



The

AUDITOR GENERAL

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How Tanzania's MPSA in place considers Local Content Policy for Oil, Gas industry

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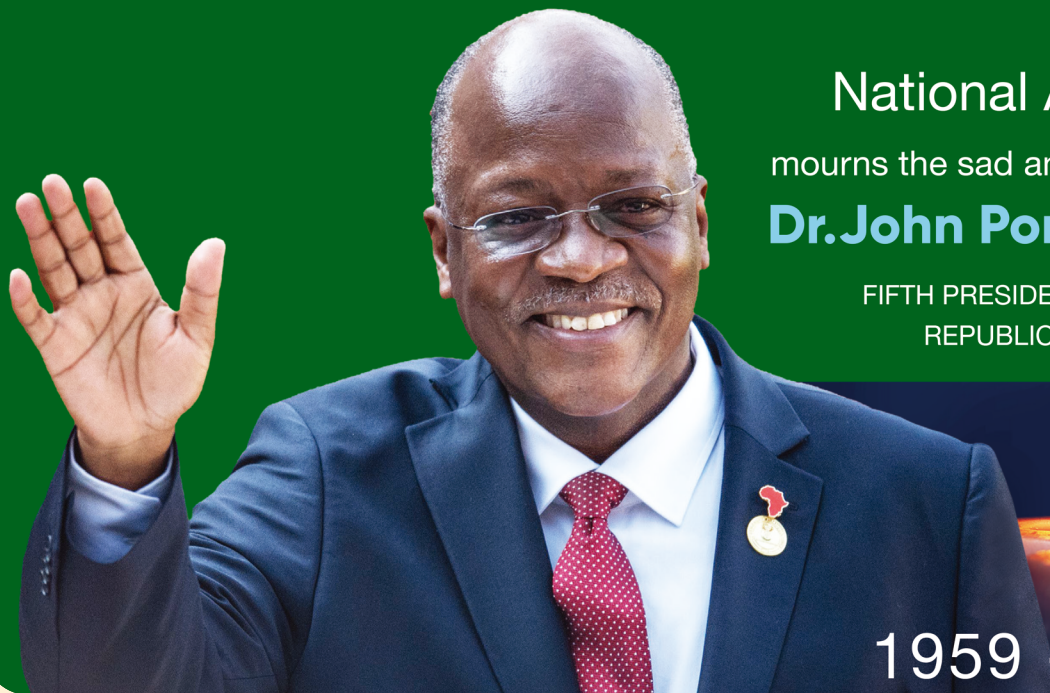
National Audit Office

Congratulates Her Excellency

**Madam President
SAMIA SULUHU
HASSAN**

on assuming office as the sixth

**PRESIDENT OF THE UNITED
REPUBLIC OF TANZANIA**



National Audit Office

mourns the sad and untimely demise of

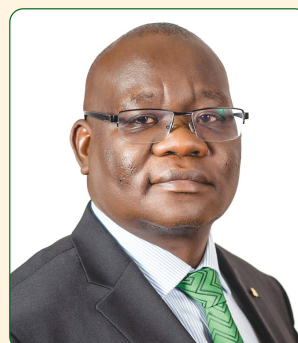
Dr. John Pombe Magufuli

**FIFTH PRESIDENT OF THE UNITED
REPUBLIC OF TANZANIA**



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From the Chairman

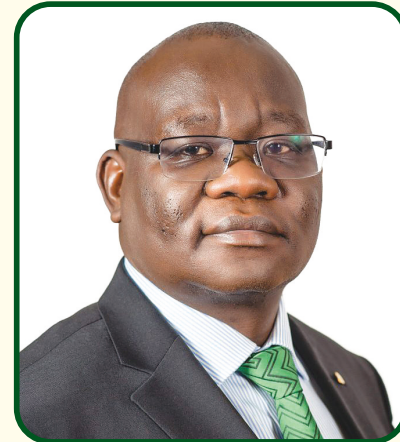
Dear Reader,

Welcome to Volume 2 - Issue No. 1, January - March 2021 of The Auditor General Journal published by the National Audit Office of Tanzania (NAOT). This edition once again abounds with enlightening articles pertaining to the public sector auditing, including the need for coordinating the financial reporting ecosystem. A well-coordinated financial reporting ecosystem brings about quality financial statements that can, for instance, go a long way in supporting prosecutors to quell embezzlement of public funds at courts of record.

Some public institutions have been losing cases on misuse of public funds for failure of tendering quality audit reports at courts. Empirical evidence shows that prosecutors provide evidence beyond reasonable doubt on losses the national coffers incur when they are equipped with special audit reports generated by the CAG. As a result, the number of public institutions' requests for the CAG to conduct special audits required for court proceedings is expected to rise as one of the articles indicates. With the increasing demands for such audit services, the need for NAOT to embrace and master technology for the office to live up to its mandate cannot be overemphasized.

Thanks to the Swedish National Audit Office (SNAO) for extending its support to NAOT internal communication system since 2019, employees can now confidently share information and collaborate online. I can assuredly report that the team work spirit among the employees is also improving as they keep on applying the intranet.

May I take this opportunity to call on all NAOT employees to consider using the internal computer network by reminding each other of the need for upholding ethics and transparency, refraining from corrupt practices and nurturing patriotism culture. The Former Prime Minister, Mr Mizengo Pinda, warned during the commemoration of the National Ethics and Human Rights Day in Dodoma recently over civil



Controller and Auditor General

servants letting down President John Pombe Joseph Magufuli in the anti-corruption crusade which has so far won Dr Magufuli himself and the government accolades globally. One of the greatest promises of the fifth phase government being complete integrity among social service providers, NAOT employees are duty bound to use the intranet for aligning themselves with this cardinal requirement. NAOT digitalisation efforts also have to go beyond internal communication. This time last year, a task force for developing a digitalisation programme was established in a bid to buttress these endeavours.

The task force is expected to come up with solutions for NAOT to cope with the country's e-government pace, which sees more processes being automated, including books of account which the CAG is entitled to access. In line with the ambition of coordinating the entire financial reporting ecosystem, all NAOT employees and stakeholders should not hesitate to use The Auditor General Journal for contributing views on the ongoing digitalisation endeavours, particularly on areas that directly or indirectly affect them. I thank you all for reading this and the forthcoming editions of The Auditor General Journal in your own spare time.

Mr. Charles E. Kichere
Controller and Auditor General

From the Chief Editor's Desk

Dear Esteemed Reader,

Welcome to another edition of the 'Auditor General Journal'

The National Audit Office of Tanzania (NAOT) is pleased to bring you this edition which is rich in various contents of use to all its stakeholders.

I congratulate all our contributors who made this edition possible. The articles shared are all very enriching, informative as well as entertaining having resulted from wide research and consultation in the relevant fields. They sure are a proof that NAOT has become a centre of excellence not only in the audit area, but also other areas of interest to the body of our stakeholders.

I appreciate every communication that reached my desk, be it a reaction on articles published in our previous edition(s) or simply suggestions on areas of improvement. Please keep your reactions coming through as this journal is a key avenue of communication between NAOT, its management, its staff and our stakeholders.

Briefly, the current 'Auditor General Journal' highlights on the concept of auditing beyond numbers in efforts to fill the audit gap in stakeholders' expectations; the digitisation initiative at the National Audit Office; the good response NAOT Audit Reports receive in the AFROSAI-E Region; and, a scrutiny of the relationship between court decisions and Supreme Audit Institutions core business—overseeing accountability and predictability of government performance.

