The
AUDITOR GENERAL
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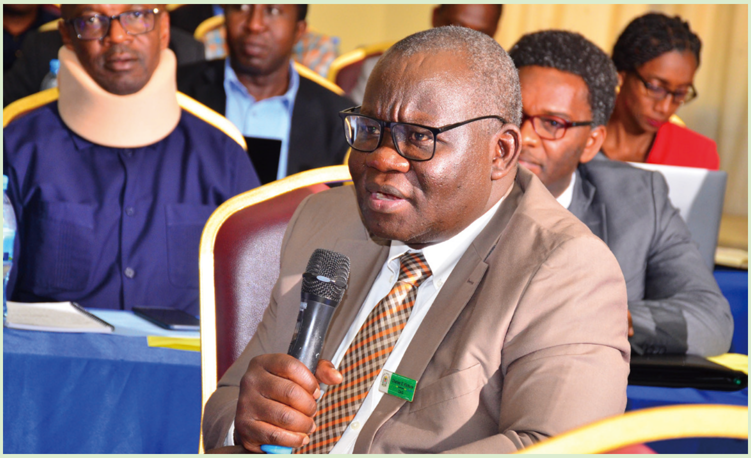
Inside this issue:

ACCOUNTING PROFFESION DISCUSSION FORUM HELD IN DODOMA

Controller and Auditor General of The United Republic of Tanzania (CAG), Mr. Charles E. Kichere (first photo left), leading a discussion at a training organized by the National Board of Accountants and Auditors Tanzania (NBAA) at the training, among other things, participants discussed in detail various issues relating to the effectiveness in the implementation of quality control in audit work including discussing the opportunities and challenges experienced in audits and the solutions thereon.

The training organized by NBAA in collaboration with Dar Financial Consultants (DFC) was held in Dodoma where participants held discussions aiming at improving their work in line with observance of audit standards and Code of Ethics.

In the picture are various activities related to the event. #elimuyaukaguzi #ofisiyataifayaukaguzi



The
AUDITOR GENERAL

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The Chairman's Note

Dear Reader,

It is always a great pleasure to bring you warm greetings from the National Audit Office of Tanzania (NAOT) through this edition of The Auditor General Journal.

NAOT, being a public eye, closely working with Members of Parliament, who represent the populace within their constituencies, is inevitable.

On this ground, NAOT embarked on a programme aimed at building the capacity of parliamentary committees to oversee allocation and utilisation of national resources as an article in this edition informs at length.

Much as Local Government Authorities (LGAs) have representatives of the people, the programme will, in a long run, also see councillors at city, municipality, township and district levels equally trained. The overarching goal of the programme is to empower lawmakers at central and LGAs levels to efficiently and effectively analyse information contained in the Controller and Auditor General's reports.

I can so far confidently report that the programme is performing well, thanks to Her Excellency President Samia Suluhu Hassan, the Speaker, Dr. Tulia Ackson, the Deputy Speaker, Mr. Musa Azan Zungu, and the entire leadership of the United Republic of Tanzania Parliament for embracing it. This existing working relations with the lawmaking body should be maintained and extended beyond the programme to fast-track achievement.

Maintaining a good rapport with Parliament will enable NAOT to smoothly fulfill its mandate of conducting financial, performance and forensic audits of both central and LGAs. As another article in this edition clearly narrates, Parliament has been amending the Public Audit Act for it to cope with practical needs and prevailing circumstances of times and may likely be once again asked to do so in future. The advent of the Fourth Industrial Revolution will, in addition, see financial, performance and forensic audits undergoing tremendous changes whose adoption might call for the House to enact, if not to amend the existing laws.

Adopting some essential changes that come with the revolution will assist NAOT in retaining its hard-earned credibility, continuing to offer high quality audit services, and attracting local, regional and international clients.

Nevertheless, embracing the Fourth Industrial Revolution is one thing, but maintaining credibility is another. It calls for leaders, the entire NAOT community and its stakeholders to become flexible enough to cope with constantly changing technologies and needs of individual institutions and the general public we serve. The Fourth Industrial Revolution will, in a nutshell, test the ability and capacity of each of us to adhere to a healthy culture NAOT commands for it to continue winning the public confidence. I thank you for sparing your precious time to read this and the forthcoming editions of The Auditor General Journal.

Charles E. Kichere
Controller and Auditor General (CAG)

From the Chief Editor's Desk

Dear Esteemed Reader,

Welcome to the National Audit Office of Tanzania's (NAOT) Auditor General Journal edition, Vol.1 No.1 quarter of July - Sep 2022

In this edition, you might notice that NAOT has cornered the audit market, if the number of visitors trickling in to learn the ropes of the game is anything to go by.

During this quarter, NAOT received Members of Parliament from Uganda with the office counterparts from the north-western neighbours escorting them all the way to the headquarters in Dodoma.

NAOT also hosted members of the Tanzania Editors Forum at the Dar es Salaam-based Julius Nyerere Convention Centre during the quarter, to mention but a few.

Hold on! What members of the press have to do with Audit? This edition of The Auditor General Journal describes the point at which an auditor meets a journalist, particularly an investigative one. Both professionals do everything by the book when it comes to consumption of public resources and tracking embezzlers of the same, hence the need for the duo to touch base now and then to compare their good governance, accountability and transparency notes.

Talking of accountability and transparency, the African Development Bank (AfDB) has pumped a staggering USD8 million into a project manned by the English-speaking Supreme Audit Institutions (AFROSAI-E).

Auditor generals and supreme audit institutions (SAIs) constitute the AFROSAI-E tasked to promote best standards and benchmarks in public financial management in the region. The AfDB-funded project aims at improving accountability and transparency among the AFROSAI-E member countries, Tanzania included through the Controller and Auditor General and NAOT.

The project is billed to bolster synergy among member countries in fighting against illicit financial flows and in fine-tuning mechanisms for oversight and accountability of public finances as well as revenue mobilisation and management.

If you thought audits of financial statements were not responsible for detecting fraud, think again. This is as a lame excuse as another article in this edition says and insists: "...it is the duty of all auditors to be on the lookout for fraud."

Looking forward to your much-valued views, comments and inputs for the next edition of The Auditor General Journal, I wish you a good read.

Focus Mauki
Chief Editor

CAG CHARLES E. KICHERE TALKS TO MEDIA:

STRENGTHEN INVESTIGATIVE JOURNALISM TO ENSURE PUBLIC RESOURCES ARE EFFECTIVELY USED

By ***Sakina Mfinanga***

Investigative journalism is a form of journalism in which reporters deeply investigate a single topic of interest, such as serious crimes, political corruption, or a corporate's wrongdoing. An investigative journalist may spend months or years researching and preparing a report. As well as auditing, which deals with an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations.

Despite the fact that there is a slight difference on the FOCUS. Auditors typically follow the sacred annual audit plan, year after year, examining the same records, uncovering the same vanilla issues, and, often, writing very similar reports. Investigative journalists "deeply investigate a single topic of interest and focus on potential "crimes, corruption and wrongdoings."

Acknowledging this dedicated role played between the two professionals, the Controller and Auditor General (CAG), Mr. Charles E. Kichere, on recently called upon the media to strengthen investigative journalism to ensure public resources are utilised for the people's benefit.

The CAG made the call when he met members of the Tanzania Editors Forum at Julius Nyerere Convention Centre in Dar es Salaam. The meeting aimed at clarifying various issues relating to the office in general, the CAG, and the audit activities they carry out in the country.

Mr. Charles E. Kichere said information provided by several media outlets has been proven to be of great help to his office and even other accountability stakeholders, assisting in finding risk indicators in many areas of concern for the management of public resources in the country.

According to the CAG, there are few newspapers that focus on investigative journalism, which he attributed their growth to this notable and crucial practice, calling on other outlets to put more efforts in the area for the public good.

"Media is a very important stakeholder in good governance, accountability and transparency because your role is great for the community and the nation as a whole, thus it is crucial to put more focus on investigative journalism," Mr. Charles E. Kichere said.

During the meeting, the CAG explained that there are occasions when his office has been conducting special or forensic audits to ensure information received from the media is accurate. He acknowledged the role played by the media in offering such information: "The information you provide us is critical to our success, proving that the media is our vital stakeholder," he said.

Uniquely, reporters do the investigative journalism by holding powerful people, politicians, criminals, corporations, and governments accountable for their actions. By exposing corruption and malpractice, investigative journalism ensures nobody is above the law.

Notwithstanding this noble job, the CAG Charles E. Kichere commended the editors and journalists for using their pens to disseminate audit reports to the general public and other stakeholders. As a result of their collaboration, the CAG reports are becoming more widely known among the general public and other stakeholders.

Mr. Charles E. Kichere further called on journalists to also report on the CAG report on audit of information system: "Audit reports on information systems have received little media attention, but via them we have recommended on matters such as system integration to save operational expenses and unnecessary bureaucracy."

With regards to qualified and unqualified opinion Mr. Charles E. Kichere clarified that an unqualified opinion is considered a clean report which means that the auditors are satisfied with the company's financial reporting and believe the company's operations are in line with governance principles and applicable legislation.

He described that a qualified opinion issued by an auditor reports certain discrepancies in the financial statements prepared by the entity. These discrepancies are typically termed as qualifications.

The National Audit Office of Tanzania (NAOT) is the Supreme Audit Institution (SAI) of the Government of the United Republic of Tanzania (URT). Its mandate is enshrined under Article 143 of the URT Constitution of 1977 (Amended 2005). Public Audit in Tanzania has been emphasized under the Public Audit Act No. 11 of 2008 and Section 44(2) of the Public Procurement Act No. 21 of 2004 and Section 45 of the Local Government Finance Act No.9 of 1982 (as Amended).

The main function of NAOT stipulated under section 10 of the Public Audit Act no 11 of 2008 is to audit revenue and expenditures of all MDAs and other bodies which receive funds from the Consolidated Fund and donor funded projects. The Office is also responsible for carrying out other audits such as performance, forensic and environmental audits as well as pre-audit of payments of terminal benefits as stipulated under Part IV of the Public Audit Act No. 11 of 2008 and report there on to Parliament.

AUDIT OF EXTRACTIVE INDUSTRY

By ***Shamimu Mshana***

The extractive industry has significant contribution to the economy and future prospects, its input to GDP increased from 3.4% in 2015 to 5.2% in 2020.

Introduction

Natural resources have the potential for driving growth, development, and reducing poverty. Minerals and gas are among Tanzania's key natural resources which play a strong economic role. Despite its contribution, the extractive industry faces a number of challenges such as weak governance, lack of transparency and regulatory management and low revenue collection, among others. This article highlights the overview of the extractive industry in Tanzania, the essence of its audits, and how NAOT – the Supreme Audit Institution mandated to conduct public audits - is engaged in them; detailing initiatives taken, challenges faced and the way forward.

Extractive Industry Overview

Extractive industry is an aggregate industrial segment that extracts raw materials from the earth for consumption. It consists of any operation that sees the removal of natural resources, including minerals, gas, oil and aggregates, from the earth, processing and beneficiation of the same, and ultimately sale of the final products and by-products followed by rehabilitation of the extraction sites.

Extractive Industry cuts across Oil, Gas and Minerals sectors.

The first natural gas discovery was made in 1974 at Songosongo Island in Lindi Region followed by Mnazi Bay in Mtwara Region in 1982. The country has continued exploring gas reserves and as by February 2017, the discovered Gas Initially In Place (GIIP) was estimated at 57.54 Trillion Cubic Feet (TCF) of which 10.41 TCF are onshore and 47.13 TCF are offshore discoveries. Out of the discovered onshore reserves, 1.169 TCF have been proven with ongoing development activities.

In addition to its status as a gas-producing country, Tanzania is poised to become a transit country for oil from Uganda. Tanzania is also negotiating with prospective investors, namely Shell and ExxonMobil, on the construction of two-train onshore Liquefied Natural Gas (LNG) terminal at Likong'o Village in Lindi.

Tanzania is endowed with significant mineral resources, including coal, iron ore, gold, copper, diamond, and tanzanite. The country is the fourth largest gold producer in Africa with estimated reserve of about 45 million ounce and is the sole producer of tanzanite, let alone recent discoveries of nickel, helium, graphite, and uranium.

The mining sector legal framework has evolved over the years with significant changes, including increase of royalty rate to 6%, 1% clearing fees on exported minerals, and 16% state participation shareholding on free carrying basis which resulted into establishment of a joint venture company known as Twiga Minerals Corporation Limited.

The government has taken initiatives to encourage more value-added activities in the country, mainly targeting smelting and processing of minerals. As of 2020, two models of gold smelters were built at Lwamgasa and Katente. The government has also strengthened mineral control through construction of a 24.5km wall around the Mirerani tanzanite mine and established mineral markets and buying centres.

Extractive Industry Audit

The extractives industry is unique in many ways, it is shaped by high investment costs, long lead times, fluctuating costs and commodity prices, high technology involved in operation, multi-national business dealing and environmental impacts, to mention but a few. In addition, the country is required to balance the industry's inherent risk against the need for attracting inventors and for ensuring the government receives an appropriate share of revenues to build local capacity and to put in place sound environmental policies. Moreover, management of the revenues generated over short and long-term periods require planning, diligence and governance structures by the government.

The extractive industry has significant contribution to the economy and future prospects, its input to GDP increased from 3.4% in 2015 to 5.2% in 2020. Development Vision 2025 requires the mineral sector to increase its contribution to the GDP to 10%. For the case of oil and gas sub-sectors, 57,084.2 Million Cubic Feet (MCF) was produced and supplied for the year 2020 and a total of USD55.12 million

gas sales revenue was collected during the year. Supreme Audit Institutions (SAIs) form part of overall legal and constitutional systems within their respective countries and are accountable to parliaments and the public. In terms of their mandate, SAIs are required to give assurance on the information reported and to audit the systems, processes and actual collections of revenue arising from natural resources. Given its mandate, NAOT is required to conduct public audits in the industry to address a number of challenges facing it. For example, are we comfortable with revenue the government receives from natural resources? Is there a reliable information showing the natural resource reserves of the country? Does the government adequately fulfill its roles in managing and monitoring natural resources?

Extractive Industry Audit at NAOT

Extractive audit is a concept which focuses on accountability and governance of the industry to maximise efficiency in the production in a bid to realise economic benefits from it. Extractive audits are performed by a wide range of entities which play different roles in the industry.

NAOT has established an extractive industry audit unit under the Public Authorities Audit Division (PAD). The unit is designated to conduct extractive industry audits. It conducts specialised audits, including performance, compliance and thematic audits. The specialised audits are intended to broaden and strengthen the public sector auditing, given the economic significance and associated risks of the industry.

Moreover, the unit participates in the industry's auditee financial audits. Regular financial audits conducted do not provide holistic input in enhancing governance and accountability in the industry. In addressing the observed gap, extractive industry audit team participates in the audits.

