a government agency has adequate protection against fraud.

No formal risk assessment were done

The operational responsibility for risk assessment is vested in the IAD. However the Customs and Excise management has a responsibility to report occurrence of any major risk that might jeopardize the tasks and duties of the department. Neither the IAD nor the Customs and Excise management has performed any specific and formal analysis relating to the risk of fraud or other types of irregularities in its own operations.

(iii) Control Functions

Good protection against fraud presupposes the existence of effective overall control functions. This means, for example, there should be guidelines focusing on the organisation's view of fraud which are clear and have been carefully thought through. The rules should be collected and completed in a single place, so that employees can easily acquaint themselves with the policy and detailed rules of the organisation as regards to benefits, suppliers, consultants, gifts, conferences, entertainment and hospitality, etc.

Further, in order for an organisation to be considered to have good protection against fraud and other irregularities it must have worked systematically to create a good segregation of duties and responsibilities in the operations deemed to be sensitive. The main principle in this respect, applicable to all processes where

large amounts of money are at stake or handled, is that at least two people with insight into and expert knowledge about, the matter concerned should be involved in the preparation of a decision. This principle of segregation of duties is applicable both to procedures where large amounts of money are handled and to processes where decisions taken will have a large financial impact on the interested parties.

No specific procedures to ensure that new issued rules are known to staffs.

The Customs and Excise Department has relatively explicit rules which lay down the ethical approaches to be taken in work. In a TRA pamphlet, with the heading Taxpayers Charter, there is a clear description of what the taxpayers can expect when it comes to treatment and service from the authority.

In the staff regulations there is an extensive section about the Code of Conduct which everyone is expected to read and act/behave accordingly.

New employees receive instructions and information about the applicable rules and are assumed to inform themselves on an ongoing basis about new or modified rules. All new members of staff have to undertake a three month course where they get general information about the TRA and what is expected from them. The course includes the ethical questions that are focused in this audit. Information about new or modified rules is occasionally disseminated.

However, Customs and Excise Department does not use any specific procedure involving annual written assurances by employees that they have acquainted themselves with the rules in force.

Staff regulations are not distributed to employees

All staff members are expected to know about the Code of Conduct. In interviews with managers and staff, it was clear that not all

members of staff have copies of the Staff regulations. Employees, according to several managers interviewed, have access to read the copies that belong to the managers. There are no ways of checking whether the staff have read the Staff Regulations and that they have understood the contents. Staff regulations are written only in English.

Control failure over job rotations

As regards to work organisation, the Customs and Excise Department follow the TRA job-rotation model. No employee is supposed to stay on one station for more than five years. According to what we found through interviews with managers and other employees, there seems to be difficulties for the department to keep this job rotation scheme going. The main reason for this seems to be the costs involved.

Lack of segregation of duties in risky areas

In risky areas, where there is a series of activities to be done, the CED's approach is to deploy more than one person to handle such activities. However, we found that this was not always functioning in reality. In some operations, we found out an individual doing activities that were supposed to be done by more than one person. This amounts to lack of segregation of duties in risky areas which increases the likelihood of staff's involvement in unethical behaviours.

(iv) Control Measures

Good protection against fraud presupposes the existence of adequate control measures. Accordingly, checks are expected to be carried out, independent of line functions, to detect indications or suspicions of fraud. Control measures need to be implemented to ensure that breaches of rules are counteracted, attended to and investigated.

Lack of regular checks over line functions

The Customs and Excise Department carries out quality oriented control activities which normally focus on group performance and not individual performance. However, there are no direct checks

done independent of line functions, to detect indications or suspicions of fraud. This means that the department does not carry out controls that focus on risk exposed individuals and their decision patterns or their behaviour related to different clients. In the absence of independent checks, the control measures are likely to be less effective.

(v) Information and Communication

It is not enough for top management of an organisation to issue a well-founded and specific policy regarding their view of fraud. Unless information about the policy, is communicated effectively over time to employees, there is a risk that it will have no impact. The values of top management as expressed in the policy need to be kept alive in the organisation through the provision of training and information to employees, especially those who are involved in operations exposed to risk.