Furthermore, there are articles on upstream operations in the oil and gas industry as reflected in the Model Production Sharing Agreements and why the latter matters; the multiple benefits of conducting real time audit in an enterprise; and the importance of women at the work place.

Parliament is a very important institution in the country. It is also one of the most important partners of the National Audit Office. Hence, building close relationships between the two is very important. There is in this journal an article dedicated to the meeting that the Controller and Auditor General (CAG), Mr Charles E Kichere, held with Members of Parliament in Dodoma.



Chief Editor

The pictorial section brings you various events related to activities of NAOT and its staff and stakeholders during the period covered by this edition.

Our world is still battling the Corona virus disease (Covid-19) pandemic, which has been causing havoc in how social and economic lives are led. Given the fact that our country is not an island, it is crucial that we continue taking the necessary precautions as per guidelines set by the Ministry of Health, Community Development, Gender, Elderly and Children. Staying safe and remaining active in production should continue being our priority.

I call upon all stakeholders to continue spreading the word about the information published in this edition and many more to come hoping that with full commitment and determination, the 'Auditor General Journal' will serve its cause and goals in the field of auditing.

On behalf of the Editorial Board, I welcome your feedback, comments and suggestions on how to further improve the 'Auditor General Journal'.

Thank you very much.

Sakina Mfinanga
Chief Editor

CAG CONDUCTS TRAINING TO PARLIAMENTARIANS

By Sakina Mfinanga



The Controller and Auditor General (CAG) Mr. Charles E. Kichere, has conducted a training to parliamentarians of the United Republic of Tanzania. The training took place in the capital city, Dodoma, after the swearing in ceremony of the members of the legislature.

The training aimed at informing parliamentarians on the importance of the audited reports that are generated by the Office of the CAG which will enable them to effectively discharge their duties especially when making follow ups on income and expenditure in Parastatals, local governments, central government and in various projects which involve the use of public funds.

Mr. Kichere urged parliamentarians to work very closely with his office to enable them gain the necessary experience of analyzing various audited reports.

"It is very important that the audited reports are disseminated to the public so that they can know how their taxes are spent. You Members of Parliament play a very important role to help wananchi to interpret the reports so that they can hold their leaders accountable", he said.

The CAG said that audited reports help the government to be more transparent on how it uses public funds. "The Audit reduces abuse of public funds and promotes a culture of accountability", he said.



The Controller and Auditor General (CAG) Mr. Charles E. Kichere facilitating a training workshop to the Members of Parliament of the United Republic of Tanzania which was held in Dodoma on November 20, 2020.

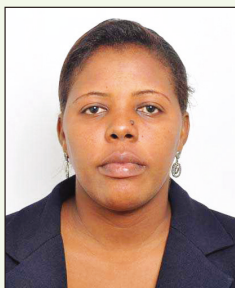
He said that through the reports produced by his office, they have discovered various weaknesses with regard to the utilization of public funds involving various sectors. He argued MPs to cooperate with his office so that both can help the government to be accountable to the public.

"It is very important that the audited reports are disseminated to the public so that they can know how their taxes are spent. You Members of Parliament play a very important role to help wananchi to interpret the reports so that they can hold their leaders accountable. The audited reports help the government to be more transparent on how they use public funds. The Audit reduces abuse of public funds and promotes a culture of accountability."

CAG Kichere

NAOT Performance Audit Report wins Prize for Best Report in AFROSAI-E Region

By *Esnath Nicodem*



The National Audit Office of Tanzania (NAOT) was on May 11, 2019, announced the winner of the Prize for the Best Performance Audit Report in the year. This is the fourth time NAOT wins such a prestigious prize.

NAOT emerged the winner through its submission titled; A Performance Audit Report on the Management of Water Projects in Rural Areas.

The winning report focused on audit design, main audit findings, conclusion and recommendations.

It reviewed the performance of the Ministry of Water (MoW) and the President's Office -Regional Administration and Local Government (PO-RALG) in providing water services in rural areas.

The review covered the planning phase, implementation of the provision of water services, coordination of key stakeholders, whose activities have impacts on provision of water services, as well as monitoring and evaluation of the performance of relevant government entities in the provision of water services in rural areas.

Audit Design

The overall objective of the audit was to assess whether the MoW guarantees availability of safe and clean water to rural areas through effective projects management in a bid to minimise water borne diseases, distance travelled

and time people take to fetch it. The audit covered five financial years from 2013/14 to 2017/18 to establish the trend and to come-up with a reasonable analysis for the audit team to make adequate conclusions based on it.

Six regions with 12 LGAs and 58 sampled water supply projects were covered in the audit.

Methods the audit used for data collection include interviews, document reviews and physical observation to sampled water projects implemented in rural areas.

Main Audit Findings

The main findings covered the proportion of people with access to clean and safe water; implementation of water projects with regard to cost, time and quality; water quality testing; timeliness of payments made to contractors; and performance evaluation of contractors and government entities.

The following were the main audit findings:

Low proportion of population with access to clean and safe water in rural areas

The percentage of the population with access to clean and safe water in rural areas by 2017/18 was 58.7% only, while according to the National Rural Water Sustainability Strategy 2015-2020, the target was to attain 74% by 2015.

Although the Ministry showed improvements in access to clean and safe water by 74% and 72% between 2015/2016 and 2016/2017 financial years, respectively, the audit team noted that the data the ministry used was not uniform.

The Ministry used actual percentage of the population of people with access to clean and safe water between 2013/14 and 2014/15, while it used the capacity of established water infrastructure for the period of between 2015/16 and 2016/17. This was different from the actual population with access to clean and safe water in rural areas.

Among key causes for the failure to meet the target was the established infrastructure not supplying water as intended and inaccurate geological and hydro-geological surveys prior to drilling of boreholes leading to dry boreholes at Igwamadete in Manyoni, Sefunga in Singida and Lihimilo in Lindi districts.

In addition, water projects took a long time to be operational as were the cases of Kifindike and Gwata in Morogoro and nine boreholes projects in Manyoni districts.

Inadequate Implementation of water projects with regard to time, cost and quality

The completion of water projects in rural areas was delayed throughout the country whereby 79% of 58 reviewed projects were not completed timely, with an average delay of 480 days. The main causes were late payments to contractors and sudden increase in the scope of work.

A number of implemented water projects had costs overruns. One third of the 58 reviewed projects in the 12 visited LGAs had cost overruns. The maximum range of the cost overruns was noted in Nkasi District which ranged from TZS1.2 billion to TZS7.1 billion.

The main causes for cost overruns were inadequate design, preparation of bills of quantities, needs analysis and inclusion of unqualified items which were an unnecessary addition to the contract sum. In totality, these unqualified items amounted to additional total sum of TZS309 million.

Lack of water test reports and failure to take actions to recommendations given

The audit revealed that 22% of the 58 sampled water projects lacked water tests reports. The Ministry did not meet its target of ensuring that the community is supplied with clean and safe water in these projects.

Among the causes for lack of water tests is that Development Partners though implemented and financed the water projects, the LGAs did not ensure all procedures were adhered to.

The observation made in six out of the 12 visited LGAs exposes the community to potential risk of using unsafe water, hence endangering their health.