Audit Process, Methodology and Documentation

The extractive industry audit process involves pre-planning, understanding the entity and business environment, performing audit field work, reporting and following up on recommendations. The extractive industry audit process and documentation adhere to audit methodology in use that is whether it is financial, compliance or performance audit.

Modus Operandi

The Extractive Industry (EI) audits are undertaken in two modalities:

(a) Independent (Stand-Alone) EI Audits

These are trigged by the existence of audit objectives which are not shared by other audit sections within NAOT. The audits are conducted independently or concurrent with the financial audits or other types of audits executed at the client and the audit observations and recommendations are shared to the client's management through a separate management letter.

(b) Joint EI Audits

These are conducted when there is a shared audit objective between the financial and EI audits. A shared audit objective could include completeness test on the reported revenue collection, taxation compliances, and completeness of reported receivables balance, among others. The audit execution is conducted jointly by the two teams and the audit observations and recommendations are included in the combined financial audit management letter which is shared to the client's management.

Initiatives

In the cause of implementation, the EI audit unit has accomplished the following:

i. Published independent compliance and performance audits in the industry;
ii. Developed a draft EI Audit Guideline;
iii. Completed phase II of developing EI Auditing Strategic Plan;
iv. Involved EI Auditors in EI auditee's financial audits (Joint EI Audits); and
v. Involved EI experts from the Performance Audit Division (Mining and Petroleum engineers) in EI auditing.

Challenges

The extractive industry unit has identified a number of challenges which need the management's attention as detailed herein below;

i. Extractive industry auditing is not explicitly mentioned in the Public Audit Act and Regulation;
ii. The extractive industry audit unit is not officially recognised in the approved organisation structure;
iii. Lack of competence framework in extractive industry audit;
iv. Auditee over-auditing and non-harmonisation of extractive industry audits with financial or other audits;
v. Inadequate capacity building on EI Audit;
vi. Lack of Audit Manual on EI Audit;
vii. Improper tracking mechanism for status of implementation of audit recommendations; and
viii. Inadequate awareness of EI auditing by the stakeholders and within the NAOT.

Way forward

i. Develop Extractive Industry Audit Strategic plan;
ii. Develop Extractive Industry Auditing Manual and Guideline;
iii. Deploy supporting stakeholders to improve capacity building;
iv. Conduct internal and external campaigns to increase extractive industry audit awareness;
v. Continue improving audit quality through:
    a. Harmonising extractive industry audits with financial ones;
    b. Increasing compliance with Financial Audit Manual (FAM) and Compliance Audit Manual (CAM);
    c. Increasing number of signed extractive industry audit reports; and
    d. Increasing use of extractive industry experts during audits.

TANZANIA, UGANDA
FORGE CAPACITY BUILDING TIES

By ***Sakina Mfinanga***

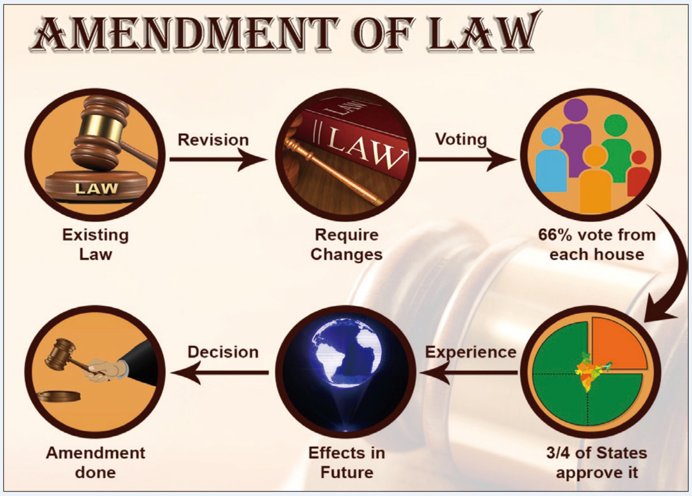
Members of Parliament (MPs) from Uganda made a courtesy call to the National Audit Office (NAOT) Headquarters in Dodoma early in February this year. The law-makers were accompanied by representatives from the Uganda NAOT. During the visit Mr. Charles E. Kichere thanked the Uganda MPs for sparing their time to learn various activities his office undertakes.

They learnt various laws auditors apply in Tanzania, NAOT responsibilities, history of the office as well as types of audits NAOT carries out.

The Ugandan MPs and Uganda staff visited Parliament of the United Republic of Tanzania (URT) on February 9, 2022, where they met parliamentary committees on Local Authorities Accounts, Public Accounts, Budget and the Standing Parliamentary Committee. They also met the URT Parliament Speaker, Dr. Tulia Ackson, to compare notes on how the committees discharge their duties. The delegation toured the University of Dodoma where it visited various faculties, including of Education, asking the university Communication officer various questions. Among other things, they were informed that the university receives students from other African countries and outside the continent.

LEGISLATIVE UPDATES: WHAT RECENT AMENDMENTS OF THE PUBLIC AUDIT ACT MEANS TO AUDITORS, OTHER STAKEHOLDERS

By ***Advocate Frank Eliud Sina***
Senior Attorney



I. Background

The current principal Public Audit law was enacted in 2008. The Public Audit Act No. 11, 2008, (now Chapter 418 of Laws of Tanzania) was enacted following years of collaborative work and consultations among NAOT, Government, and Parliament. The Act guides the office on how to conduct audits. The provisions of this Act are further articulated in the Public Audit Regulations issued through Government Proclamation No. 47 dated March 6, 2009. These legislations form part of the existing legislative framework governing public sector audit in Tanzania.

The provision of the laws is hailed to a large extent for complying with the desired legal framework for a SAI set up in light of stipulations of various proclamations the International Organisation of Supreme Audit Institutions (INTOSAI) issued. The legislations are consistent with principles of independence of a SAI in public sector audits as contained in three key International Standards of Supreme Audit Institutions (ISSAI): (1) ISSAI 1: The Lima Declaration; (2) ISSAI 10: The Mexico Declaration on SAI Independence; and (3) ISSAI 11: Guidelines and Good Practices Related to SAI Independence. The legislations reflect the spirit of the proclamations which require the SAIs to undertake their task objectively and effectively by being independent of the audited entity through a legal framework that projects the SAI and its members from outside influence.

Since its enactment in 2008, the Public Audit Act has undergone four amendments. In 2010, the Act was amended in section 27 to pave way for better provisions regarding the conduct of forensic audits and communication with law enforcement organs.[1] In 2013, the Act was amended to pave way for co-current submission of the Controller and Auditor General's (CAG) report together with consolidated responses on the CAG findings and recommendations and action plan of remedial actions to be undertaken by the Accounting Officers.[2]

1 Part IX of the Finance Act, No. 15 of 2010.
2 Part VI of the Written Laws (Miscellaneous Amendments) Act, 2013

The Act was further amended in 2015 to comply with changes in the Budget Act, which substituted the Parliamentary Accounts Committee with the Budget Committee in the consultative meeting for deliberations of budgets of the National Audit Office.[3]

Recently, the Act has been amended in sections 3 and 38 by the Finance Act No. 3 of 2021.[4] It is the purpose of this brief to discuss the implication of the amendment to the office and among its shareholders.

II. The Gist of the Amendments and their Implications

(a) Section 3

Section 3 of the Public Audit Act contained a definition of the "public authority" to mean a body of persons, whether or not corporate, established by or under any written laws, other than the Companies Act, whose functions are public and are exercised in furtherance of the public policy determined by the Government. This definition was further clarified under section 30(3) which states:

> *"(3) The public authority or body shall include any authority or bodies: (a) Established by a written law or another instrument which is in receipt of a contribution from or the operations of which may, under the law or instrument relating thereto, impose or create a liability upon public funds; and (b) In which the Government has invested its monies; (c) Executing a government project in respect of which a foreign government or institution or an international organisation provides, any money, goods or services, whether or not it is specifically provided in relevant agreement for the project that the accounts of the public authority or body are subject to audit by the Controller and Auditor- General; (d) Whose accounts are, by or under a written law, required to be audited or are open to inspection, by the Controller and Auditor-General; (e) In which the Government is the majority shareholder; and (f) Which has, in any of its financial years, received more than half of its income from public funds."*

The wording of the law in the definition meant that all legal entities incorporated under the Companies Act, regardless of the fact that the government might have been the majority shareholder, could not be audited by the CAG. Perhaps by then it was the spirit of its framers that such entities "be run hands off, eyes on".

That the affairs of such entities, particularly companies that were incorporated under the Companies Act, including their audits, be under principles of good governance where the Companies Auditor is appointed by the Board of the Directors who are there to oversee interests of the shareholders, including the Treasury Registrar, on behalf of the Government. As a result of this provision, the Controller and Auditor-General were "not legally" mandated to conduct statutory audits on the affairs of such companies. Nevertheless, the boards of such companies (approximately 20 plus, see Annex I) appointed the CAG to carry out Audits and meet costs for such audits.

This trend and several recommendations by the CAG necessitated amendments to this section. Although contested by some stakeholders, the definition of the "public authority" was finally amended by the Finance Act No. 3 of 2021. The new section now states:

> "Public authority" or "body" *means a body of persons, whether or not corporate, established under any written laws, whose functions are public and are exercised in furtherance of the public policy, and shall include authority or bodies: (a) which is in receipt of a contribution from, or the operations of which may, under the law or instrument relating thereto, impose or create liability upon, public funds; (b) Where the government is a majority shareholder; (c) Which is implementing a government project financed by a foreign government, institution, or international organisation; and where the underlying documents prescribed the Controller and Auditor General to have mandate; (d) Whose accounts are, by or under any written law, required to be audited or are open to inspection by the Controller and Auditor General; and (e) Which has, in any of its financial year, received more than half of its income from public funds.*

This amendment is to the effect that the Controller and Auditor General is mandated and has an express obligation to undertake various types of audits to such entities. These include financial compliance, performance audits, special

3 Section 72-73 of the Budget Act. No 11 of 2015

4 Part XIV of the Finance Act, No. 3 of 2021

audits, forensic audit and any other type of audit as the CAG deems fit.[5]

(b) Section 38

The Public Audit Act was amended in 2013 (section 38-40) through the Written Laws (Miscellaneous Amendments) No. 1 of 2013. Following these amendments, the law now required co-current submission of the CAG Report and that of the Paymaster General on consolidated responses and action plan of the intended remedial actions to the National Assembly.

However, in practice, this has proved to be difficult due to limited time that the government has to prepare consolidated responses and action plan of the intended remedial actions. In practice, the report is submitted to the president (Head of Executive) by March 30, each year, and then submitted to Parliament by mid-April each year (which is the next sitting of Parliament following submission of the report to the National Assembly). This arrangement gave the government (through Paymaster General) hardly 14 days to prepare consolidated responses and action plan of the intended remedial actions to be submitted to the National Assembly.

The actual implementation of the Act proved to be extremely difficult and the government seldomly succeeded in submitting the consolidated responses and action plan of the intended remedial actions co-currently with the report of the Controller and Auditor General to the National Assembly. The challenges together with the fact that even the submitted responses were never verified objectively by the CAG, necessitated changes.

Similar to the amendments of section 3, the process was not cordial. Some opponents opposed the same on the argument that it came so much leverage and publicity to the CAG report, purportedly harming the political reputation of the government. It also did not take into consideration recommendable actions undertaken by the government and its plan to implement the recommendations made. Notwithstanding the observations, section 38 was amended and it now states:

> *"The report of the Minister referred to in subsection(2)(b)(i) shall be laid before the National Assembly in its next sitting following submission of the report of the Controller and Auditor-General"*

The amendment is to the effect that the CAG will continue submitting his Annual General reports to the President (Head of Executive) by March 30, each year.

The President will then instruct the appropriate minister to lay the said report before Parliament's next sitting following submission of the report to the National Assembly (which is by mid-April each year). The Paymaster General will consolidate responses and action plan of the intended remedial actions and then the minister will lay consolidated responses and action plan of the intended remedial actions before the National Assembly in its next sitting following submission of the report of the Controller and Auditor General.

The CAG Annual Reports and the minister's consolidated responses and action plan of the intended remedial actions will be subjected to discussions and hearing, the parliamentary oversight committees shall prepare and submit to the National Assembly a report which may include comments and recommendations.[6]

The reports made by parliamentary oversight committees based on the CAG annual reports and the minister's report on consolidated responses and action plan of the intended remedial actions will then be discussed by the National Assembly.

Concluding Remarks

Legislative instruments evolve to reflect the prevailing circumstances and the needs of society. Similarly, the Public Audit Act has been changed several times to accommodate the practical needs and prevailing circumstances of times. While the public audit laws are generally in compliance with stipulations of various proclamations issued by the International Organisation of Supreme Audit Institutions, the same evolve, and in the future, further amendments may follow.

5 Section 26- 29 of the of Public Audit Act, 2008. Under section 11 of the Act the CAG performs these functions on behalf of the National Assembly.

6 Section 38

ANNEX I

LIST OF ENTITIES INCORPORATED UNDER THE COMPANIES ACT TO WHICH THE GOVERNMENT (INCLUDING GOVERNMENT ENTITIES AND SUBSIDIARIES) IS THE MAJORITY SHARE HOLDER

No.	Entity
1.	TIB Development
2.	RASILIMALI
3.	Mkulazi Holding Company Ltd
4.	Kilimanjaro Leather International Company Ltd (Karanga)
5.	Watumishi Housing Company (WHC)
6.	Tanzania Agriculture Development Bank Ltd
7.	STAMIGOLD Company Ltd
8.	Tanzania Postal Bank (TPB)
9.	(UTT) Microfinance PLC (MFI)/SELF MFI
10.	NHC/PPF IPS Building
11.	Ubungo Plaza Company Ltd (UPL)
12.	UTT- Asset Management and Investor Services (UTT-AMIS)/PID
13.	Tanzania Electric Supply Company (TANESCO) Limited together with its three subsidiaries, namely Tanzania Concrete Poles Manufacturing Company (TCPM) Limited; Tanzania Geothermal Development Company (TGDC) Limited and Electric Transmission and Distribution and Maintenance Company (ETDCO) Limited;
14.	Kilimanjaro Airport Development Company (KADCO)
15.	Air Tanzania Company Limited (ATCL)
16.	Tanzania Mercantile Exchange (TMX) PLC
17.	MISTECO (MIST Engineering Contractors Limited under Mbeya University of Science and Technology
18.	Dar Es Salaam University Press Ltd (Under University of Dar Es Salaam)
19.	University of Dar Es Salaam Computing Centre Ltd (Under University of Dar Es Salaam)
20.	ARU Built Environment Consulting Company (ABECC) Limited (Under Ardhi University
21.	Kikuletwa Hydropower Plc. (under Arusha Technical College (ATC). Shareholders are Tanzania Atomic Energy Commission and ATC)

IMPORTANCE OF EMOTIONAL INTELLIGENCE ON WORK PERFORMANCE

By ***Grace Lesilwa***

Before we discuss how important Emotional Intelligence is at workplaces, let us know the meanings of some key words we will use.