Fraud Policy not communicated clearly

The top management of TRA and Customs and Excise Department have issued a well-founded and specific policy regarding their view of fraud. However, the information about the policy is not communicated effectively over time to employees. The management expressed in interviews that they spread the message at meetings, but it has not been possible to verify the existence of these meetings or what has been said in the said meetings. Some interviews with officers far out in the lines of operation indicated that the top management's messages did not reach all employees. The managers admitted that each and every member of staff do not have their own copy of the Staff Regulation, partly due to cost and partly due to the fact that Staff Regulations are only printed in English.

The values of top management as expressed in the policy is partly kept alive in the organisation through the provision of training, mainly through the three months courses given to each and every member of staff that start a career with the TRA. There are no

special efforts taken to train those who are involved in operations with view to mitigate fraud since they are exposed to risk.

(vi) Follow-up and Monitoring

Top management is expected to ensure that the system of rules works as intended. This requires top management to put in place effective procedures for follow-up and monitoring. Accordingly, someone in the organisation should be made responsible for following up, monitoring and reporting on the appropriateness of the design of the rules as well as the adequacy of the controls used.

No follow up on compliance over ethical rules

Follow-up and monitoring activities are used in the organization. Departments are monitored from different points of view and reports are submitted to boards of directors and further up in the hierarchical chain. The IAD plays an important role in the following-up of activities and the monitoring of what is going on in the departments. However, the organization has not organized and carried out any ongoing and direct control work focusing on the prevention and detection of fraud, as can be seen from paragraph (iv) on control measures. Consequently, the Customs and Excise Department has not been able to follow up whether the ethical rules have been complied with.

7.4 Conclusions and Recommendations

7.4.1 Conclusions

(i) Control Environment

Top management has to make it clear to staff that fraud and other kind of irregularities are considered as a risk and a reality in the CED activities. There is room for improvement in the control environment through communication on action taken against detected frauds and staff involved.

(ii) Risk Assessment

The CED has not performed any specific formal analysis relating to the risk of fraud or other types of irregularities in its own operations. Since there is no risk analysis being done, it is difficult for the CED to organise the department in such a way that the risk for occurrence of fraud and other kind of irregularities is minimized. The IAD performs yearly risk assessments, but these do not specifically focus on fraud or other kinds of irregularities.

Lack of formal risk analysis impairs the efforts to mitigate risks for fraud and other kinds of irregularities.

(iii) Control Functions

The TRA has published Staff Regulations and the Taxpayers Charter which stipulates relatively explicit rules on ethical approaches to be applied in work. The Code of Conduct is precise when it comes to questions of how staff are expected to behave. Lack of job rotation scheme and organisation of work within CED is not fostering the ambitious of ethical standards stipulated and communicated through the code of conduct and taxpayers charter. It increases risks in the overall administration of controls, therefore unsatisfactory controls function. CED does not fully exercise segregation of duties in its operations thus increasing the likelihood of staff's involvement in unethical behaviours.

Although it's mandatory that no staff should stay for more than five years in one work station, the audit detected that the staff transfers scheme has not been effective. We consider that lack of job rotation and organization of work at the department is not fostering the ambitions of ethical standards stipulated and communicated through the code of conduct and taxpayers charter. Also lack of job rotation increases risks in the overall administration of controls and therefore control functions are still unsatisfactory.

(iv) Control Measures

The IAD and CED have not created and implemented control measures in a satisfactory way.

The CED has not created a system with direct checks, done independent of line functions, to detect indications or suspicions of fraud or other kind of irregularities. This implies that the department does not carry out controls that focus on risk exposed individuals in their decision patterns or their behaviour related to different taxpayers.

The IAD plays an important role for the internal control within TRA, but they do not perform checks regarding fraud as a part of a preventive control program.

(v) Information and Communication

The top management of CED has issued a specific code of conduct regarding their view concerning fraud. However the information contained in the document is not effectively communicated to all employees.

Members of staff did not get copies of the staff regulations. The staff regulations are not available in Swahili which might make it difficult for some staff to understand the contents since not all staff speak or use English regularly.

(vi) Follow up and Monitoring

There are no effective procedures for follow-up and monitoring to check whether the system of rules operates as intended. This is a natural outcome since there are no control measures that pin point the behaviour in the organization. This means that it is not possible to follow up something that you do not measure.