Inadequate and untimely funding of water projects by PO-RALG and the MoW

The MoW delays in paying contractors

Delays ranging from four to 627 days in paying contractors, who were implementing water projects in rural areas, were noted.

Main causes for the delays included inefficiencies of the MoW in handling payment certificates approved by the LGAs, mis-allocation of funds which development partners had budgeted and disbursed for implementing the water projects in rural areas and shifting of key development partners' approach for financing the projects.

MoW, PO-RALG and LGAs ineffective monitoring of the executed water projects

The MoW inadequate monitoring of water projects

Inadequate monitoring of water projects in the country by the MoW was noted. For a period of five financial years under the scope of the audit, the Ministry provided five monitoring reports only, while four such reports were supposed to be prepared and issued per annum. This indicates that on average only one report was prepared every year.

Inadequate monitoring was caused by the ministry lacking plans for monitoring and evaluation of activities performed by regional secretariats (RSs) and the LGAs, failure to effectively use key performance indicators during the monitoring process, infrequent monitoring undertaken, ineffective communication for monitoring the LGAs and RSs results in place, and inadequate follow-ups on recommendations to the LGAs made.

This resulted into quality of completed projects in rural areas becoming poor, cost overruns and delays in accomplishing them.

Some of the implemented projects were not supplying water due to poor design as observed at Kifindike in Morogoro, Mwamadilana in Shinyanga, Lipuyu and Chiola in Nachingwea districts.

PO-RALG inadequately monitored the water projects

The audit team notes that the PO-RALG does not adequately conduct monitoring of water projects in LGAs, as it provided less than five reports for five financial years under the scope of the audit.

Besides the PO-RALG lacking clear plans for monitoring activities performed by RSs and LGAs, the ministry also lacked key performance indicators during the monitoring process.

It also made inadequate follow-ups on recommendations issued and lacked documentation on actions taken to address the anomalies noted during the monitoring and evaluation activities of the water projects in rural areas.

Due to inadequate monitoring, there were delays (to which measures were not taken) in the completion of the water projects in rural areas, cost overruns and poor quality of the projects in question.

RSs inadequately monitored the water projects

The audit team noted that the RSs did not adequately monitor activities in all six visited regions because the monitoring was not quarterly based; it was rather based on requests from the LGAs when a project reached a certain stage that required approval.

This was caused by the fact that there were neither clear monitoring plans nor application of performance indicators during the monitoring process, and the RSs did not adequately follow-up on the recommendations issued.

LGAs unsatisfactory monitoring of water projects

LGAs were also not carrying out monitoring adequately. The monitoring was done upon requests from contractors when projects reached certain stages which needed approval from the LGAs. Furthermore, there were no full time personnel to supervise activities the contractors performed.

The LGAs lacked adequate plans for monitoring contractors and key performance indicators, and insufficiently followed up on recommendations issued to the contractors.

This resulted into the approval of certificates contrary to the actual work done, belated completion to 79% of water projects in rural areas and cost overruns due to poor designs which in Nkasi District, for instance, had to be re-designed, leading 36% of implemented water projects to incur cost overruns.

Contractors implemented water projects without the LGAs verification and approval as observed in Mbulu and Lindi districts.

Audit conclusions

The PO-RALG and the MoW do not guarantee availability of clean and safe water through effective management of water projects in rural areas. The percentage of the community with access to clean and safe water in rural areas was still at only 58.7% by 2017/18.

The Ministry did not meet the target of 74% and 76.5% by 2015 stated in the National Rural Water Sustainability Strategy 2015-2020, and the National Rural Water Supply and Sanitation Programme (NWRSSP), respectively. There was also inadequate implementation of water projects with regards to time, cost and quality.

Audit recommendations

The recommendations cover three aspects related to implementation, funding and monitoring of water projects in rural areas.

The following recommendations are issued to the MoW:

Implementation of water projects with regards to time, cost and quality in rural areas

The MoW should ensure that:

Mechanisms for testing water quality to all implemented water projects in rural areas are in place and the noted anomalies are communicated to the respective LGAs and resolved using affordable means in collaboration with the MoW;

Mechanisms for feasibility studies for intended water projects are adequately conducted to minimise variations in contract sum; and

The design and contract documents are reviewed prior to implementation of water projects and technical advice is accordingly given to all LGAs.

Funding of water projects in rural areas

The MoW should ensure that:

Mechanisms are in place for reliable and committed sources of funds prior to the signing of water project contracts in rural areas; and

Mechanisms are in place for utilising resources as intended and for on-going water projects to get first priority before the focus is shifted towards new projects in a respective financial year.

Monitoring of water projects in rural areas

The MoW should ensure that:

Mechanisms are in place for the LGAs to effectively supervise contractors and consultants' activities and for ensuring construction materials in use are from approved suppliers and are inspected and verified beforehand;

Mechanisms for monitoring and evaluating water projects in rural areas are strengthened at both the LGAs and the ministry levels to achieve effective implementation in terms of time, cost and quality;

Recommendations issued during the monitoring process are adequately adhered to; and

Documentation of actions taken to address noted anomalies during the monitoring and evaluation of water projects are strengthened at the LGAs, RSs and ministry levels.

Conclusion

The winning report presented key aspects of the performance audit, namely audit design, main audit findings, conclusion and recommendations.

The International Independent Review Team noted that the winning report covered the whole chain of responsibilities from the ministry to the local levels of administration and that it presented conclusions and recommendations that were clearly analytical, adding value and based on an overarching integration of the findings.

Intranet Harbours Confidentiality and Fast-Tracks Internal Communication

By *Sakina Mfinanga*



Internal communication is not only important for sharing information, it also promotes good understanding and teamwork among employees. As such, many forms of internal communication like use of telephones, meetings, emails and podcasts have been designed to promote understanding, teamwork and fast-track information flow among employees.

Although use of emails has been seen as the best way of sharing information, bulky information can best be shared using the intranet. The intranet is safe and the contents can only be viewed by a person who has a password which is controlled by the ICT administrator.

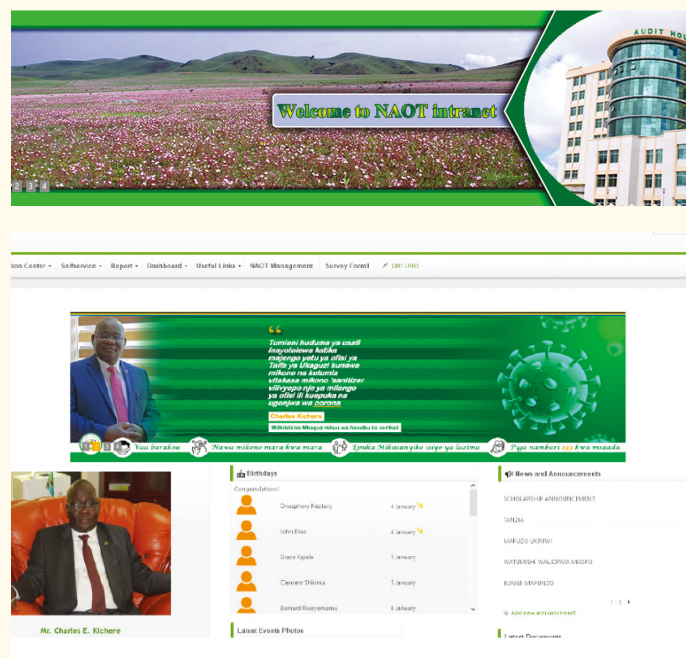
An intranet is a computer network for sharing information, collaboration tools, operational systems, and other computing services within an organization. It is the best form of online-internal communication which can be used by employees to share confidential information.