What the term emotion means
The Oxford Dictionary defines the word Emotion as a natural state and a strong feeling deriving from one's circumstances, mood, or relationships with others. It is an instinctive or intuitive feeling; as distinguished from reasoning or knowledge of something.

The word is originated from mid-16th century from a French word emovuvoir meaning excite, and also from Latin word emovere meaning to move.

What Emotional Intelligence is
Emotional intelligence is one's ability to identify and manage own emotions, as well as the emotions of others. It is generally the ability of a person to be emotionally aware and able to identify and name one's own emotions, the ability to harness those emotions and apply them to tasks like thinking and problem solving, and the ability to manage emotions. It is simply the ability of a person to understand, use, and manage own emotions in positive ways to relieve stress, communicate effectively, empathize with others, overcome challenges and defuse conflict. It is sometimes referred to as Emotional Quotient (EQ).

The Oxford Dictionary of Psychology further defines Emotional Intelligence as the ability to discriminate between different emotions and label them appropriately, and to use emotional information to guide thinking and behaviour. In short, emotional intelligence involves both regulating one's own emotions when necessary and helping others to do the same.

In the past, emotions and intelligence were often viewed as being in opposition to one another. In recent decades, however, researchers exploring emotion psychology have become increasingly interested in cognition and affect.

EI components
EI has five components explained as follows:

Self-perception
This refers to one's ability to recognise own circumstances, feelings, and moods. Some of the key questions to give a clue on this component are: How much do we value ourselves? How much do we like ourselves? Self-perception can also be regarded as Self-regard. It deals with how we express our emotions to other people. Do we understand

effects our emotions have on ourselves? For example, if I am angry, can I detect that I am mad? Can I determine how anger is affecting my actions and behaviour? How am I expressing my anger toward other people? I might be getting grey in the face, and I might be raising the volume of my voice. But, because I do not recognise my anger, I may not see how my anger affects other people. This is called emotion blindness. We do not recognise our emotions or the emotions in others. Thus, we may say and do things we do not mean to do and so affecting our work performance

Self-expression

Involves a person's ability to express own emotions to other people. Self-regard affects how we express our emotions to other people. It is a self-actualisation. It has to answer questions like: How much do I know of myself? How much do I know about my strengths and weaknesses? How do I evidence myself to other people? Sometimes, we may positively express our emotions, which builds collaboration and cohesion in a group and thus at work. Or we might express our emotions in destructive and harmful ways. It involves emotional expression which is: How confident do we feel in openly expressing our feelings? And the other part is assertiveness which is: How do you feel like you can take charge of a situation and be independent like feeling you have enough autonomy to act?

Interpersonal

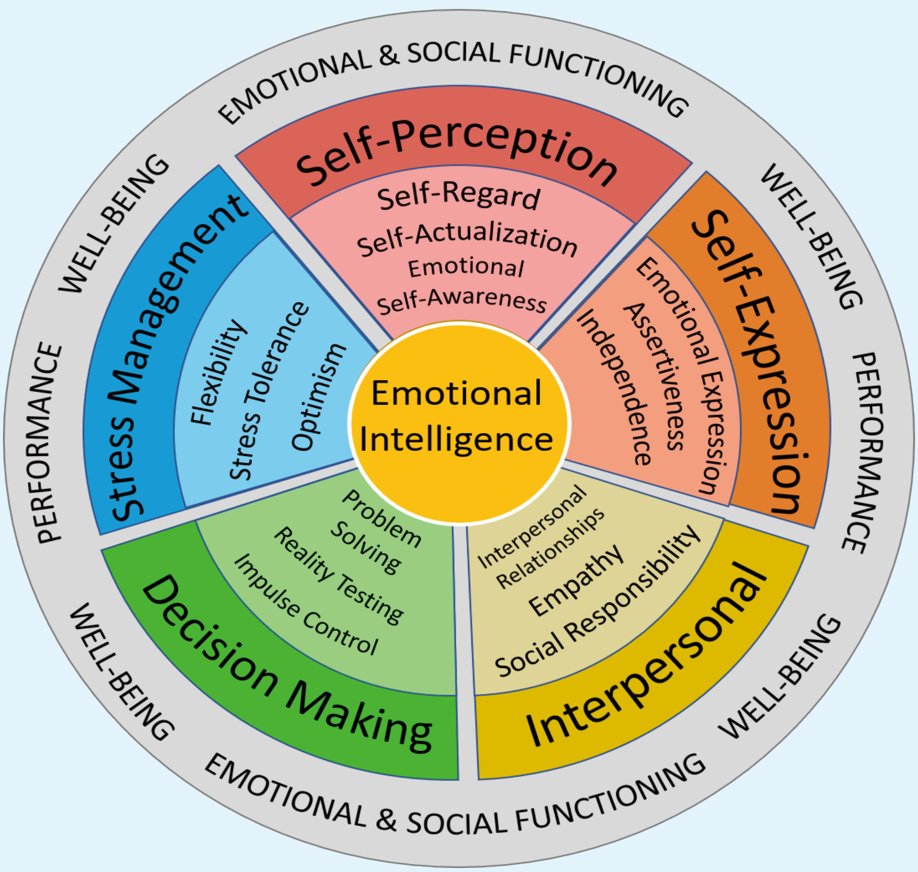
This takes care of how we deal with other people and their emotions.

Decision making

This is the part of one's ability to solve problems, tests realities and controls impulses.

Stress management

This is the part that deals with a persons' ability to be flexible, tolerant and optimistic without being affected with emotions. The diagram below depicts all the elements and its composure in people's ability:



When it comes to happiness and success in life, EQ matters just as much as Intelligence Quotient (IQ).

How important EQ is in work performance
Daniel Goleman, in his book "Emotional Intelligence: Why It Can Matter More Than IQ argues that emotional intelligence is critical for predicting success in life and that it plays a particularly important role at the workplace. He goes further explaining incidences such as plane crashes which would have been avoided at a probability of 80 per cent if pilots and crew worked together harmoniously. All this has to do with emotional intelligence and how aware one is on his/her own emotional state, how one can conduct and how they position themselves in teams at workplaces.

Effects of emotional intelligence can go unnoticed, or rather ignored but it manifests in decreased productivity, an increase in missed deadlines, and mistakes and mishaps which largely trigger an exodus of employees in an organisation.

According to Goleman, when low level of emotional intelligence on the job is rampant, organisations can crash and burn.

Psychology researches have suggested that emotional intelligence influences how well employees interact with their colleagues, and EQ is also thought to play a role in how workers manage stress and conflict. It also affects overall performance on the job. Other studies have linked emotional intelligence with job satisfaction.

Studies have shown that employees with higher scores on measures of EQ also tend to be rated higher on measures of interpersonal functioning, leadership abilities, and stress management. Goleman suggests that while traditional intelligence was associated with leadership success, it alone is not enough. People who are successful at work are not just smart—they also have a high EQ.

Why emotional intelligence is such a valued workplace skill
Emotional intelligence is widely recognised as a valuable skill that helps to improve communication, management, problem-solving, and relationships within the workplace. It is also a skill that researchers believe can be improved with training and practice.

As we explore this, let us have a look at two aspects of people with high EQ and of the people with low EQ: First we start with people with High EQ:

- They make better decisions and solve problems,
- Keep cool under pressure,
- Resolve conflicts,
- Have greater empathy, and
- Listen, reflect, and respond to constructive criticism.

On the other hand, people with low EQ:
- Play the role of the victim or avoid taking responsibility for errors,
- Have passive or aggressive communication styles,
- Refuse to work as a team, and
- Are overly critical of others or dismiss others' opinions.

What one can do to improve his/her emotional intelligence
While emotional skills may come naturally to some people, there are things that anyone can do to help improve their ability to understand and reason with emotions. This can be particularly helpful at workplace where relationships and business decisions often rely on interpersonal understanding, teamwork, and communication. Do not forget though, factors such as upbringing (Malezi na Makuzi ya mtu) and one's personality tend to play a large role in the development of emotional intelligence, but it is a skill that can be improved with effort and practice. Trainings in EQ help physical and mental well-being, better social relationships, and lowering the stress hormones level (Recall where we started, at the five categories of EQ i.e. self-awareness, self-regulation, social skills, empathy, and motivation).

One can do the following to improve his/her emotional intelligence and work place performance:

1. Become More Self-Aware
One of the first steps toward utilising emotional intelligence skills at a workplace is to practice recognising your own emotions. Self-awareness involves being aware of different aspects of yourself, including your emotions and feelings. In order to recognise your emotions and understand what is causing these feelings, you need to first be self-aware.

- Pay attention to how you are feeling. How do these emotions influence how you respond? Do the things you are feeling have an impact on the decisions you make or how you interact with others? As you reflect on these questions, you may find that you become much more aware of your own emotions and the role that they play in your daily life.

- Take stock of emotional strengths and weaknesses. How well do you communicate with others? Do you find yourself experiencing impatience, anger, or annoyance often? What are some ways you can deal with these feelings effectively? Recognising weaknesses allows you to look for ways to deal with them.
- Remember that emotions are fleeting. A co-worker might irritate you or your boss might give you a frustrating task to complete. Before you react, remember that these things are temporary. Making rash decisions based on intense emotions can be detrimental to your long-term goals and success.

2. Practice Self-Regulation

Goleman identified self-regulation as a critical part of emotional intelligence. Being aware of your emotions is an important first step, but you also need to be able to manage your feelings. People who possess good self-regulation are able to adapt well to changing situations. They don't bottle things up; they wait for appropriate ways to express their emotions rather than reacting impulsively. To improve your self-regulation skills at a workplace:

- Find techniques to release workplace stress. Having hobbies outside of work is a great place to start. Physical exercise is also a healthy way to release stress.
- Keep your cool. Accept the fact that you cannot control everything. Look for helpful ways to respond to that do not add fuel to the fire.
- Think before making decisions. Emotions can overwhelm you in the heat of the moment. You can make a calmer, more rational choice if you give yourself time to consider all of the possibilities.

3. Improve Social Skills

Research on emotion psychology suggests that people with high EQ also have strong social skills. Because they are adept at recognising other people's emotions, they are able to respond appropriately to the situation.

Social skills are also highly valued at workplaces because they lead to better communication and a more positive company culture.

Employees and leaders with great social skills are able to build rapport with colleagues and communicate their ideas effectively. People with good social skills are not only great team players, but they are also able to take on leadership roles when needed. To boost your social skills:

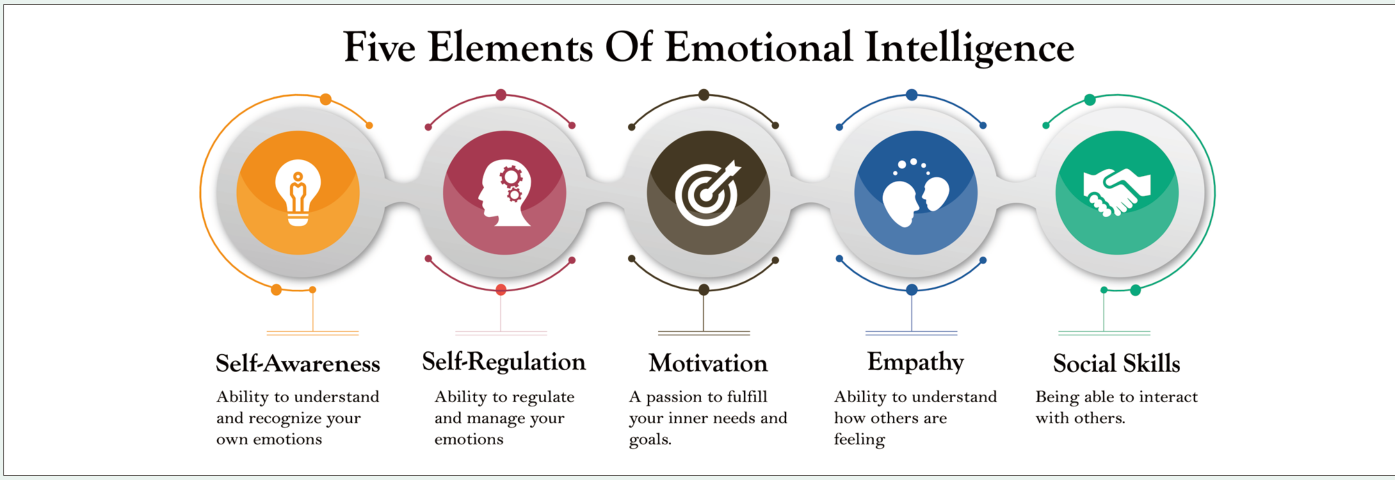
- Listen to what others have to say. This doesn't mean just passively listening to other people talk. Active listening involves showing attention, asking questions, and providing feedback. Whether you are a manager or a team member, active listening can show that you are passionate about work projects and willing to work with others to help the group reach its goals.
- Pay attention to nonverbal communication. The signals that people send through their body language can convey a lot about what they really think.
- Hone your persuasion skills. Being able to carry influence at a workplace and convince team members and supervisors to listen to your ideas can go a long way in advancing your career.
- Avoid office drama. Do your best to stay out of the petty office politics that sometimes takes over the workplace, but be aware that conflicts are not always avoidable. Focus on listening to what others have to say and look for ways to solve problems and minimise tensions.

4. Become More Empathetic

Emotionally intelligent people are good at stepping into another person's shoes and understanding how they feel. Empathy is more than just recognising how others are feeling. It also involves how you respond to these emotions.

At a workplace, empathy allows you to understand different dynamics between colleagues and supervisors. It also allows you to recognise who holds power and how it influences the behaviours, feelings, and interactions that flow from such relationships.

- See things from the other person's point of view. It can be challenging at times, especially if you feel like the other person is wrong. But rather than let disagreements build up into major conflicts, spend time looking at the situation from another's perspective. It can be a great first step toward finding a middle ground between two opposing points of view.
- Pay attention to how you respond to others. Do you let them have a chance to share their ideas? Do you



acknowledge their input, even if you disagree? Letting others know that their efforts have merit often helps everyone feel more willing to compromise.

5. Work on Your Motivation

Another key component of emotional intelligence is intrinsic motivation. People who have strong EQ tend to be more motivated to achieve goals for their own sake. Rather than seeking external rewards, they want to do things because they find them fulfilling and they are passionate about what they do.

Money, status, and acclaim are great, but people who are highly successful at a workplace are usually motivated by something more than that. They are passionate about what they do. They have a commitment to their work, they love taking on new challenges, and their enthusiasm can seem contagious. They do not give up in the face of obstacles and they are able to inspire others to work hard and persist in order to achieve goals.