7.4.2 Recommendations

We recommend that the CED take some concrete actions to establish a satisfactory protection system against fraud and other kinds of irregularities as follows:

- Perform a risk analysis for the organization regarding fraud and other kinds of irregularities. That risk analysis should guide the top management team in their work to improve the internal control structure;
- Improve the control environment so that the top management's activities and behaviour effectively communicate to staff on what they regard about fraud and other kinds of irregularities;
- Exercise segregation of duties in the operations to reduce the likelihood of staff's involvement in unethical behaviours;
- Improve the internal systems regarding job rotation, team work and courses targeting and communicating ethical standards and behaviour to staff;
- Develop direct control measures that focus on both individual performance and group performance; and
- Make the staff regulations available to all TRA employees. This should include translating the staff regulations into Swahili and distributing them to all staff members. It also includes communicative measures such as training where these matters are communicated.

CHAPTER EIGHT

RISK ASSESSMENT AND HANDLING OF SUSPICIONS OF FRAUD WITHIN THE MEDICAL STORES DEPARTMENT

8.1 Introduction and Background to the Audit

The Mission of the MSD is to make available at all times essential medical supplies of acceptable quality at cost effective prices to the population through government and approved non government health facilities.

The department's broad operational objective is to develop, maintain and manage an efficient and cost-effective system of procurement, storage and distribution of approved essential drugs and other medical supplies required. Inevitably, the activities needed to achieve this objective are prone to risks.

The responsibility of risk assessment and suspicions of fraud handling is vested to the MSD Management. The management is, therefore, expected to continuously and periodically conduct risk assessment and suspicions of fraud handling evaluation.

This audit centred on the assessment of the Internal Control Systems with a special focus on risk assessment and handling of suspicions of fraud. The key issues assessed were control environment, risk assessment, control functions, information and communication and monitoring. The shortfalls noted have been summarised in the audit findings section.

8.2 Audit Scope and Objective

The audit intended to check whether MSD has sound and dynamic internal control systems which could help the organization to achieve its objective. The main objectives of the audit were:-

- To examine whether management has a documented overall risk assessment of fraud,
- To determine whether MSD conducts risk assessment and handling of suspicious of fraud

8.3 Audit Findings

Out of the six areas that were examined we found deficiencies in two areas namely Risk Assessment and Control Functions. In these areas NAOT sees room for improvements.

Risk Assessment

Top management's assessment of risks determines the subsequent design of controls in an organisation. Top management and the board of directors are expected to make risk assessments with a focus on fraud prevention. Based on the assessment the management determine measures to be taken against the existing risks. A prior risk assessment by top management is a prerequisite for assessing whether the agency has adequate protection system against fraud.

No regular risk assessment is done

The top management and the board of trustee has not performed any specific formal overall analysis relating to the risk of fraud or other types of irregularities in its own operations.

Risk assessment is normally done during strategic planning. MSD management also conducts risk assessment after particular incidences have occurred, for instance following burglary of MSD warehouse at Ubungo, to determine more areas exposed to security threats. The risk assessments instructions by the management

usually follow certain incidences and so they are not comprehensive to cover overall risk assessment to all activities and related processes within MSD. Such assessments may not give clear picture of situations on risk associated areas, as a result of insufficient coverage.

Generally, the risk assessment carried out by MSD is rather reactive than proactive.

Control Function

Good protection against fraud presupposes the existence of effective overall control functions. This means, for example, developing guidelines which focus on the organisation's view of fraud and which are clear and have been carefully thought through.

According to MSD staff regulations suspicions of theft shall be reported to the Director General who shall take appropriate action. All cases involving crime shall be reported to the Police. Before reporting such cases it must be sanctioned by the Director General.

Lack of policy on suspected fraud investigations

The Internal Audit Department (IAD) is responsible for conducting investigations as regards to fraud and other irregularities whereby it is included in the audit plan for a particular year. The IAD normally conducts fraud investigations based on observed indications or after request from the MSD Management. The IAD reports to the Director General and eventually to the Board of Trustee for further decision.

Inadequate competence of fraud investigation team

The composition of the team involved in conducting risk analysis is not proficient in investigations, as all of the IAD staff are financial auditors. None of the staff involved in investigations has any legal education. The MSD does not use staff with relevant education and experience when performing investigations. This increases the risk of ineligibility of information collected to courts. No legal skills is

involved in the investigation since the legal officer employed by MSD does not participate in the investigation of suspected crimes.