Intranet Home Page

Internal communications is at the center of digital transformation today. NAOT has not been left behind. Through the support of Swedish National Audit Office (SNAO), our intranet became operational towards the end of 2019, and has been active to date.

Categories of NAOT Intranet

Information on the intranet is grouped into different categories. It involves both events as well as classified documents relating to auditing, employees, administration,



planning and monitoring. Other type of information which can be accessed on our intranet include the availability of various forms like sick sheets and leave forms. There is also a category for policy documents and Management. The category on Management is only accessed by the members of the management and contains minutes and various resolutions which are passed by the management.

Finally, there is a category for newspapers, discussion platform, picture gallery for various events, as well as the dashboard.

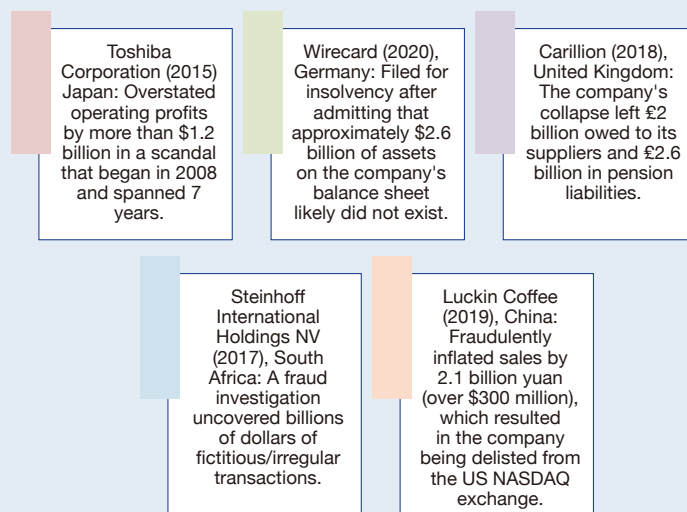
NAOT Communication Unit strives to make sure that all employees should use the intranet and appreciate its importance. Our unit also invites opinions on how best the intranet could be improved to ease access and navigation when searching for information so that we can continue to strengthen internal communication. So far, the departments have each appointed a member who is responsible for channeling information intended for uploading on the intranet.

Auditing Beyond Numbers

By *Amnoni Mwasakatile*



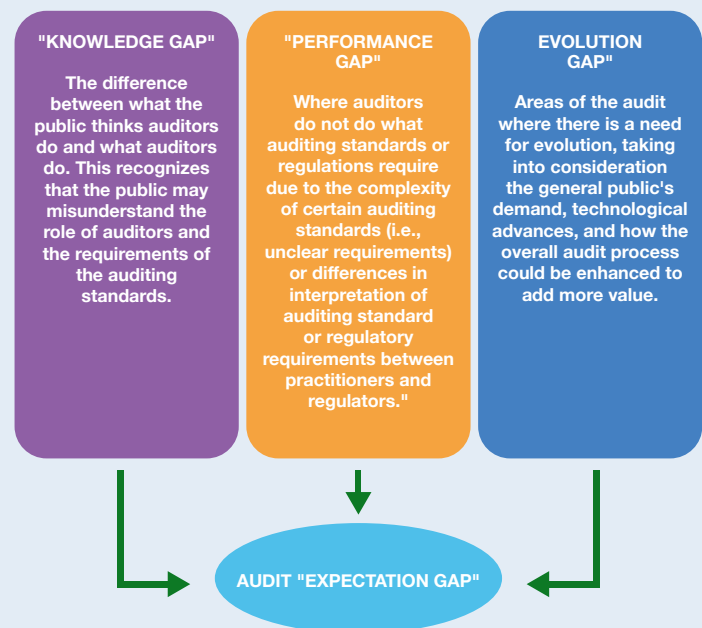
Audit is currently undergoing an unprecedented level of public scrutiny around the world. The expectations of the public, investors, and other stakeholders have increased in recent years, and the purpose, scope and practice of audit need to keep pace. In recent years, amplified by high-profile corporate failures or significant accounting restatements that cause shocking news headlines around the globe, trust in the financial reporting ecosystem¹ has been eroded. Several corporate failures and scandals across the globe have sparked debate between public policy makers, regulators, investors, auditors, and others. The chart below illustrates some scandals happened in previous years around the global.



Source: IAASB on Fraud and going concern paper.

¹ Financial reporting ecosystem includes those involved in the preparation, approval, audit, analysis and use of financial reports.

While those debates involve questioning the responsibilities of different participants in the financial reporting ecosystem, they have also highlighted issues in relation to expectations of auditors, including the role and responsibility of the auditor regarding fraud and going concern in an audit of financial statements. The confidence to the public keeps on declining from time to time due to increase in expectation gap. The expectation gap mostly relates to the role of the auditor on fraud and extent of assessing going concern of the entity. Expectation gap is a product of knowledge gap, performance gap and evolution gap whereby performance gap directly relate to the work of the auditor.



Broadly, many commentators continue to challenge the auditor's role in respect to fraud and going concern. Most notably is the emphasis on a continuing "expectation gap," or in general terms, a difference between what users expect from the auditor and the financial statement audit, and the reality of what an audit is. Regardless of the inherent limitations of an audit, the expectation gap, which is intensified when companies collapse without warning

signals, is one element that detracts from the public's confidence and trust in the financial reporting system.

While knowing that auditors themselves might not eliminate the expectation gap as it involves collaborative initiatives from financial reporting ecosystem, but they have a big role to play to minimise that gap and build public confidence on financial reporting. One of the steps among others is auditing beyond numbers.

Going concern assessment

The role of the auditor among others is to build confidence to users about the operations of the entity and continuity of future operations basing on the available and forecasted future information.

However, most of the audit work are limited to the reported numbers in the financial statements and provide opinion based on those numbers. Non-financial information such as review regulatory requirements, forecast of demographic information, trend of market share in the industry, compliance with tax laws and regulations, possible change in technology, forecast of business beyond 12 months, just to mention few are less considered by auditors during the audit process.

The practice also shows that going concern assessment is mostly limited to the letter of support from the parent company or group without assessing further financial strength of the parent company. The same case for review of regulatory requirements and tax compliance is limited to the engagement client without extending to the parent or group company which provide support to the client. The above scenario causes significant doubt on the extent of going concern assessment which in turn results into collapse of many companies without warning signals.

Fraud

While the primary responsibility for the detection and prevention of fraud rest to both those charged with governance of the entity and management, the auditor is responsible for obtaining reasonable assurance that the financial statements are free from material misstatements due to fraud or error. The responsibility provided by ISA 240 and ISSAI 1240 is quantitative in nature and less weight is given to qualitative fraud risk factors. There is insufficient guidance and support materials in ISA 240 to

assist auditors in assessing the qualitative fraud risk factors and extent of review of governance in terms of anti-fraud policies and procedures designed to prevent and detect fraud. In public sector, Guide 5270 issued by INTOSAI has gone beyond by guiding the public auditors to review systems in place to prevent fraud and corruption.