- Focus on what you love about your work. There are probably things about your job that you love and things that you hate. Try focusing on the aspects of your job that you enjoy such as the feeling of accomplishment you get when you complete a big project, or helping your clients' progress toward their own goals. Identify those components of your job and take inspiration from them.
- Try to maintain a positive attitude. Notice how optimistic people at a workplace tend to inspire and motivate others. Adopting this kind of attitude, it can help you feel more positively about your work.

The key point here to note is that emotional intelligence is not just for Chief Executive Officers and senior managers rather it is a quality that is important at every level of a person's career, from college students looking for internships to seasoned employees hoping to take on a leadership role. If you want to succeed at workplace and move up the career ladder, emotional intelligence is critical to your success.

In conclusion, emotions play a significant role in how we make good decisions and handle stress on the job. You want to succeed at workplace, watch how moody you are.

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Audit vs Fraud Examination:
What's the Real Difference?

By **Doug Carmichael-The CPA Journal**

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In Brief
Contrary to what many think, the typical audits of financial statements do entail certain responsibility for the detection of fraud. The author examines the differences between the conventional audit and the fraud audit, addressing some common misapprehensions and emphasizing some similarities. In his opinion, it is the duty of all auditors to be on the lookout for fraud.

When an auditor has failed to detect a massive mis-statement of financial statements caused by fraud, the defensive refrain is often that "an audit of financial statements is not a fraud audit." In this author's view, this comparison improperly implies that an auditor of financial statements has no responsibility to detect fraud and erodes the public's confidence in the quality and usefulness of independent audits. It can also mislead those evaluating the auditor's conduct after a major undetected fraud, such as boards of directors and audit committees considering reappointment, judges and juries deciding liability, and even audit firms themselves evaluating their own culpability and determining whether firm policies and procedures ought to be revised.

There is even greater significance for the integrity of the audit process; if the audit team's view is that detecting fraud is not really an auditor's job, then compliance with the requirements of auditing standards on fraud detection may become a rote exercise and not a focus of the audit. The purpose of this article is to clarify the true differences between an audit of financial statements and a fraud audit, and to dispel some of the myths that surround comparisons of them. This article is not an attempt to fully explain or even summarise all aspects of fraud examinations and audits; rather, the focus is to explain how the responsibility to detect fraud differs between the two services.

The Auditor of Financial Statements Has a Fraud Detection Responsibility
It is indisputable that an auditor of financial statements has a fraud detection responsibility. Auditing Standard (AS) 1001, Responsibilities and Functions of the Independent Auditor, clearly states that "the auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, the auditor is able to obtain reasonable, but not absolute, assurance that material misstatements are detected." A fair reading of this conceptual description of responsibility is that the auditor is required to obtain reasonable assurance that frauds which materially misstate the financial statements are detected. In other words, it is clearly a responsibility related to detection.

The auditing standards describe reasonable assurance as a "high level of assurance" that is obtained when the auditor has obtained sufficient appropriate evidence to reduce the risk that financial statements are materially misstated to an "appropriately low level" (AS 1015.10 and 1101.2). In other words, there should be an appropriately low level of risk that a fraud which materially mis-states the financial statements will not be detected.

Some auditors maintain that they have no responsibility to detect fraud. It is true that the auditor is not responsible for detection of all fraud; for the auditor to have any detection responsibility, the fraud must misstate the financial statements, and the misstatement must be material. The only other relevant stipulation is that the level of assurance of detection is not absolute, and the auditor is not necessarily at fault just because the audit failed to detect a material misstatement. No professional, however, provides a guarantee of success in providing a professional service, including the service that is sometimes mistakenly called a "fraud audit."

The two organisations that establish auditing standards in the United States—the PCAOB and the AICPA—have highlighted the importance of the auditor's fraud detection responsibility. The PCAOB, for example, has stated that "the auditor's responsibility with respect to detection of a material misstatement caused by fraud is an important focus of the Board ... the auditor should ... assess risks and apply procedures directed specifically to the detection of a material, fraudulent misstatement of financial statements ... the detection of a material misstatement in the financial statements caused by fraud is an essential element of an audit" (PCAOB Release 2007-001, Observations on Auditors' Implementation of PCAOB Standards Relating to Auditor's Responsibilities With Respect to Fraud, Jan. 22, 2007, http://bit.ly/2CX6DeE). The AICPA's Board of Directors has also stated that "the public looks to the independent auditor to detect fraud, and it is the auditor's responsibility to do so" (Meeting the Financial Reporting Needs of the Future: A Public Commitment from the Public Accounting Profession, June 1993).

Key Differences between Auditors and Fraud Examiners

The "fraud audit" is not a defined term or defined professional service; what is likely meant by this term is a fraud investigation or examination. The Association of Certified Fraud Examiners (ACFE) explains that the term "fraud examination" "refers to a process of resolving allegations of fraud from inception to disposition, and it is the primary function of the anti-fraud professional" (2017 Fraud Examiners Manual). Earlier (pre-2014) editions of the manual contained an oft-cited chart comparing an audit of financial statements to a fraud examination. That chart compared auditing versus fraud examination on the basis of timing, scope, objective, relationship, methodology, and presumption. This comparison's primary shortcoming was its failure to probe how the two services differ with respect to responsibility for fraud detection or acknowledge the auditor's own detection responsibilities. For example, the objective of an audit was described as "expressing an opinion on financial statements or related information," while a fraud examination's goal was "to determine whether fraud has/is occurring and to determine who is responsible."

These descriptions are accurate as far as they go, but omit that auditing has the objective of detecting material misstatement of the financial statements caused by fraud. Because both services involve some level of responsibility for fraud detection, a meaningful comparison must differentiate the services within that area of overlap.

No professional provides a guarantee of success in providing a professional service, including the service that is sometimes mistakenly called a "fraud audit."

It is not that the fraud examiner and auditor perform similar services, or have equivalent responsibility for fraud detection; the services are distinctly different, and are planned and performed to accomplish unique purposes. Rather, both have a responsibility to detect fraud, and the differences in the nature of that responsibility do not provide an excuse for an auditor's failure to obtain reasonable assurance of detecting a material misstatement due to fraud.

Predication

The Fraud Examiners Manual advises that "fraud examiners should begin a fraud examination only when there are circumstances that suggest a fraud has occurred, is occurring, or will occur, and they should not investigate beyond the available predication." In other words, a fraud examination is undertaken when a fraud is known, alleged, or suspected.

An audit of financial statements is undertaken with a different mindset; suspicion of fraud is not necessary. The audit team is required to identify how and where the financial statements may be susceptible to material misstatement due to fraud, and the auditor is directed to "conduct the engagement with a mindset that recognises the possibility that a material misstatement due to fraud could be present regardless of any past experience with the entity" (AS 2401.13–.18). The notion that the auditor was not required to perform procedures directed at detection of fraud unless circumstances aroused the auditor's suspicions that fraud was occurring was articulated in auditing standards in 1960, was reversed to an extent in 1977, and consigned to the dustbin of history in 1988.

The conceptual description of the level of fraud detection responsibility has not changed since then, but the performance requirements directed specifically at detection of fraud have increased. For example, many of the required procedures in current auditing standards are forensic in nature and similar to those used by fraud examiners: “Such procedures involve the performance of substantive tests of the application of methods and techniques that presume dishonesty at various levels of management, including override of controls, falsification of documents and collusion” (Forensic Services, Audits, and Corporate Governance: Bridging the Gap, AICPA Discussion Memorandum, July 15, 2004, http://bit.ly/2EC3JwB).

Objective

The basic goal for most fraud examinations is to determine whether fraud occurred, and if so, who perpetrated it. A particular engagement may, however, have additional goals, such as to establish and secure evidence to be used in a criminal or other disciplinary action or to provide proof to recover losses from an insurer (2017 Fraud Examiners Manual). The objective in an audit of financial statements is to determine whether they are free of material misstatement, regardless of whether that misstatement is intentional or not; in other words, a fraud examiner’s priority is proving the nature and extent of a particular fraud, but an auditor’s focus is on detecting material misstatements. Implicit in this difference are several other naturally resulting differences related to scope, methodology and professional standards, and the relationship to stakeholders.

Scope

An auditor’s scope is the complete set of financial statements presented, but a fraud examiner’s is established by the specific allegations of fraud, targeted to specific accounts implicated by the predication, and has the objective of resolving the allegations by obtaining evidence that proves or disproves fraudulent activity. The boundaries or extent of a fraud examiner’s investigation may be limited to a specific subject matter, department, or geographic area at issue (2017 Fraud Examiners Manual).

An auditor’s selection of significant accounts to examine is based on the assessment of the risks of material misstatement caused by either fraudulent activity or unintentional misstatement. Accordingly, an auditor’s work is significantly affected by the concept of materiality, but a fraud examiner’s scope is not so constrained. In addition, in areas of the financial statements that are judged to be less susceptible to material misstatement due to fraud, an auditor is more likely to select a representative sample to reach audit conclusions.

Methodology and applicable professional standards

The auditor of a public company’s financial statements is required to adhere to all applicable PCAOB standards, and may be subject to a PCAOB disciplinary proceeding for failure to meet those standards, as well as actions by other regulators or private parties (PCAOB Rule 3100 and PCAOB Release 2003-009). For all other entities, the applicable auditing standards are those issued by the AICPA. Because audit reports on financial statements of nonpublic entities typically represent that the auditor complied with AICPA auditing standards, alleged violations of those standards may be subject to disciplinary actions by the AICPA, state boards of accountancy, other relevant regulators, and private litigation.

The ACFE has issued a Code of Professional Ethics for fraud examiners and a Code of Professional Standards, but fraud examiners need not represent conformity with these standards in their reports, nor is the issuance of a written report mandatory (2017 Fraud Examiners Manual). Members of the AICPA who provide fraud examination services are also expected to adhere to relevant rules of the AICPA Code of Professional Conduct and the consulting standards, but these guidelines lack the specificity and detail of auditing standards.

The distinction between an audit and a fraud examination is sometimes presented in engagement letters in a misleading manner.

A significant aspect of the role of professional standards with respect to fraud detection responsibilities is that an auditor cannot contract away responsibility to adhere to the auditing standards. When an auditor represents that the audit has been performed in conformity with auditing standards, no provision in an engagement letter can alleviate the duties imposed by the standards. In contrast, a fraud examiner can reach an understanding with the client (or employer) about the scope and limitations of the fraud examination that limits the area at issue and establishes the boundaries or extent of the investigation (2017 Fraud Examiners Manual). The distinction between an audit and a fraud examination is sometimes presented in engagement letters in a misleading manner. Audit engagement letters typically state that there is some risk that an audit in accordance with auditing standards may not detect a material misstatement caused by error or fraud. This is accurate because, as alluded to earlier, an auditor does not obtain absolute assurance. Sometimes, however, this statement is followed by a statement that if the client wants assurance of fraud detection, additional fraud services can be provided. This second statement is misleading because it implies an audit does not provide any assurance of detection of material misstatements caused by fraud. It is also misleading concerning the nature of a fraud examination engagement, because it incorrectly implies that a fraud examination is an all-purpose search for any and all fraudulent activity. Furthermore, a fraud examination is not a guaranty that provides assurance that fraud will be detected. The ACFE, for example, recommends that a fraud examination engagement letter state, "We cannot provide assurances that fraud, if it exists, will be uncovered as a result of our examination" (2017 Fraud Examiners Manual).

Relationship to stakeholders

An auditor of financial statements has a unique relationship with a wide group of stakeholders. The SEC has stated that the federal securities laws make independent auditors to serve as "gatekeepers" to the public securities markets and has endorsed the Supreme Court's formulation that the independent auditor assumes a public responsibility and owes "ultimate allegiance" to the investing public (SEC Release 33-7870, November 2001).

CPAs have generally viewed the Supreme Court's characterisation of the independent audit as involving a public responsibility as applicable to audits of both public companies and of other entities (see, e.g., Advisory Panel on Auditor Independence, "Strengthening the Professionalism of the Independent Auditor," AICPA, 1994). The AICPA Code of Conduct expects CPAs to "serve the public interest" and "honour the public trust," and the AICPA's auditing standards acknowledge that the purpose of an audit of financial statements is to provide users with an opinion that "enhances the degree of confidence that users can place in the financial statements" (AUC-200.04). Fraud examiners have a different relationship to stakeholders; they are engaged by the defrauded organisation, and that organisation sets the extent of the investigation. The fraud examiner reports the results of the investigation to those designated by the contract with the client; the examiner's report may be oral or written, and is tailored to the needs of the party requesting the report. Fraud examiners' reports submitted in judicial or administrative proceedings may be used by parties outside of the client, such as attorneys, defendants, plaintiffs, witnesses, juries, judges, or the media. Thus, fraud examiners do have public interest responsibilities when their reports are used by parties other than the client. Nevertheless, the large variety of users of audited financial statements who depend upon those statements for economic decision making significantly distinguishes fraud examinations from audits.

Other Differences

There are several matters that are often cited as important differences between fraud examinations and audits that are matters of degree only, and not fundamental distinctions.

Techniques

The differences between audit techniques and fraud examination techniques are not nearly as great as commonly stated or assumed. The auditing standards regarding confirmation of receivables and observation of inventories were initially adopted in response to a major undetected collusive fraud (Statement on Auditing Procedure 1, *"Extensions of Auditing Procedure," 1939, http://bit.ly/2DIdSbR)*. The current auditing standard on auditors' responsibility for detection of fraud has many required procedures directed specifically at fraud detection, including brainstorming possible ways the auditor can be deceived in order to plan an appropriate response and performing procedures intended to detect the occurrence of management override and revenue-related fraud.

Forensic Procedures Recommended in Auditing Standards

- Obtaining evidential matter from independent sources outside the entity such as public record information (AS 2401.52 and AU-C 240.A76).
- Contacting outside sources, such as major customers and suppliers, orally in addition to sending written confirmations (AS 2401.53 and AU-C 240.A76).
- Performing procedures, such as observing inventories or counting cash on a surprise or unannounced basis or at unexpected locations (AS 2401.53 and AU-C 240.A76).
- Testing an entire population instead of a sample using computer assistance (AS 2401.52 and AU-C 240.A7).
- Assigning forensic specialists to the engagement (AS 2401.50 and AU-C 240.A39).
- Performing a computerised match of the vendor list with a list of employees to identify matches of addresses or phone numbers (AU-C 240.A76).
- Performing a computerised search of payroll records to identify duplicate addresses, employee identification

...continues page 26

NEWS IN PICTURES

Controller and Auditor General (CAG) of the United Republic of Tanzania, Mr. Charles E. Kichere (seated center) and the Controller and Auditor General of the Revolutionary Government of Zanzibar, Dr. Othman Abbas Ali (seated third left) in a group photo with the Management of the two Audit Offices when the CAG, Charles E. Kichere paid an official visit in Zanzibar recently where among other things he also had the opportunity to meet with the President of the Revolutionary Government of Zanzibar, HE. Dr. Hussein Ali Mwinyi.