No clear mechanism of handling suspected fraud

There are no specific documented procedures for detecting, investigating and handling indications of fraud. The risk assessment policy and strategy document does not provide guidelines for investigative assignment.

8.4 Conclusion and Recommendations

8.4.1 Conclusions

Based on the findings of the audit, the following conclusions were drawn:

Risk assessment

The MSD has not performed any specific formal analysis relating to the risk of fraud and other irregularities covering its own operations at all levels.

Control functions

One important step in fighting fraud and corruption among government agencies and ministries is to make sure that all indications of fraud are taken care of in a professional manner. It is important to have well founded audit evidence as a base for further investigations to facilitate a process leading to accountability. To achieve this, the management should make sure that there are methods to identify and investigate indications of fraud and corruption in a professional way and routines that make sure suspicions on fraud are passed on to law enforcement agencies.

The MSD has not established a control function staffed with persons who have appropriate professional background that is suitable for investigating indications of fraud. Consequently, there is a risk that fraud indications can not be investigated adequately. Suspicions may therefore not be properly investigated. Without sufficient

legal skills during the investigations, relevant facts might be overlooked which means that some suspicions will not be investigated sufficiently.

8.4.2 Recommendations

On risk assessment, we recommend MSD to:

- perform and document an overall risk analysis for the organization regarding fraud and irregularities involving all operations and levels within the organization;
- conduct regular and comprehensive risk assessment to all critical activities and related processes for early understanding of the indications of fraud; and
- establish guidelines for the investigation and handling of fraud indications to enable formulation of simple approach to implement required technique and procedures.

On Control function, we recommend MSD to:

- make sure that indications of fraud are canalized and assessed by the person with suitable professional background including experience in investigative knowledge; and
- For control purposes, it is very important for MSD to establish an open, transparent and easily accessible communication framework between all stakeholders including the Ministry of Health and Social Welfare and Local Government Authorities.

CHAPTER NINE

KEY MESSAGES TO THE PARLIAMENT

9.1 Protection against Fraud within CED

The aim of this Section is to facilitate the respective parliamentary committees, their secretariats and other stakeholders on the use of our forensic audit reports. This report is not supposed to substitute the full report on the audit on Protection against Fraud within CED.

This audit report summary and the full report on Protection against Fraud within CED can be used by parliamentary standing committees responsible for finance to raise issues to the accounting officers on the following matters/areas:

- Actions taken to ensure that risk analysis is carried out in order to prevent fraud and other kind of irregularities within the CED;
- Improvement of the control environment so that the top management's activities and behaviour are effectively communicated to staff;
- Improvement of the internal control systems regarding job rotation, team work and courses targeting and communicating ethical standards and behaviour;
- Development of direct control measures that focus on individual performance and also group performance; and
- Making the staff regulations available to all employees. This includes translating to the same into Swahili and distributing it to all staff members. It also includes communicating measures such as training where these matters are communicated.

9.2 Risk Assessment and Handling of Suspicions of Fraud within MSD

The aim of this Section is to facilitate the respective parliamentary committees, their secretariats and other stakeholders on the use of our forensic audit reports. This report is not supposed to substitute the full report on the audit on Risk Assessment and Handling of Suspicions of Fraud within MSD.

This audit report summary and the full report on Risk Assessment and Handling of Suspicions of Fraud within MSD can be used by parliamentary standing committees responsible for finance to raise issues to the accounting officers on the following matters/areas:

- actions taken to perform and document an overall risk analysis for the organization regarding fraud and other kinds of irregularities involving all operations and levels within the organization;
- conducting regular and comprehensive risk assessment to all critical activities and related processes for early understanding of the indications of fraud;
- establishing guidelines for the investigation and handling of fraud indications to enable formulation of simple approach to implement required technique and procedures;
- making sure that indications of fraud are canalized and assessed by the person with suitable professional background including experience in investigative knowledge; and
- establishing an open, transparent and easily accessible communication framework between all stakeholders including the Ministry of Health and Social Welfare and Local Government Authorities.



THE UNITED REPUBLIC OF TANZANIA

National Audit Office

Our ethical values

The National Audit Office - Tanzania, being a Supreme Audit Institution, is a member of International Organization of Supreme Audit Institutions (INTOSAI)

We have a code of ethics which guides our daily audit work. In addition, employees are obliged to observe the Tanzania Public Service code of ethics and conduct and their respective professional codes of ethics.