While the auditor is not required to design and perform specific procedures about misstatements that are not material, any misstatement related to fraud that has been identified may be indicative of a bigger issue. For example, evidence that an employee is not acting with integrity may also reflect broader issues in the entity's corporate culture.

Furthermore, frauds that are not material but recur over long periods of time may become material quantitatively or qualitatively in the future.

Therefore, emphasizing only on material misstatement cast significant doubt on the extent of coverage of fraud issues during the audit and limits informative information to both those charged with governance and management for informed decision making.

In addition, it has been questioned whether audit procedures should be designed to detect fraud that is not directly related to risks of material misstatement (such as cyber-attack risks resulting in theft of customer information) and are rather related to reputational or operational risk. This would expand the scope of the financial audit beyond what is currently required and make more value to our clients.

Owing to the inherent limitations, there is unavoidable risk that some material misstatements of the financial statements may not be identified, even though the audit is properly planned and performed in accordance with the ISAs or ISSAIs. This is because most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion is persuasive rather than conclusive. There is also the added risk of not identifying a material misstatement resulting from fraud because fraud schemes are often carefully planned and concealed.

However, auditing beyond numbers could expand the current audit practice and minimize the expectation gap from public regarding fraud. Limited coverage of going concern assessment and fraud are mainly attributed to

competency gap among auditors, tight reporting timeline, resource constraints, limited guidance on auditing standards, and non-use of forensic specialists.

In addition to auditing beyond numbers, it is globally suggested that training in both forensic accounting and fraud awareness could be inevitable as part of the formal qualification and continuous learning process for financial statement auditors to minimize the expectation gap.

It is also suggested that the use of other relevant specialists to perform fraud procedures may help to narrow the evolution gap. For example, data or information technology experts may be used to help perform procedures using advanced technologies (such as data mining or data analytics) to test full populations or identify populations subject to greater risk. It is also much emphasized that the auditor must maintain professional skepticism throughout the audit by considering both quantitative and qualitative fraud risk factors.

All these challenges are loud call to the auditors to extend the audit of financial statements beyond numbers to minimise the expectation gap to the public and enhance confidence to those charged with governance and public at large.

Auditing beyond numbers concept

Auditing beyond numbers involves reviewing the financial reporting systems and governance, risk management, monitoring mechanism of strategic plans, compliance with regulatory, and Tax requirements, anti-fraud controls and systems (policies and procedures in place to prevent, detect, and report frauds), ton at the top on fraud matters, and reviewing financial and non-financial information

within and outside the entity which might limit the going concern of the entity.

Auditing beyond numbers will provide a room for auditors to review operating efficiency of the entities and systems in place to prevent, report and correct fraud and compliance with regulatory and tax requirements. Also, this will assist those charged governance to get more informative information about the financial and non-financial strategic operations of the entity and stringent systems in monitoring results against the corporate strategic plans and coherent link between governance, control systems and risk.

Conclusion

There has been a slow evolution, since the 1970s, in the role of audit from being just a periodic external check on the accuracy of financial reporting towards a value adding function, but this has further to go. In hiding behind the need only to confirm and verify, many auditors have failed to grasp the opportunity to make their reports more informative. Many do take this opportunity in private, communicating well beyond the narrow confines of auditing standards when reporting to audit committees, but not to shareholders or other stakeholders.

It is understood that maintaining high-quality financial reporting requires all parts of the financial reporting ecosystem to interact and connect, either formally or informally, to influence the overall outcome, as well as how the ecosystem functions. Real transformation in audit will emerge only when we audit the financial statements beyond numbers. Auditing beyond numbers strives to provide a big picture about financial statements, future operations of the client and risks related to control, compliance, and operations of the entity.

CONGRATULATION

The Controller and Auditor General together with staff of the National Audit Office of Tanzania join hands in congratulating the newly appointed staff:



ALFA S BIGENI
Chief External
Auditor - Kinondoni



ALI A NTONGO
Chief External
Auditor TRA
Expenditure



**AMNONI
MWASAKATILE**
Chief TRA
Large Tax Payers



ANSELM F TAIRO
Chief External
Auditor - Shinyanga



Kelvin Amos
CEA TRA Customs
and Excise



Martina C Ntabhiyunwa
CEA Ministry of Finance
and Planning



Gwamaka Mwakyosi
Chief External Auditor
Simiyu



Deogratius Mtenga
CEA Lindi



Fahad Masanja
CEA Kinondoni



Daughson Balongeza
CEA Ministry of
Transport

Leaders urged to oversee implementation of promise of Integrity



By *Evelyne Thomas*



All leaders who are in charge of delivery service in both public and private sectors are obliged to oversee the implementation of the promise of integrity at their workplaces.

Hon. Mizengo Peter Pinda, the former Prime Minister and the Guest of Honor said this at the commemoration of the National Ethics and Human Rights Day in Dodoma.

Former Prime Minister Honorable, Kayanza Mizengo Pinda spoke during the National Ethics Days in Dodoma on 10.12.2020.

Hon. Pinda said that the commitment to uphold the Promise of Integrity in the private sector requires them to fully participate in the national economic growth through paying taxes from all their business engagements.

"Taxes should be paid through observing transparency, ethical values, non-enticing of corrupt practices and abstaining from any other attempt to solicit bribe", he said.

“

Taxes should be paid through observing transparency, ethical values, non-enticing of corrupt practices and abstaining from any other attempt to solicit bribe.

Hon. Mizengo Pinda

”

“

This is truly the right time to change the mindset of Tanzanians and make them believe that the members of the public service uphold ethics, anti-corrupt and are patriotic.

”

Hon. Mizengo Pinda

Hon Pinda insisted that all information relating to income tax should be transparent and does not interfere with the procurement of public services.

He reminded public servants on the position of H.E. Dr. John Joseph Pombe Magufuli, the fifth President of the United Republic of Tanzania that he does not tolerate lazy and corrupt employees, an act which has helped him to earn international recognition to combat corruption in the country.

“This is truly the right time to change the mindset of Tanzanians and make them believe that the members of the public service uphold ethics, anti-corrupt and are patriotic”, said Hon. Pinda. Foreign Commission and Development Organization (FCDO), formerly known as the Department

for International Development (DFID), and is implemented with high efficiency”, he said. The commemoration of the National Ethics and Human Rights Day was coordinated by collaborative institutions responsible for Good Governance, Ethics, Prevention of Corruption and Human Rights which are; The State House, Office of the Public Service Management and Good Governance, the Ministry of Justice and Constitution, PCCB, Public Ethics Secretariat, National Audit Office, Public Procurement Regulatory Authority and the Commission of Human Rights and Good Governance. This year’s commemoration was also attended by stakeholders from the private sector and development partners and bore the theme “Adherence to the Promise of Integrity for Leaders and Staff for the Prosperity of Good Governance and Human Rights in the country”.

WOMEN IN THE WORKPLACE

Why women make great leaders & what you can do to retain them

By Center for Creative Leadership

Organizations that don't realize the importance of women in the workplace are missing out. Besides doubling your talent pool, more women may also improve your company's performance. Previous research has shown that gender diversity is key for organizations' bottom lines:

- ✓ Fortune 500 companies with the highest representation of women on boards financially outperform companies with the lowest representation of women on boards.
- ✓ Gender-diverse teams have higher sales and profits compared to male-dominated teams.
- ✓ A recent Gallup study found that gender-diverse business units have higher average revenue than less diverse business units.