Talented group of NAOT netball players!

2022 SHIMUTA season all wrapped up! A fantastic season for all National Audit Office (NAOT) teams and players, what a hardworking, Congratulations all players for representing us well during the SHIMUTA games held in Tanga city recently.

Deputy Auditor General (DAG), Mr. Salhina Mkumba and Director of Administration and Human Resource Management, Mr. Novati Mfalamagoha in a group photo with the football team of the National Audit Office during NAOT staff bonanza organized by NAOT to encouraging employees to participate in sports with the aim of improving and strengthening their health as well as donating blood to save other people's lives. The staff bonanza was held with great success in the Kilimani grounds in Dodoma recently.

Director of Administration and Human Resources Management, Mr. Novati Mfalamagoha (second right seated) in a group photo with participants of the Annual HR Workshop from different countries organized by AFROSAI-E and held in Dar es Salaam. The annual HR Workshop this year, was focused on staff productivity and engagement as the key discussion topics. The 2021 ICBF results show that SAIs in our region are struggling to retain, recognise and develop staff, in some cases with limited financial resources. The aim of the workshop was to share ideas, and experiences and explore opportunities to address these concerns.

NEWS IN PICTURES

Controller and Auditor General (CAG) of the United Republic of Tanzania, Mr. Charles E. Kichere (right) with the Secretary of the Sweden Parliament (3rd on the right), Hon. Ingvar Mattson and Auditor Generals from Kenya, Rwanda, Uganda and Zimbabwe when both Auditors General visited Hon. Mattson in his office as part of the official visit program for the Steering Committee for Regional Cooperation with East Africa and the Swedish National Audit Office (SNAO) meeting held in Stockholm, Sweden in September, 2022.

Controller and Auditor General (CAG), Mr. Charles E. Kichere in a picture with the Deputy Auditor General, Swedish National Audit Office, Mrs. Claudia Gardberg Morner (seated left), together with the NAODP Project Manager from the Swedish National Audit Office, Mrs. Anna Jannesson (seated right) immediately after the CAG concluded a special discussion meeting involving the Steering Committee of cooperation between the National Audit Office of Tanzania and the National Audit Office of Sweden (SNAO) in Dar es Salaam. Others in the photo are members of the Committee from the National Audit Office of Tanzania (NAOT) and the Swedish National Audit Office (SNAO).

Controller and Auditor General (CAG) of the Revolutionary Government of Zanzibar, Dr. Othman Abbas Ali (left) presenting a special gift of "Zanzibar Door" to the Controller and Auditor General (CAG) of the United Republic of Tanzania, Mr. Charles E. Kichere as a sign of strengthening the cooperation between the two Tanzanian Audit Institutions. The event took place in September, 2022 in Unguja, Zanzibar.

Deputy Auditor General (DAG), Mr. Benjamin Mashauri (left) handing over donation on behalf of the Controller and Auditor General (CAG) to Sister Maria Rosaria Gargiulo of Matumaini Village Orphanage Center in Dodoma as part of the contribution of the Office in marking celebration of the Public Service Week held in June, 2022.

...from page 23

or taxing authority numbers, or bank accounts (AU-C 240.A76).

The above-mentioned chart found in prior editions of the Fraud Examiners Manual cites the procedures of interviews, review of outside data, and document examination as the fraud examination techniques that differ from audit techniques.

Auditors, however, should be aware that "interviewing is both an art and a rational technique that is fundamental to effective auditing" (Phillip L. Defliese, Kenneth P. Johnson, and Roderick K. Macleod, Montgomery's Auditing, Ninth Edition, Ronald Press, 1975). Inspection of documents and use of outside data are also common audit procedures. Furthermore, there are many examples of specific procedures recommended in auditing standards that are also techniques commonly used in fraud examinations.

Attitudes or stances

Some of the common statements about differences in attitude or stance between auditing and fraud examination concern adversarial and no adversarial relationships, professional skepticism, and document authentication.

These are not distinct differences, but rather matters of degree that are natural consequences of the key difference of the requirement of predication for fraud examinations.

Adversarial relationship

The audit process is said to be no adversarial, and fraud examinations, because they involve efforts to affix blame, are said to be adversarial. An audit is essentially adversarial in the planning process and, in some circumstances, in performing procedures and evaluating evidence.

Professional skepticism

Both the auditor and the fraud examiner are required to exercise professional skepticism (2017 Fraud Examiners Manual). The auditor does not assume honesty or dishonesty, but maintains the mindset that fraud is always possible. Fraud examiners begin assignments with the belief that someone is committing fraud and maintain that belief unless the evidence shows no signs of fraudulent activity. This belief, however, is directed at the perpetrators of frauds, not the defrauded organisations.

Document authentication

Neither fraud examiners nor auditors are expected to be document experts, but they may need to consult an expert document examiner to determine authenticity if they recognise possible alteration or falsification (2017 Fraud Examiners Manual). Because fraud examiners begin their assignments only when there is predication, they may be more disposed to using an expert document examiner. Auditors, however, should better understand what genuine documents look like, so that circumstances in which there is a need for document examiners would be more apparent.

Concealment

Both auditors and fraud examiners are on notice to expect concealment by fraud perpetrators. Again, because a fraud examiner's work is based on predication, the need to be alert for indications of concealment and creative in response is second nature for fraud examiners.

Auditors, however, also need to be aware that collusion, false documents, and misleading responses to inquiries are normal methods of concealment of material misstatements due to fraud.

For example, the PCAOB has observed that because fraud usually involves deliberate concealment and may involve collusion with third parties, the auditor should assess risks and apply procedures directed specifically to the detection of a material, fraudulent misstatement of financial statements (Release 2007-001, http://bit.ly/2CX6DeE).

To respond effectively to risks of concealment, auditors must emphasize the vulnerability to fraud if management or employees, alone or in collusion with third parties, were inclined to perpetrate it, and not solely the likelihood that fraud has occurred.

Auditors are also expected to recognise that audit procedures effective for detecting misstatement caused by error may not be effective in detecting those caused by fraud. This awareness should affect the selection of audit procedures and items to which the procedures are applied.

No Excuses, No Guarantees

That an audit of financial statements is not a fraud examination is no excuse for an auditor's failure to detect fraud. An audit is not a guarantee of the accuracy of financial statements, but auditors must plan and perform the audit to obtain reasonable assurance the financial statements are not materially misstated by fraud. If the purpose of an audit is to detect fraudulent material misstatements, and the purpose of a fraud examination is, by definition, to detect fraud, what is the difference? That question should now be clearly answered.

Adversarial Attitudes Reflected in Auditing Standards

- Identify how and where the financial statements might be susceptible to material misstatement due to fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets could be misappropriated (AS 2401.14 and AU-C 240.15).
- Consider factors that might create incentives/pressures for management and others to commit fraud and opportunities to do so—the same fraud triangle used by fraud examiners (AS 2401.15 and AU-C 240.15).
- Be continually alert for information or other conditions that indicate a material misstatement due to fraud may have occurred (AS 2401.16 and AU-C 240.22).
- Presume that improper revenue recognition is a fraud risk (AS 2401.41 and AU-C 240.26).
- Address the risk of management override in every audit and perform prescribed procedures designed to detect whether override has occurred (AS 2401.42 and .57-.67 and AU-C 240.32).
- Keep in mind that management has a unique ability to perpetrate fraud and cause manipulation of accounting records and present fraudulent financial information (AS 2401.08 and .57 and AU-C 240.31).
- Whenever the auditor has determined that there is evidence that fraud may exist, consider the organisational position of the persons involved (AS 2401.75-.79 and AU-C 240.35-.36).

The two professional services of fraud examination and audit are distinctly different services, but both professionals have responsibilities related to fraud detection. A valid comparison of the two has to focus on how exactly they differ with respect to that key responsibility. The aim of the fraud examination is to resolve allegations of fraud by determining whether fraud occurred and who perpetrated it, and to report findings that may be used in a legal action or to recover fraud losses. An auditor's fraud detection responsibilities are not triggered by suspicion of fraud; an auditor must have the mindset that fraud is always possible. An audit is planned and performed using the concepts of materiality and focusing on material misstatement. A fraud examination is not constrained by materiality or whether material misstatement results. The fraud examiner is hired by the potentially defrauded organisation and owes primary responsibility to the party who engaged him or her even though outside parties may see and use the report in certain circumstances. The auditor is usually engaged by the audited entity, but owes primary allegiance to the investing public.

The professional standards applicable to an audit and a fraud examination differ in many respects, including the fact that the standards for a fraud examiner provide guidelines (which may be further limited by a contractual agreement), but auditing standards include many requirements that are unconditional or presumptively mandatory.

Other differences that are sometimes described as differentiating an audit from a fraud examination are actually not nearly as significant, and differ only in degree. It is this author's hope that auditors will stop using the empty excuse that an audit is not a fraud examination, and recognise that they have a responsibility for fraud detection that, although not absolute, is an essential responsibility that has to be aggressively pursued.

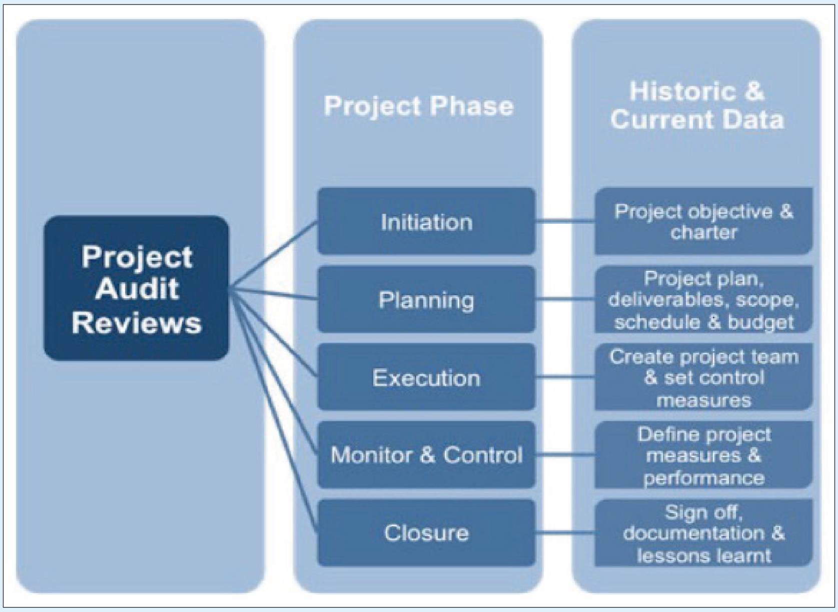
The CPA Journal is known as the "Voice of the Profession," and is The New York State Society of CPA's monthly flagship publication and top member resource. An award-winning magazine and finalist for excellence in journalism (2018, 2017 FOLIO magazine awards), The Journal has over 95% nationally focused content written by thought leaders in the accounting and finance industry.

Project Auditing through Process Groups

By ***Faizy S. Mansoury***

The Project Audit is the means for providing assurance and confidence to stakeholders, namely sponsors, organisation, beneficiaries, Auditors and project team, that the governance is working, the project is being managed well and producing the intended objectives.

In auditing projects, Auditors need to know the project cycle and risk areas of Project Management. As per PMI PMBok sixth edition, there are five process groups of the project including initiating processes, planning processes, executing processes, monitoring and controlling processes and closing processes[1].



1 A guide to Project Management Book of Knowledge (PMBok), Project Management Institute, 2017, Sixth edition

The five process groups are further divided into 10 management channels in which inadequacy management on one area has a serious effect on the three Es and projects success as shown in Table below: - what is the title of this table?

Table: Project Management Process Groups

S/N	Process	Audit examination	Failure to Manage
1.	Scope Management	Check how scope is defined	Scope creep could cause a delay in completion and over utilisation of resources
		How changes are controlled (Initiation, communication and approval)	Unwanted/Unplanned deliverables Overutilisation of resources (inefficiency)
2.	Requirement Management	Requirements of the project must be defined in the specification part of the contract	This could result in low-quality deliverables.
		Any deviation from the specification must be documented and approved.	Unplanned changes and low quality of the deliverables
3.	Schedule Management	Check if there is an updated schedule (programme of work)	Delay of most projects is due to failure in 'estimated activity duration'.
		Check whether the schedule is followed	
S/N	**Process**	**Audit examination**	**Failure to Manage**
4.	Cost Management	Check whether payments are made as per cost baseline (BoQ)	Overpayment of Certificates to contractors.
		Check whether variations are accounted for and approved	
5.	Quality Management	Check whether materials used were tested and comply with the requirements or contract's specifications	Low quality of the deliverables and cost overrun
		Check whether works are inspected and measured before making payment	
6.	Resources Management	Check whether resources are insured	Possible loss of public funds
		Check whether resources are at disposal during the project duration and as per the contract agreement.	Delay of most projects is due to failure in the 'Estimated Activity resources'.
7.	Communication Management	Check whether the employer and/or consultant on behalf are managing communication well among stakeholders (Contractor and beneficiaries)	Inadequate communication can cause the failure of the requirement to meet the needs.
		Check for the timely response of change requests	Delay of the project and low quality of the deliverables.
8.	Risk Management	Check whether there is a risk register and how risks are responded to and assigned to owners.	Failure to achieve project objectives and cost overrun.
9.	Procurement Management	Check whether the procurement is managed as per solicitation document, STD and procurement laws, regulations and guidelines	Non-compliance with the procurement laws and contract documents.
10.	Stakeholders Engagement Management	Check whether there is a plan for stakeholder's engagement.	Failure to meet needs of the stakeholders affects the sustainability of the project.

Source: PMBok Sixth Edition and Writer's insights

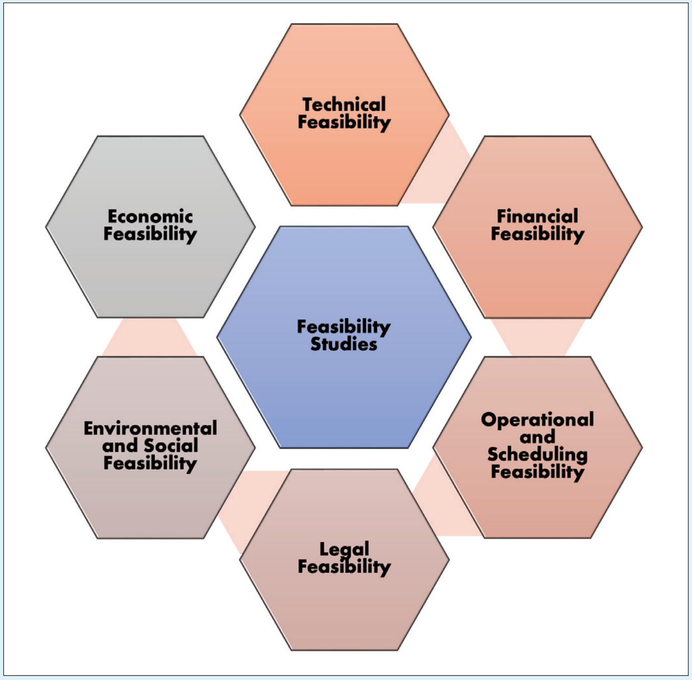
Experience has shown that the failure of most projects, programmes and policies has resulted from inadequate designs (initiation and planning stages of the endeavours). For a project to be successful, needs must be assessed and tailored in a bid to meet the customer's satisfaction with the deemed quality.