But the benefits of having more women in the workplace are not limited to just financial gains.

Women in the Workplace & Workplace Well-Being

Having more women in the workplace actually makes an organization a better place to work, for people of all genders, our research found.

In a large survey study, we asked hundreds of respondents to estimate what percentage of individuals in their workplace were women.

Answers ranged from 0–100%, with the average being about 45% (pretty close to the U.S. national workplace average). We then asked them a number of questions about their workplace environments. Results showed that having a higher percentage of women in an organization predicted:

- ✓ More job satisfaction;
- ✓ More organizational dedication;
- ✓ More meaningful work; and
- ✓ Less burnout.


But that's not all — we found that having more women in the workplace was also positively related to employee engagement and retention. Specifically, when asked why they stay with their current employer, people from organizations with a high percentage of women were more likely to cite positive and meaningful organizational culture, including having:

- ✓ Enjoyable work;
- ✓ A job that fits well with other areas of their life; and
- ✓ Opportunities to make a difference.

These new findings persist, regardless of participants' age, industry, organization size, leadership level, ethnicity, and gender. In fact, our findings were even stronger for men on some measures. Specifically, men reported being more satisfied with their job, enjoying their work more, and not feeling as burned out if they worked for companies that employed higher percentages of women.

What Women Want from Work

Given this finding, you might be considering what you can do to attract, retain, and promote women in your organization. Our study also asked women about what they want from the workplace. Here's what we found:



Having more women in the workplace actually makes an organization a better place to work, for people of all genders, our research found.

Women Want a Calling — Not Just a 9-to-5

The most common reason women gave for staying with their current employer was that their job fits well with other areas of their life, followed by enjoying the work that they do, and believing that their job gives them the opportunity to make a difference.

Moreover, many women talked about having personally meaningful work that connects to their values, purpose, and work-life balance. Together, these reasons describe a specific type of employment that social scientists refer to as “a calling.” Callings are jobs that people feel drawn to pursue; find intrinsically enjoyable and meaningful; and see as a central part of their identity. *Research shows that experiencing work as a “calling” is related to increased job satisfaction.*

Women Want Flexibility in Where, When & How They Work

When women were asked to rate the importance of workplace perks and benefits, flexibility concerns rose to the top of the list. Paid time off was rated as the most important perk, followed by healthcare benefits, paid leadership development, flexible schedules, and opportunities to move up in the organization. Compared to a control group of men, women also rated paid time off and working from home as higher priorities. Flexibility might be particularly critical when it comes to retaining talented women who also want to raise families — women with children rated having a flexible schedule and being able to work from home as more important compared to women who didn’t have children.

Digital Transformation in a Context of Office's Vision

By *Azizi Dachi*



This article attempts to examine the digital transformation in a context of National Audit Office's (NAO's) vision. Hoping to identify digital transformation initiatives that will help the office to come closer to its vision. Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing how you operate and

deliver value to your key stakeholders. It is also a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure.

NAO as the Supreme Audit Institution (SAI) plays a critical role in holding government to account and enabling legislative oversight. NAO is a critical part of the national accountability architecture. Given its mandates to "watch" over the government accounts, operations, and performance, it should be natural partners of citizens in exercising public scrutiny. The scope of the SAI's work is to increase transparency and accountability for the benefit of citizens, through external audit services. Effectiveness of SAI operations can be ensured only through sustained interaction with the various stakeholders, which include the executive, the legislature, media, civil society organizations and citizens.



Through understanding National Audit Office's mandate as stipulated above, it becomes easier to understand the vision of the office. NAO is aspired to be a highly regarded Institution that excels in Public Sector Auditing.

The vision invokes implicit comparison between NAO and other SAs, in terms of operational excellence in auditing services. Operational excellence at its core is a philosophy that embraces problem-solving and leadership as the key to continuous improvement.

Deploying digital transformation strategy may enable operational excellence that will lead to NAO outshining other SAs while delighting its key stakeholders. It is on this premise that makes digital transformation strategy integral in achieving NAO's vision by providing high quality auditing services based on standards and best practices.

An important element of digital transformation is, of course, technology. But often, it is more about shedding outdated processes and legacy technology than it is about adopting new tech. It is also about enabling innovation. It uses digital advances such as analytics, mobility, social media, and smart embedded devices as well as improving the use of traditional technologies such as Enterprise Resource Planning (ERP) to change customer relationships, internal processes, and value propositions.

SAI can be digitally transformed in three key areas of the institution: customer experience, operational processes, and business models.

In the area of customer experience, it is important to understand who the customers of the SAI are. In this context, Parliament through Public Accounts Committees and eventually the citizens are the customers of the SAI.

NEWS IN PICTURES



A leader being on top of his game is what motivate staffs midnight review.

Robert Silvek, a facilitator from SAI-Sweden signs a visitor's book, when he paid a courtesy call at the CAG's office. NAOT continues to foster working relationships with various stakeholders in various areas including capacity building to its staff. A visit of such delegation signifies the trust that our stakeholders have in our office.



Mr. Emmanuel Kalibashibao Assistant General (middle in blue suit), in a photo with NAOT Risk Champions during an Advanced Risk Training held in Morogoro. The Office understands risks are inherent, and seeks to prevent and mitigate their adverse impact in its operations through capacity buildings to its officers.

The Controller and Auditor General, Mr. Charles E. Kichere gets informed of Julius Nyerere Hydroelectric Power Project (JNHS), earlier in November 2020. NAOT has recently embarked on real-time technical audits which aims at ensuring that major projects implemented by the government are effectively and efficiently executed.



NEWS IN PICTURES



The Controller and Auditor General (third from right) Mr. Charles E. Kichere listening to the matter during the culmination of celebration of conference on ethics day, which was held in Dodoma on 10th December 2020.

The Guest of Honour in 42nd Graduation of National Board of Accountants and Auditors (NBAA), the second from right, The Controller and Auditor General Mr. Charles E. Kichere in picture with Graduants of CPA(T) from National Audit Office which was held in Dar es Salaam on 17th October 2020. NAOT is a proud centre of public sector auditing and encourages its staff to acquire professional qualifications required for their job.



The Controller and Auditor General Mr. Charles E. Kichere in a picture with some of the Members of Parliaments of Public Accounts Committee (PAC), at Parliament in Dodoma on 19th January 2020. NAOT works closely with the Parliament to ensure continued and sustained accountability in the utilization of public resources in the country.

NAOT is pleased to welcome the newly joined Director of Human Resource and Administration Mr. Noverth Mfalomagoha (in the picture above) who was remarking at the farewell party of Ms. Teddy Kagube (not in picture), at an event which took place at the offices of NAOT Headquarters in Dodoma recently.



These segments of customers have different information requirements, though its source is the same (i.e., Management Letters and audit reports). The difference in information requirements stem from its scope and delivery.

Management Letter consists of material weakness written as set of observations and recommendations identified during audit for each client. These audit observations are using auditors' jargons and may not be readily understandable to the citizens.

This information differentiation is amendable to the use of advanced data analytics, web, and mobile technology. The material weaknesses found in management letter fall into two categories: conformance and performance. Each category affects audit client delivery of services to citizen.

Consequently, explaining these material weaknesses through augmentation of audit client service delivery data, macro-economic data and use of data visualization tools will make it easier for citizen and Public Accounts Committees to understand CAG's report. This easy-to-understand CAG reports can be disseminated through various social media platforms.

Therefore, enhancing SAI stakeholders' engagement and lead to greater audit impact and enable the SAI to deliver envisaged value and benefits.

In the operational processes front, automation can enable SAI to refocus its people on more strategic tasks. Operational processes are in two categories: core processes and support processes. Core processes are the ones responsible for delivering audit reports and support processes enable core processes to function better.

Centralized Teammate customized to use Teammate readable form data fields can automate core operational processes significantly and MUSE can automate finance related support processes. Additionally, integration of these systems will enable data driven performance measurement through Departments/Units and individuals Key Performance Indicators (KPIs).

Through digital transformation strategy gaps can be closed by introducing new applications and integrating existing applications under one architecture to leverage its data for bring about operational excellence in our office.

DIGITAL TRANSFORMATION



In the business models front, SAIs can not only change how their functions work, but also redefining how functions interact and even evolving the boundaries and activities of the SAI.

SAI business model is derived from risk-based audit methodology which is based on assumption that reasonable assurance is obtained through audit testing of selected random samples. This methodology relies on statistical method applied on sampling to generalize audit finding in the population. Consequently, improving efficiency of audit process by decreasing cost and time of audit execution.

New technology provides the opportunity to re-think the audit methodology and its respective business model. Data from audit client are found in both digital formats from IT applications and non-digital formats from manual processes. The tools for digitizing hard-copies from manual processes are getting cheaper (i.e., handheld scanners) and ease to use. Additionally, the advanced data analytics tools (e.g., Excel Power Query and Power BI) capable of accepting and aggregating multitude of data sources are becoming common place. These co-influences of factors provide the possibility of changing vouching procedure into modern audit tools and techniques. If specialized algorithm for this purpose is developed, then the entire audit procedure can be automated and run into a powerful server which can check hundred percent of the population.

Digital transformation is a Journey, not a destination; it requires thinking about digital transformation as a moving target that is constantly evolving and needs steady evaluation and updating to remain viable as a strategy.

The buy-in of digital transformation strategy from CAG and executive management provides hope for the office to successfully navigate our digital transformation journey to achieve our vision.

Relationship between quality management, quality assurance and quality control

By *Edna Mtili*



Quality management is the act of overseeing all activities and tasks that must be accomplished to maintain a desired level of excellence. This includes the determination of quality policies, creating and implementing quality planning, quality control and quality assurance.

Quality management system includes all the people, processes, stakeholders, and technologies that are involved in an organization's Culture of Quality, as well as the key business objectives that make up its goals.

Quality assurance (QA) and quality control (QC) are two terms that are often used interchangeably. Although similar, there are distinct differences between the two concepts.

Quality assurance consists of that "part of quality management focused on providing confidence that quality requirements are fulfilled." The confidence provided by quality assurance is twofold—internally to management and externally to customers, government agencies, regulators, certifiers, and third parties.

Quality control is that "part of quality management focused on fulfilling quality requirements." Maintaining a system of quality control requires ongoing monitoring and commitment to continuous improvement.

While quality assurance relates to how a process has been performed or how a product(in our case Audit Reports)

is made, quality control is more of a checkup aspect of quality management or the operational techniques and activities used to fulfill requirements for quality (in our case the levels from Team Leader to DAG).

In other words, Quality Assurance seeks to measure the processes and systems in order to reduce imperfect products (audit work and reports). It is often used by management to make decisions on process improvements. Whereby, Quality Control seeks to measure the quality of the final products (audit work and reports). It is often used to accept or reject products.

Quality management is all about analyzing the process and eliminating any problem or variable that might result in an incorrect product. Quality management is assisted by quality assurance and quality control.

Quality is not a program or a discipline. It doesn't end when you have achieved a particular goal. Quality needs to live in the organization as the Culture of Quality in which every person experiences and understands the need for dedication to its values. Quality is a continuous race to improvement with no finish line.

Quality is everyone's responsibility, but top management have more leverage in their decisions than anyone else.



The Implication of Judicial Decisions in NAOT Operations

Adv. Frank Eliud Sina

Senior Attorney, National Audit Office Tanzania, Dodoma



Introduction

One of the fundamental obligations of Supreme Audit Institutions (SAIs) like National Audit Office of Tanzania (NAOT) is to promote and enhance accountability and predictability of the government's performance.

SAIs do this by promoting accountable democratic institutions, preventing financial malpractices, corruption and dissemination of information to tax payers about execution of government's policies and programmers.¹

In Tanzania, the SAI (National Audit Office) has progressively gained prominence among all members of the society for its work of promoting accountability and stirring anti-corruption actions.

While there is no latest official scientific study on the role the office has played in this respect, feedback from media reports, analysis of social media contents and public exhibition and interviews with the general public indicate the office has played its role well. The trend can largely be attributed to the enactment of the Public Audit Act, 2008, and its Regulations, 2009, which provides for wider



mandates of the Controller and Auditor General (CAG) and his office for providing a better system of reporting audit works and providing for relationship between the NAOT and Parliament, particularly oversight committees.²

Similarly, the trend can be attributed to political will of the presidents late Benjamin Mkapa, Jakaya Kikwete and the incumbent, Dr. John Pombe Magufuli, for facilitating the office to acquire reasonably adequate human and financial resources that have enabled it to perform its role well and consequently its output (the audit reports) has been more outspoken than before. Likewise the Tenacity and commitment of the former CAGs, Mr. Ludovick Utouh, Prof. Mussa Juma Assad and the incumbent, Mr. Charles Edward Kichere, have not only contributed towards enhanced awareness of the public on the CAG role, but also have enabled the office to receive positive support

¹ See Preamble to the Public Audit Act, 2008 describing the strategic role of supreme audit institution in the United Republic of Tanzania

² Ofisi ya Taifa ya Ukaguzi, MCHANGO WA MHE. RAIS DKT. JAKAYA MRISHO KIKWETE KWA TAASISI SIMAMIZI KATIKA KUIM-ARISHA UWAZI, UADILIFU NA UWAJIBIKAJI TANZANIA, 2015 available at http://www.nao.go.tz/?wpfb_dl=126 (last accessed June 24, 2020).

from all spheres of life.³ Consequently there have been more expectations among stakeholders on what should be contained in the report and what the CAG is actually required to do in particular circumstances. This article, explores the implication of decisions of courts of records into the SAI operations.

Summary of Court Decisions

Tanzania's legal system is based on the English Common Law system. It derived this system from its British colonial legacy, as it does the system of government, which to a large degree, is based on the Westminster parliamentary model. The Judiciary in Tanzania has four tiers: The Court of Appeal of the United Republic of Tanzania, the High Courts for Mainland Tanzania, Magistrates Courts, which are at two levels, i.e. the Resident Magistrate Courts and the District Courts, both of which have concurrent jurisdiction. Primary Courts are the lowest in the judicial hierarchy.⁴ The High Court and Court of Appeal are courts of records with their decisions being binding to lower courts. This article revisits two landmark decisions that touch and have implication into operations of NAOT.

Ally Mirambo Hussein & Other Vs. Republic⁵

In this case, Nzega District Court found the appellants guilty of counts of occasioning loss to a specified authority. The appellant and four others, who were employees of Nzega Municipal Council responsible for handling finances, were charged with six counts, including occasioning loss to a specified authority.