In the Agile mindset of project management, a project's success is not measured by product and project timelines, budget or scope compliance, but by how the stakeholders' needs are satisfied without compromising the quality and performance parameters.

Assessing the needs
Needs assessment is for determining whether a project/ programme is needed and if so, to inform its planning. Regulation 168(1)(a) of Public Procurement Regulation (PPR), 2013, requires, in the interest of project sustainability or achieving certain specific social objectives, facilitating participation of local communities or farmers' groups to reflect such interest or objectives. If the needs are not assessed, four elements could be affected: Effectiveness, as there is a possibility that the objective of the project cannot be fully attained, efficiency as resources (time, people and money) could be applied in a project which is not needed, sustainability and relevance, as the project could fail to sustain due to mismatch with the community's needs. The relevance of the project always determines the sustainability of the project. There are some abandoned projects such as buildings, especially in the Agriculture Sector Development Programme (ASDP), since stakeholders (users or community) were not involved in identifying and sharing their needs.

Feasibility study
It is simply determining if the project is viable and if any condition needs to be met before investment. There are more than five feasibility study aspects. An Auditor will have to at least check the legality, financial as well as technical and environmental feasibility.

For example, the Government of Tanzania has recently migrated from the National Competitive Method of Tendering (NCT) to the Restricted Tendering as per Regulation 152 of the PPR, 2013, where only government's institutions are invited to bid or the use of Force Account (FA) method of procurement as per Regulation 167 (1) of the PPR, 2013, (Amended 2016) and the Guideline for Carrying out Works under Force Account version No. PPRA: GL/05/2020/FA issued in May 2020 by the Public Procurement Regulatory Authority[2]. In applying these methods, the government has directed Procuring Entities (PEs) to comply with stipulated laws and regulations (Legal feasibility), including using the FA method if there are adequate experts at their disposal.



As for the Bills of Quantities (BoQs), preparation of the designs requires studying the nature of the area in which projects will be implemented. This is the reason Part A of PPRA Standard Bid Document, 2018, before project planning requires a site investigation evidenced by reports attached with the solicitation document issued to bidders[3] showing the nature of the surface and the subsurface of the site.

Legal Aspect
An auditor shall scrutinise whether the method used is feasible in the legal aspect and meets all criteria to procure works, goods or service as per procurement laws. For example, if the method intends a PE to use its experts in the supervision of the work, the Auditor shall assess whether the procuring entity has qualified personnel to carry out and supervise the required works together with other criteria of Regulation 167 (1)4. On the other hand, PEs shall have ownership of the site prior to project's implementation.

2 Directive letter with reference No. AB.39/156/01F from PO-RALG secretary (Restricted tendering)
Directive letter with Ref. No. AH.161/164/02/ dated 17/12/2018 from PO-RALG (Force Account)
Directive letter with Ref. No. AH.161/164/02/77 dated 03/11/2017 from PO-RALG (Force Account)
Directive letter with Ref. No. AD.296/303/01/82 dated 21/09/2017 from PO-RALG (Force Account)

3 PPRA Standard Bid Document, 2018

A case of construction of earth filled embankment dam phase II in Sumbawanga District has shown that initiating a project without a tittle deed and an effective feasibility study led to land disputes between the community and RUWASA, which delayed the project 5.

Financial Aspect

Most projects failed to achieve their objectives due to inadequate funds. For example, water supply projects were initiated without considering that funds were set aside as per Regulation 75 (1) of PPR, 2013, (Revised 2016). Therefore, the Auditor shall assess the availability of funds before project commencement, as this affects the effectiveness of the project and efficient expenditure of public resources. In construction of pumping Water Supply System worth TZS 2,873,196,856 at Nguruka Village by Kigoma DC (Design period of the project was 10 years from 2009 to 2019). Design was completed in 2009, but due to unavailable funds, it took five years to start executing the project, with a six-month contract period. The project took five more years of implementation regardless of the fact that the project design expired in 2019 well before the project was put into use due to unreleased and under-released funds.

Technical Aspect

This is the hub of feasibility since the failure of technical asepect always has a financial impact (loss of public funds). Take an example of the Ukalawa water project in Njombe Region where the PE was designed and a generator was purchased for supplying power to the project. When the purchased generator failed to pump water, the design was changed to solar power which also proved to be a failure6. A feasibility study could have determined the required source of power and saved the government from the loss.

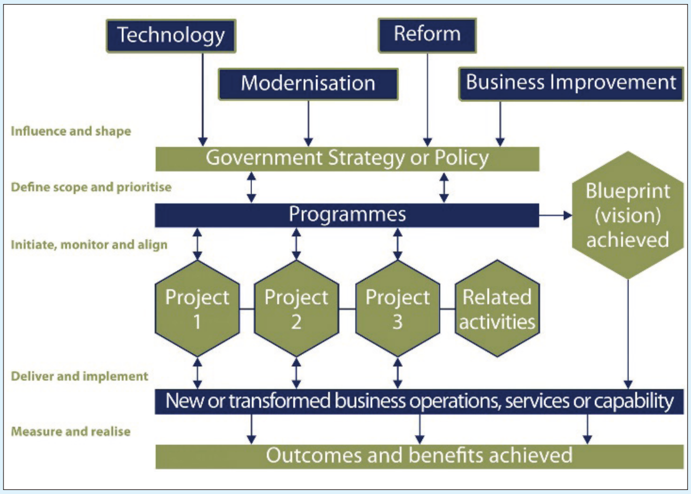
Environmental Aspect

Not all projects require Environmental and Social Impact Assessment (ESIA) but also it is not up to the entities to set the requirement. It requires environmental expertise in the initial process of ESIA called screening to decide whether the project could go on or needs an ESIA followed by scoping to determine the scope, depth and terms of reference to be addressed within the environmental statement. In Construction of Piped Water Supply System and Civil Works for Mgumile Village, failure to assess environmental aspects have caused destruction of infrastructure and resulted into a loss of TZS 48,873,2507.

Conclusion

Much as projects and their managements are under umbrellas of policies, portfolios and programmes; auditors starting to audit and to evaluate policies which generated the projects before assessing needs and feasibility studies add value. Auditors shall assess the scope of policies and review their key parameters to ascertain whether guidelines are governing the requirements of the policies, reviewing schedule, communication and feedback and a mechanism for monitoring and evaluating their operations and compliance.

For the audit services to be effective, it must also focus on programme and policy audits. For example, which policy govern a project to construct a water supply facility at a village level? In which programme did the projects fall? What is the programme's objective? Was the programme objective achieved?



The performance aspect of the audit is required to promote accountability and improve performance. Auditors are more focused on how decisions are implemented rather than how they are developed. It is high time auditors focused on auditing decisions and established goals at ministries and legislature, but also at implementation levels, as these decisions affect the public sector as a whole. Audit findings, like on delayed completion of projects due to belated release of funds or to directives, which go against laws and regulations, need to be intervened at a higher level of decision-making hierarchy.

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DEPUTY SPEAKER CLOSES A TRAINING IN SHARPENING LAWMAKERS' SKILLS IN ANALYSING AND DISCUSSING AUDIT REPORTS

- *Promises to continue strengthening relations between Parliament and the Office of The Controller and Auditor General (CAG)*
- *Praises the CAG Efforts in educating MPs on the reports*

By **Evelyne Thomas**

Deputy Speaker of the Parliament of the United Republic of Tanzania, Hon. Mussa Azan Zungu, has officiated a closing ceremony of a training for Members of Parliament (MPs) aimed at improving their skills in analysing and discussing Controller and Auditor General's audit reports.

The training which was held in Singida Region involved MPs from four Parliamentary Committees, namely Public Accounts Committee (PAC), Local Authority Accounts Committee (LAAC), Public Investment Committee (PIC) and the Budget Committee.

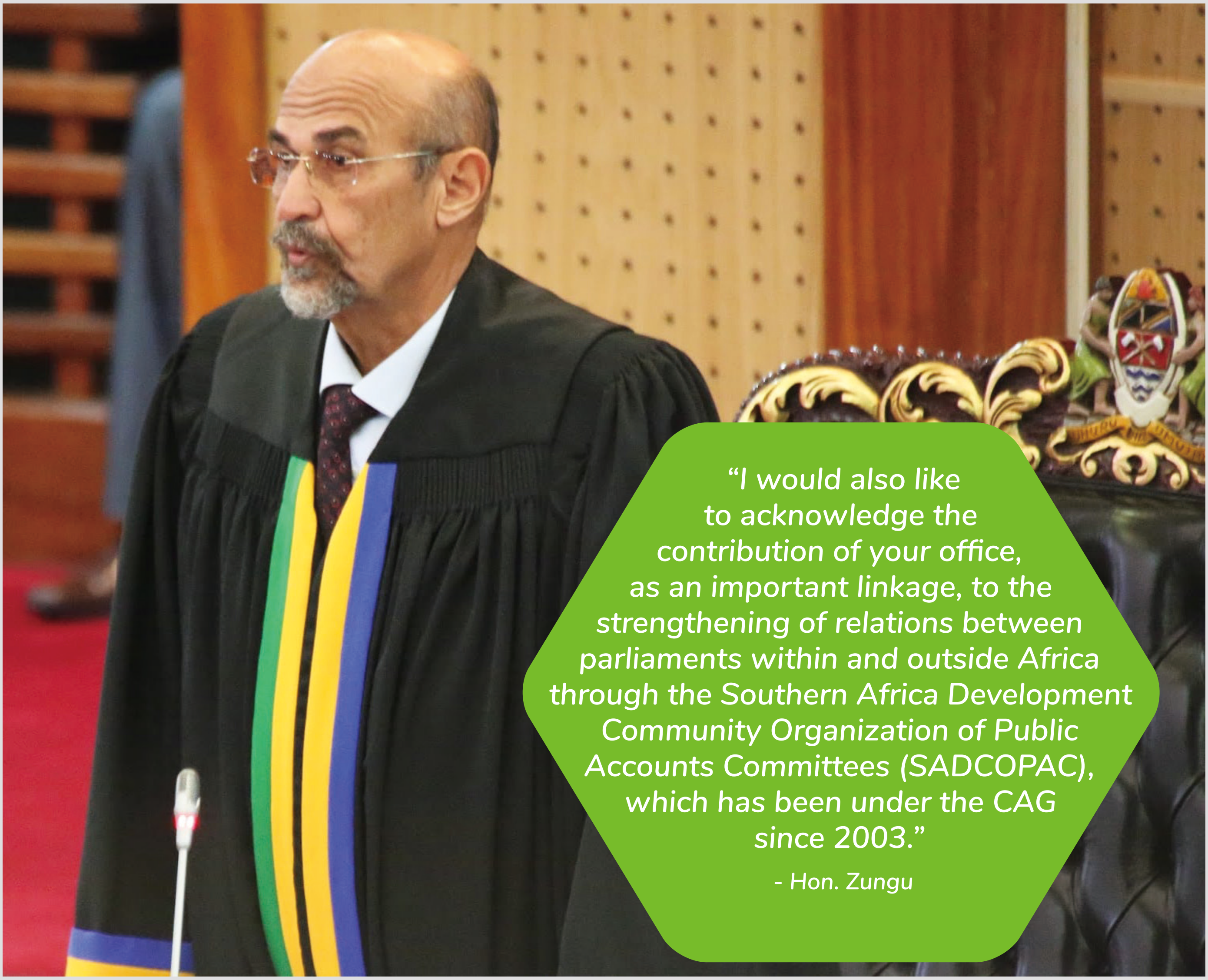
The Deputy Speaker congratulated the National Audit Office (NAOT) for the good work it does in controlling and managing the use of public funds, saying: "Many of us realise the good work you do, especially in serving as the eye of the country in managing the Government's expenditure and national resources."

He added that NAOT carried out various types of audits to ensure all corruption loopholes are inaccessible. "It is important as a country to fight against corruption and to strengthen morals of public servants to ensure citizens receive services timely and without bias," said the Deputy Speaker, adding: "I would also like to acknowledge the contribution of your office, as an important linkage, to the strengthening of relations between parliaments within and outside Africa through the SADCOPAC Secretariat, which has been under the CAG since 2003."

Hon. Zungu assured the Controller and Auditor General (CAG) that the existing relationship between Parliament and the NAOT would be strengthened for the wider interests of both Institutions and the nation at large.

The CAG, Mr. Charles E. Kichere, extended his gratitude to the URT Parliament for according him due cooperation time to time when discharging his duties closely with parliamentary committees.

"We've a popular statement that the CAG is the Parliament's eye, so the NAOT will continue doing all it takes to build the capacity of MPs, especially committee members, to



productively and efficiently analyse information in my reports," the CAG said.

Mr. Charles E. Kichere commended the MPs for setting aside their precious time to participate in the training, given Parliament sessions were in progress in Dodoma.

The CAG said he was mulling over taking the training to grassroots levels. "My plan is to begin with city councils followed by municipal, town and district ones, as these levels of administration have major responsibilities for managing public resources in their jurisdiction areas," he explained.

Mr. Charles E. Kichere vowed to allot sufficient training time for discussing performance and real time audit reports. Timely discussions and working on recommendations of the CAG and of Parliament would pave way for parliamentary committees to discuss audit reports immediately after they are presented in the House.

The NAOT has developed procedures and a mechanism for building the capacity of parliamentary committees in overseeing the Government in allocating and utilising national resources.

Disruptive Technologies

By ***Sandra Chogo***

Disruptive technologies spark social movements. If they did not spark social movements, then they would (by definition) not be disruptive.

The use of internet (Facebook, YouTube, Airbnb, etc.) are all technologies that changed the way we create contents, interact with friends, etc.

The fourth Industrial Revolution (Artificial intelligence, Internet of things, Blockchain, etc.) are not different. Bitcoin is transforming the creation, controls and regulations of money. It is transforming monetary policies worldwide, it is transforming our understanding and usage of money, causing big risks to the economy due to lack of skills.

We are now in the Fourth Industrial Revolution, where digitalisation and integration of systems and processes are taking place globally. Human labour is being replaced massively by technologies like Blockchain, Robots, Artificial Intelligence, etc., hence the need for equipping ourselves with new skills for the changing roles. Individuals, Institutions and Government should take this seriously in order to remain relevant.

It was during the first industrial revolution when steam engines were used for production. Different professionals had the skills and roles specifically for this revolution.

In the second industrial revolution that is when the world started using electricity for production. Different professionals had to acquire the skills to cope with the new roles for the industry during that revolution.

In the third industrial revolution, people started using computers, electronic equipment and the internet for communication and hence increased production. This is when we had to acquiring the digital skills. The roles for different professionals also kept on changing.

The Fourth Industrial Revolution is a continuation of the third and I am seeing massive requirement for skills in this era.

Blockchain being one of the technologies of this industry, it is now a global talk for the past five to six years. According to researches, the global blockchain market size was expected to grow from USD3.0 billion in 2020 to USD39.7 billion by 2025, at an impressive compound annual growth rate (CAGR) of 67.3% during the forecast period.

In simple terms, Blockchain is a new digital platform. There are many reasons as to why Blockchain is different from the previous digital platforms. One of the reasons is that Blockchain is a more secure platform. One of the reasons as to why it is said to be more secure is the immutability nature of its transactions. Once a transaction is recorded in the Blockchain, it cannot be deleted, making it difficult or impossible to change, hack, or cheat the system. A blockchain is essentially a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems. It all started in 2008 just after the global financial crisis. Just like the internet where we have Facebook, WhatsApp, etc., being its applications, Blockchain is also having many applications. The first application is Bitcoin.

Cryptocurrency is a digital asset that is designed to work in a form of computerised platform that uses cryptography for security and anti-counterfeiting measures. It is the term used to mean the collection of Bitcoins and other coins alternative to Bitcoin. The definition for Bitcoin and Cryptocurrency is still complicated worldwide because cryptocurrency is a new assets class that has never existed in the human history and to date there is no regulatory body.

Cryptocurrency is characterised by new and existing features of what we already have like currency, shares, assets and hence making its definition to be difficult. Different countries define them differently. Some define them as commodities, property, currency, payment method, etc.

Taking Bitcoin as a currency that is where we talk of evolution of currency. This evolution is characterised by new monetary systems that have never existed before.
The market capitalisation as on 27/09/2020 was at $198.95 billion for Bitcoin and at $344.42 billion for Cryptocurrency. As on 10/10/2021, the market Capitalisation for Bitcoin was $1,032,280,378,316 and for Cryptocurrency was $2.32 trillion.

We also have Stablecoins, Central Bank Digital Currency, Libra (Facebook Cryptocurrency) all coming at a supersonic speed.

Cryptocurrency are decentralised digital currency without a Central bank or government administration. If there is no such administration, how can we put the regulations? How can we put the controls?

Fears from regulators and governments are that massive adoption of Cryptocurrency threatens the power of central banks to control monetary policy and even cause a shift away from the use of fiat money.

According to scientists, countries worldwide are trying to regulate Blockchain and Cryptocurrencies, with African being left behind. In East African region, Rwanda, Kenya and Uganda have formed government taskforces and associations for the implementation of technologies for the Fourth Industrial Revolution, including emerging technologies of Blockchain and Cryptocurrencies.

Experts agreed that Africa's economic transformation and prosperity are hinged on the mastery of technology, and that it is time now necessary infrastructure and skills were built for the continent to benefit from the digital economy as brought by the Fourth Industrial Revolution.

According to Prof. George Magoha, who is the Chair for the Partnership for Skills in Applied Science, Engineering and Technology (PASET) Governing Council, the African continent has to promote digital jobs.

He recommended the need for universities to carry out research that responds to African problems.

Senior Director for World Bank Global Practice Jaime Saavedra says new jobs will demand a combination of three different kinds of skills, namely fundamental, social and emotional skills.

Blockchain applications are disrupting many industries globally, and this is affecting careers, business function, economy, management style and governance systems, among others, resulting into absolute and new skills and jobs. Different skills were/are needed in the different revolutions mentioned above and this leads to different roles. Different from what we are used to. Think of Bitcoin: Do we (Tanzania), as a country, have the skills?

As a result of the Fourth Industrial Revolution, for example, accountants and auditors are being forced to rethink about professional ethics in the digital age, but again, the need for reviewing accounting and auditing standards.

How can an accountant account for Bitcoin? Is it an asset? What is the acquisition and subsequent value? What are the disclosure requirements? These are some of the accounting issues.

What are the risks areas? What are the controls? How can an auditor audit without regulations and auditing and accounting standards in place? These are some of the auditing issues which need to be addressed as soon as possible, as these technologies are moving at a supersonic speed. They are moving exponentially and Tanzania is not excluded.

Imagine having a tax invoice in Bitcoins, how do you tax it?

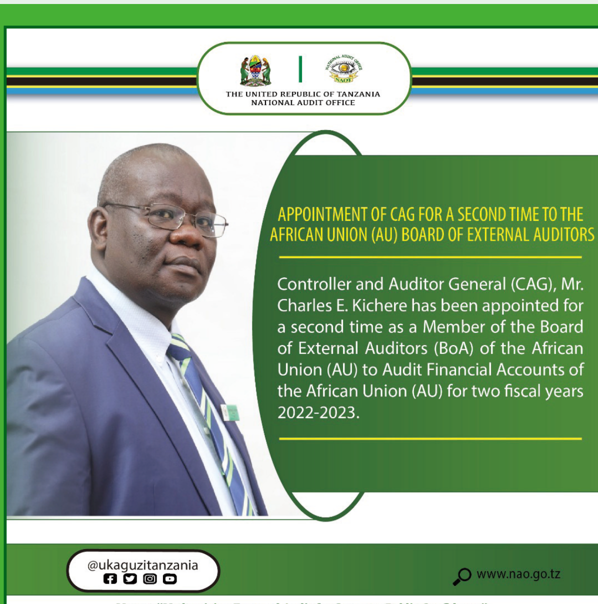
Increased digitalisation and interconnection of devices in the Fourth Industrial Revolution also increases cyber risks and to my opinion, it is time measures taken by an entity to deal with cybercrime are considered before giving an opinion on the going concern. Cyber-attacks can result into exposure of cooperate strategies to competitors, loss of data, alteration of data, fraud, exposure of clients' information, exposure of marketing strategies of an entity, fines which eventually result into big financial losses or failure of the entity to operate and finally loss of business.

Cryptocurrency is silently disrupting the economy; we do not notice because it is not making noise like the COVID-19 is.

This time it is not the Doctors and Nurses' duty to rescue the situation. It is up to us Accountants, Economists and Computer Specialist to act.

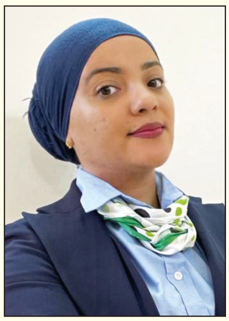
I see another crisis coming ......Let us get prepared for adoption of digital technologies in the economy which will ultimately boost economic growth.

Sandra Chogo is the Auditor and Blockchain consultant. Author of a Kiswahili Blockchain Book.



HARNESS **NAOT** CULTURE TO DELIVER EFFECTIVE RESULTS

By ***Kauthar Othman***



In 1976, Edward T. Hall developed the 'Iceberg Model of Culture' and explained that organisational culture is like an iceberg found in polar seas. What you see is just the tip of the iceberg. Underneath it lies an enormous invisible mass, which holds everything together strongly. When you see an iceberg, the portion visible above water is only a smaller part of a larger whole. Think of organisational culture in the same way. People often perceive culture as various observable characteristics of a specific company that they *see* with their eyes — perks, benefits, dress code, office environment, amenities, location, and people. However, the reality is that they are just an external manifestation of broader and deeper components of culture: the intricate ideas, deeply ingrained priorities and preferences known as values and attitudes.

Dear readers,
Let us begin this discussion by asking ourselves a few key questions

How healthy is the culture in NAOT?

What are the values that currently drive the culture in NAOT?

Do we live our current core values??

If you are asked about our organisational culture by an outsider, would you be able to explain what type of culture we have?

Well, this article aims at giving an insight into the importance of organisational culture in delivering effective results. It is my hope that, at the end of the article, we will be in a better position to respond to the above questions.

What is organisational culture?

It is the attitude, traits and behavioural patterns which govern the way an individual interacts with others that are termed culture. Every human being has certain personality traits and values which help them stand apart from the crowd. No two individuals behave in a similar way. In the same way, organisations have certain values, policies, rules and guidelines which help them create an image of their own.

If you ask many of us about the mission and vision of the office, well… they will tell you, even if it is not word by word, but looks like much emphasis should be put on our values.

VISION
"A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence".

MISSION
"To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources".

MOTTO
"Modernizing External Audit for Stronger Public Confidence".

Organisational culture refers to the beliefs and principles of a particular organisation. The culture followed by the organisation has a deep impact on the employees. It is the foundation of a set of assumptions and norms from which everything in the organisation can operate.

...continues on page 43

What being part of AFROSAI-E $8-m project for enhancing transparency and accountability means

By **Focus Mauki**

A three-year project amounting to USD8 million is obviously going to benefit the Tanzania Supreme Audit Institution (SAI) by improving and increasing professionalism and efficiency in audit activities.

The African Development Bank (AfDB) and the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) launched the project to improve transparency and accountability within AFROSAI-E member countries, Tanzania included.

Of course, expectations of many SAIs within the region are high that the strategic project aimed at increasing professionalism and efficiency in the audit sector will also add value, support, and improve regional collaboration and coordination among SAIs in the Region.

It is clear that promoting transparency and accountability within SAIs is a crucial aspect to achieve strategic goals of any institution. This is the reason the AfDB and the AFROSAI-E came up with the strategic project to fund SAIs in order to improve their transparency and accountability.

Among issues that need a lot of inspiration in the work of a SAI for its reports to become credible in the eyes of stakeholders include transparency and accountability. One cannot avoid transparency and accountability, given high hopes of the ordinary citizens that a SAI monitors usage of national resources by the Governments on their behalf. The task of controlling usage of national resources requires many things, one being integrity. Auditing institutions are a responsibility for ensuring there are no loopholes for the loss of the national resources. For them to be trusted by the public in that sensitive role, they should definitely work transparently and responsibly.

The management of national resources also requires empowerment in the sense of having all relevant resources such as human resource and sufficient budget. Both soft and hard skills help to build the capacity of SAIs and all stakeholders involved in the management of the national resources. The project has come at the right time. Should it receive good management, it will help the AfDB and the AFROSAI-E to achieve the intended goal and it will indirectly contribute to accountability in the public sector management.

To reinforce accountability and transparency at a work place is not an easy task, it requires a combination of empowering staffs on both soft and hard skills, taking disciplinary measures when there is misconduct on accountability or integrity and most importantly building the capacity of the SAIs to take transparency and accountability as a main agenda for the performance of a SAI.

Taking disciplinary measures should not be given much priority, but it is important for the SAIs to provide constant education to its employees to remind them of the importance of working responsibly and transparently, and if we all implement that, together we create the overall image and reputation of having an institution which promotes transparency and integrity.

Considering the importance of capacity building, the AfDB and the AFROSAI-E launched a three-year USD8 million project to support regional collaboration and coordination between the African public sector accountancy institutions in Africa. The aims at increasing professionalism and efficiency in the sector. The grant will support AFROSAI-E in carrying out its mandate to professionalise public sector accountancy and to empower SAIs for greater audit impact and quality.

AFROSAI-E CEO Meisie Nkau said: “We are excited that we will be able to scale up support for the AFROSAI-E region based on lessons learnt from interventions funded and supported through the bank. The AFROSAI-E Governing Board also welcomes the support of the bank, as improved capacity in the selected SAIs will also benefit the entire region.”

The project targets AFROSAI-E member institutions in selected English-speaking AfDB member countries, and will contribute to accountability in public sector management. According to the information available on AFROSAI-E website, particular emphasis will be placed on building public sector capacities to reinforce resilience.

The AFROSAI-E further reveals in a statement that this support will also contribute to the African Professionalisation Initiative (API) for coordinating efforts to professionalise public sector accounting and auditing through the development and application of standardised tools and approaches.

AfDB Deputy Director-General for Southern Africa Regional and Business Delivery Office Mbeakani Kennedy said: “In addition to promoting best standards and benchmarks in public financial management, greater efficiency resulting from this project will aid in combating illicit financial flows.”

Kennedy expressed satisfaction with the project, noting that AFROSAI-E ongoing Strategic Plan for 2020-2024 underlines the essence of governance and the transformation of organisational capacity of financial audit institutions, for greater impact. The overall goal of AFROSAI-E is to foster cooperation, enhance institutional capacity and optimise audit performance of SAIs in the region to enable them to fulfil their mandates, enhance accountability, improve public resource management and good governance, and to contribute towards development effectiveness of their respective governments.

This project will be executed over a 44-month (three and a half year’s) period by the two distinct executing agencies, namely the CoDA and the AFROSAI-E, and will be managed based on two separate financial agreements. The overall development objective of this project is to improve the regional coordination in combating IFFs and in oversight and accountability of public finances, for an optimal revenue mobilisation and management in African countries.

The project will provide (i) assistance to the CoDA Secretariat for a coordinated implementation HLP recommendations on IFFs at national, regional and continental levels, including examining implications of inequalities in taxing rights and enabling peer reviews using existing AU frameworks, instruments and processes; (ii) support to AUC-ETIM Department for the implementation of joint strategies and initiatives related to international taxation; and (iii) contribution to AFROSAI-E work to strengthen oversight and accountability capacities through support to supreme audit institutions.

The main beneficiaries are the CoDA Secretariat, the Economic Development, Trade, Industry and Mining Department of the African Union Commission (AUC-ETIM), and the AFROSAI-E.

AFROSAI-E is the Anglophone and Lusophone sub-group of AFROSAI, made up of Auditors General/SAIs of 26 member countries. The overall goal of AFROSAI-E is to foster cooperation, enhance institutional capacity and optimise audit performance of SAIs in the region to enable them to fulfil their audit mandates, enhance accountability, improve public resource management and good governance, and to contribute towards development effectiveness of their respective governments.

This article has been prepared with the help of the AFROSAI-E website https://afrosai-e.org.za/

Digital transformation as Applies to NAOT Audit Methodology

By ***Aziz Dachi***

Introduction

The digital transformation can be grasped through understanding two key fundamental ideas, digitisation and digitalisation. As such, these ideas form the foundation of digital transformation.

Digitisation refers to creating a digital representation of physical objects or attributes. Digitalisation refers to enabling or improving processes by leveraging digital technologies and digitised data. Digital Transformation is really business transformation enabled by digitalisation.

Audit methodology is a particular set of processes or procedures used to assess auditee's financial and business risk. Audit methodologies typically consist of four parts, including a preliminary risk assessment, a planning stage, a testing phase and reporting.

National Audit Office of Tanzania (NAOT) audit methodology is split into financial audit (FAM) and compliance audit, each presented as a manual. Additionally, the methodology is designed as a series of working papers need to be completed by auditor for a typical phase to be completed. The working papers are designed to ensure compliance with the International Standards of Supreme Audit Institutions (ISSAI).

The "working papers" approach for implementation of audit methodology puts heavy reliance on auditors' effort to mentally process the information generated by working papers, and deducing risks of material misstatement as well as identifying sufficient and appropriate audit evidence required to form audit opinion. However, the approach makes audit documentation laborious and punishing activity during the audit. Therefore, there has been a long cry for simplification of audit methodology but without compromising audit standards and quality of audit reports.

Digitalisation drive by Government

The pace of automation in Government entities has been quickened, specifically, around financial processes. Application systems such as GePG, LGRCIS, and MUSE are being rolled out for large number of Government entities.

The digitisation achieved by Government through these application systems and others makes the source of audit evidence for the auditors become increasingly digital. Most of these application systems contain structured data that represents trail of financial processes within Government entities. Additionally, the controls which auditor usually tests are automated within these application systems.

NAOT, as a Supreme Audit Institution, its operation is constrained by International Standards of Supreme Audit Institutions (ISSAI) and the expectation of the public with respect to quality of its audit reports. Therefore, the trend of digitisation by the Government closely affects NAOT audit capability and makes its methodology and techniques for executing audit procedures out of sync with clients' environments.

This context puts pressure on NAOT to capture the trend in order to exploit the ongoing digitisation by the Government. Exploitation of this trend through leveraging technology will provide the opportunity for remarkable simplification of audit methodology and dramatically improvement of quality of audit reports. However, the downside of not achieving that puts NAOT at the risk of becoming irrelevant, as it becomes more difficult to execute the CAG mandate under the clients' digital environment.

Being aware of this, the CAG is deliberately pushing for the Innovation Lab project where a dedicated cross functional team, as work stream, will focus on exploiting the Government digitalisation and make necessary transformation for increasing audit efficiency and quality of audit reports.

Digital Transformation of Audit Methodology

The mandate of the CAG gravitates towards effective and efficient audit methodology, therefore, applying digital transformation to the methodology is essential for a sustainable discharge of the mandate. Nevertheless, the digital transformation requires rethinking of the audit methodology beyond "working papers" approach. It requires re-examination of every data element within each "working paper" with the intention of establishing its role towards identification of risk of material misstatement and client's control weaknesses. The deeper understanding of data gathered through "working papers", will enable the depiction of the audit methodology as a series of data transformation from client's operational and financial data to identified audit risks and seamless generation of audit response. The output of the above process will produce the blue print that will be used for deploying relevant technology necessary for bringing about efficiency and effectiveness on the audit methodology.

Jump-starting digital transformation of audit methodology requires three perquisites:

i. Cross functional project team;
ii. Relevant technology; and
iii. Upgraded auditors' skills on the use of technology.

i. Cross functional project team

Fortunately, on formation of cross functional project team, the CAG has instructed the Technical Support Services Unit (TSSU) to form the team. The team will be responsible for planning, executing and delivering on Innovation Lab project.

ii. Relevant technology

Relevant technology will have to meet three criteria to be selected for adoption, as follows:

- Low cost and readily available;
- Containing robust features for reading multitude of data sources, data transformation and steps recording capability; and
- Easy to user.

Fortunately, Microsoft has been developing big data processing capability in its Microsoft Excel. In 2013, Microsoft launched an add-in named Power Query. The Power Query application is a dedicated tool for extracting, transforming and loading (ETL) data. Starting with MS Excel 2016 and above, the Power Query is no longer an add-in, but it has become native to Excel.

MS Excel qualifies to be the relevant technology for this purpose, it is readily available as it is already installed in most of the auditors' computers. It has query recording capability that can be used for building and storing audit procedures. Additionally, it can be uploaded in TeamMate+ as a working paper, and it is easy to use.

Upgrade auditors' skills on the use of technology

Upgrading auditors' skill to cope with transformation is the most important and critical activity necessary for successful transformation. To be effective, the training will comprise selected champions who will be trained to mastery, and the champions will train and support the rest of auditors. The activity has a greater chance for success, since MS Excel is a familiar application to most of the auditors; therefore, it will be easy to train the auditors.

Conclusion

Finally, a successful digital transformation requires leadership to change culture of organisation as the CAG has demonstrated, as well as a dedication from the team to realise the vision of being a credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

NAOT introduces a Dashboard to improve service delivery

By ***Sakina Mfinanga***

The National Audit Office of Tanzania (NAOT) was established by Article 143 of the Constitution of the United Republic of Tanzania (URT). The Office is mandated to conduct Financial, Performance and Forensic audits of both central and local governments. The Office presents Annual Audit reports to Parliament as a statutory requirement, but also shares with the general public as part of enhancing transparency and good governance. The Office is well internationally recognised by various stakeholders for its indelible achievements in auditing of United Nations for six years spanned from Financial Year 2011/2012 to 2017/2018.

NAOT has a Planning, Monitoring and Evaluation Division which coordinates all aspects of development projects, budgets, planning, monitoring and evaluation. The Office has developed a five-year strategic plan stretching from financial year 2021/2022 to 2025/2026, with its Monitoring and Evaluation Framework.

The Office had recently developed electronic Monitoring and evaluation system, namely Dashboard, for reporting status on implementation of strategic Key Performance Indicators (KPIs). The Dashboard is like a performance radar to the strategic plan. It provides statistical snapshot on implementation of strategic and its annual operational plans. It displays precise infographics in a central page (dashboard) to support timely managerial decision and control on achievement of KPIs. Dashboard enables management to have great oversight of Key Performance Indicators to ensure allocated resources achieve objectives set forth. It helps an employee not to spin wheels to the wrong direction and waste resources. Hence dashboard is an efficacy springboard to achieve KPIs and strategic plans. The Dashboard system has been developed in three phases. The third phase is still under development. The completed phases enabled visualisation of 29 KPIs. The Dashboard is accessible through the Office intranet to all staff for their performance reflection and control. In summary, the Dashboard system yields the following benefits to the operational excellency of the Office.

- To provide the Controller and Auditor General (CAG) with greater control of all KPIs in one location for effective oversight.
- Ground Management decisions in concrete data and evidence.
- To effectively communicate strategic-level results and outputs through presenting data in a user-friendly visual format.
- To align definitions of success across the Office.

The Office harnesses the dashboard to improve quality of service delivery to the public and other local and international stakeholders as may be engaged. The Office has been winning various awards and recognition locally and internationally from its services rendered especially in performance audit, leadership and capacity buildings to employees. In other way, there are challenges in dashboard implementation, including inadequate awareness to users on both the dashboard and the monitoring evaluation framework, insufficient fund for timely implementation of activities and integration with external systems like MUSE and HCMIS payroll. The Office has a plan to develop Audit Lab from external system, including aforementioned systems, which will be the major source of external information integrated into dashboard visibility.

The tremendous embracement of performance systems positions the Office in a better competitive advantage on auditing regional and international audit assignments over other Supreme Audit Institutions. The effective performance control improves quality of audit services provided for the public sector. The office will be executing its mission smoothly to achieve its vision through the help of performance monitoring systems, particularly the dashboard.

...from page 37

What makes up an organisational culture?

Organisational culture starts from three key pillars of establishing a business: mission, vision, and values. It is from the integration of these pillars that makes it possible to develop a culture with a strong purpose, engaging and inspiring, making all employees work in sync to achieve common goals. It is based on the values derived from basic assumptions. It relates to people, performance, individual beliefs, and leadership.

The meaning of Values

Values are principles and beliefs that serve as a guide for all behaviours, actions and decisions of employees while carrying out their duties.

Comparatively to the idea of individual character, values guide the execution of the mission according to the direction of the chosen vision, functioning as ethical and moral precepts that delimit the organization's line of action. They are a set of principles that assist those involved in the commitment to the organisation's ideals both in their internal action and in their attitude toward the community.

According to our SP, The Core Values of NAOT are:

Independence and Objectivity: We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Professional competence: We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices.

Integrity: We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation: We encourage, create and innovate value-adding ideas for the improvement of audit services.

Results - Oriented: We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.

Teamwork Spirit: We value and work together with internal and external stakeholders.

The culture needs to manifest itself in a variety of ways, including leadership behaviours, communication styles, internally distributed messages and corporate celebrations. Given that culture comprises so many elements, it is not surprising that terms for describing specific cultures vary widely. Some commonly used terms for describing cultures include aggressive, customer-focused, innovative, fun, ethical, research-driven, technology-driven, process-oriented, hierarchical, family-friendly and risk-taking

Broadly there are two types of organisational culture:

Strong Organisation Culture or a healthy culture: refers to a situation where the employees adjust well, respect the organisation's policies and adhere to the guidelines. In such a culture people enjoy working and take every assignment as a new lesson and try to gain as much as they can. They accept their roles and responsibilities willingly.

Weak Organisation Culture or a toxic culture: In such a culture individuals accept their responsibilities out of fear of superiors and harsh policies. The employees in such a situation do things out of compulsion. They just treat their organisation as a mere source of earning money and never get attached to it.

How to use our values to build a strong culture?

A strong culture is a common denominator among most successful organisations. The key to a successful organisation is to have a culture based on a strongly held and widely shared set of beliefs that are supported by strategy and structure. When an organisation has a strong culture, three things happen: Employees know how top management wants them to respond to any situation; Employees believe that the expected response is the proper one, and Employees know that they will be rewarded for demonstrating the organisation's values.

Can these core values be lived at NAOT?

Can we manifest the culture from the core values that we have in place?

According to Gartner, organisations can create a strong culture by continuously balancing their investment in people, processes, physical environment, and technology. The culture of an organisation relates simply to the way things are done. It is essential for the employees to understand the culture of their workplace to adjust well.

As such, the main cultural issues that often require attention include:

1. **Good leadership**
   An organisation's culture is set by its leaders. Leaders must be clearly and fully aware of the organisational culture's importance and all of the elements that make it up, since they are responsible for replicating it to all those involved in the organisation's different processes.

2. **Engaged employees**
   Studies have shown that the most engaged employees are those who feel empowered to take action when a problem or opportunity arises. Organisations with strong cultures invest in employee empowerment, ensuring employees have the necessary tools, knowledge, and skills to do their job effectively.

3. **Change Management**
   Organisations today live in a state of constant change as they adapt to new technologies, competition, and customer behaviours. As a result, agility and a change mindset are key characteristics of strong organisational culture—and good change management processes are central to building a resilient culture.

Do we have a strong (healthy) or weak (toxic) culture?

At NAOT so many things have changed since the coming of CAG Charles E. Kichere such as the use of biometric fingerprints, teammate plus in-house training, the establishment of a forensic unit laboratory, a defined dressing code (wearing of a tie) and use of modern tools in the audit process by learning from other supreme audit institutions and private audit firms and more.

But is this enough to build a strong organisational culture?

How do we embrace and live upon these changes?

Let us wind up here for today, however, we still have to ask ourselves:

How do we live upon the organisational core values?

Can the office be identified by its culture?

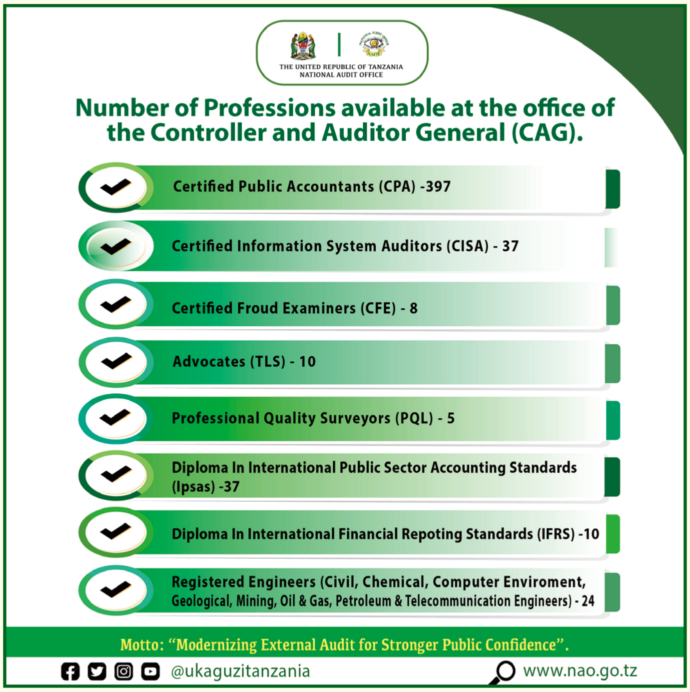
Can we impact the same values on the new employees? How does the top management enhance the level of cohesion?

How can we become agile in adapting to external factors such as political, economic, social, technological, environmental and legal changes (PESTEL Analysis).

How can we improve the performance of the organisation's working process by enhancing the ambition of the CAG?

Can we identify the gap in cultural messaging and awareness within ourselves?

"Culture change is not just one thing, and it takes time". We all need to be ready.



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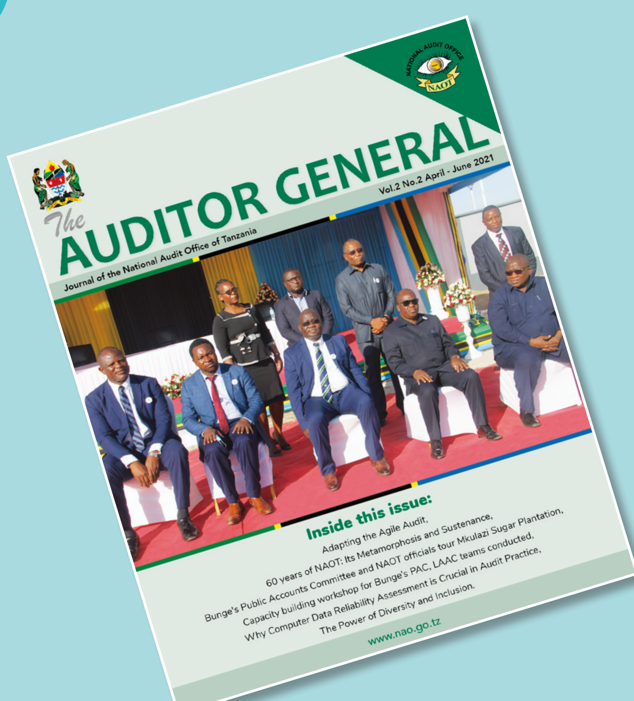

NEVER MISS READING

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