The council had received from the central government money on accounts of teachers salary in excess of amount required. It was alleged that after paying teachers' salaries for two months there was a balance of TZS 36,235,500, which was not accounted for, leading to alignment and subsequent charging of the appellants.

The appellants were dissatisfied with both the conviction and sentence and thus appealed to the High Court.

On the appeal the High Court held:-

"In my opinion the prosecution had to prove pecuniary loss suffered by Nzega District Council and then prove beyond reasonable doubt that the said loss was occasioned by negligence of the appellants.

The only evidence which connects the appellants with the occasioning pecuniary loss to Nzega District Council is the testimony of PW1⁶ Mogasa Mogasa a Senior Investigator PCB

The testimony of PW1 was not supported by PW 3... and PW5 David Bakile Nzega District Councils Internal Auditor.

PW 1 told the Court that salaries payments for months of December 2002 and January 2003 were correct and that there was no audit report in respect of such payments...

In such circumstances and in particular for want of an audit report it was not proved beyond reasonable doubt that there was money which was not accounted for. In other words, it was not proved beyond reasonable doubt that, Nzega District Council Suffered pecuniary loss as alleged".

This decision of the court set a precedent that in the absence of an audit report, the lower courts should not consider allegations of occasioning loss to a specified authority as proved beyond reasonable doubt and thus convict the accused persons. While the court did not expressly declare who must produce the audit report, it has been implied that the required audit report for public entities is the one conducted and produced by the CAG.

³ See discussions on political support for success of SAI in Carl Ake G, 'Transformation of NAOT'; The Story of a Transforming Partnership 2004- 2013, National Audit Office, 2014. See also "Hotuba ya Katibu Mkuu Kiongozi kwenye hafla ya kumuaga aliyekuwa Mdhidhi Na Mkaguzi Mkuu wa Hesabu za Serikali Ndugu Ludovick S. L. Utouh", Hyatt Regency Kilimanjaro Hotel, Dar Es Salaam, Tarehe 11 Desemba, 2014 available at <http://www.nao.go.tz/hotuba-ya-katibu-mkuu-kiongozi-kwenye-hafla-ya-kumuaga-aliyekuwa-mdhibiti-na-mkaguzi-mkuu-wa-hesabu-za-serikali-ndugu-ludovick-s-l-utouh-hyatt-regency-kilimanjaro-hotel-dar-es-salaam-tarehe-11/>.

⁴ Christabel Manning and Seka Kasera, 'Tanzanian Legal System and Legal Research', Globalex available at <https://www.nyulaw-global.org/globalex/Tanzania1.html> (accessed August 8, 2020).

⁵ High Court of Tanzania (Tabora), Civil Appeal No. 3&4 &5 of 2007 (unreported)

⁶ PW1 stands for first Prosecution witness

Azimio Machibya Matonge Vs. Republic,⁷

In this case, the appellant Azimio Machibya Matonge challenged the conviction by Maswa District Courts of several counts, including occasioning loss to a specified authority contrary to section 284A of the Penal Code, Cap 16.

This case originated from complaints raised by villagers of Malampaka against the conduct of a water project. This complaint caught the attention of the Prevention and Combating of Corruption of Bureau (PCCB) who investigated the matter. The investigation indicated that Maswa District Council (within which Malampaka Village fall) had invited the tenders to supply water pipes to draw water from renovated water tank at Bukigi Village.

The appellants company bid and won the tender. The appellant sent a delivery note to the council to signify that he had delivered a total of 334 PVC pipes and poly pipes in compliance with tender agreement. The council issued to the appellant a confirmation receipt of water pipes and his company sent an invoice to demand for payments of Tshs 56,333,000.00. The council made payments to the appellant's personal accounts.

It was alleged that no single water pipe was delivered to the council. The PCCB arraigned the appellant before the Maswa District Court of several counts, including occasioning loss to a specified authority where he was convicted and his appeal to the High Court failed.

The Court of Appeal held (on page 17)

"It is apparent that the Council carried out its own investigations following the Complaints from Malampaka Villagers. PW 8 who was District Treasurer, led a team that was tasked to investigate these complaints. After talking to the villagers, the team compiled and presented its report to the Council on 19/03/2012.

The teams findings show that water pipes which were laid down to convey water to Malampaka had a number of shortcomings ... It is up to the Council to implement the content of the report which may include a special audit which may lead to a better grounded prosecution or

taking the internal disciplinary actions against its officers who were responsible for the loss".

This apex court's decision meant that a special audit report conducted by an independent auditor, who for within the setting of business operations is the CAG, is an important aspect for prosecution to prove its case in a charge of occasioning loss to a specified authority.

Implications of Court Decisions in NAOT Operations

As indicated above, decisions of the High Court and Court of Appeal are binding to lower courts and, legally speaking, they become the law.⁸ As such these decisions had several implication to the operations of the NAOT and expectation of the general public as described below:-

Increased Requests to Conduct Special Audits

Whereas the court has not clearly declared what audit report and who must produce it, it has been impliedly interpreted by investigative organs, namely the PCCB and the Police Force, that the required audit report for proving occasioning loss to specified authority for public entities is the one conducted and produced by the CAG. Consequently, there has been an increase of request from such organs and it is more likely that the trend will continue. Whereas the CAG is mandated to conduct other types of audits which have time limits, he will be obliged to also consider how to accommodate such requests.

Need for More Financial Resources

Audits require financial resources. Such costs include travel expenses and statutory entitlements of officers involved. With increased requests to conduct more special audits, certainly more resources are required for the office to undertake such audits. This will require proper planning and consultations among stakeholders to see more of such resources are bestowed for it to conduct as many such requests as possible.

Need for More Human Resources

The office has several times declared its limitations in terms of human resources.⁹ The need for the office to conduct more audits certainly calls for additional human resources

⁷ Criminal Appeal No.35 of 2016 (unreported) Court of Appeal of Tanzania, Tabora District Registry

⁸ See Section 2 of the Judicature and Application Of Laws Act (Chapter 358)

⁹ See for Example CAG's Speech during Workers Council held at Statistic Conference hall on 2-3 July 2020, Dodoma indicating the Office has a shortage of more than 250 staff (the speech is in the file of Author).

to meet the expected results. While the government has declared its commitment to progressively increase the number of staff to the office, this would require continued consultations and follow-ups.

Capacity Building among Officers for Writing Audit Reports that Indicate Occasioning Loss to Specified Authorities

With the declaration of the court that the CAGs reports are important for proving allegations of occasioning loss to public authority, the quality of such reports will be of paramount importance. For the office to produce quality and credible reports, which can be successfully used by prosecutors and attorneys in court proceedings, its officers must have sufficient knowledge and skills in not only conducting audits, but also in writing audit findings that are unambiguous and that can prove that the accused persons are really guilty. Capacity building events in that respect will require financial and time resources which can be obtained through proper planning and continued consultations with the government.

Increased Public Expectation on the Quality of CAG reports

The media has special interest in the works of this office, including prosecutions which involve officers from the CAG office as witnesses. Consequently, the general public will expect the officers of the CAG to produce unambiguous

evidence that can prove that the accused persons are actually responsible for occasioning the alleged loss to a specified authority. In case of the failure to do so, the credibility of the office is likely to be stained.

Enhancing Awareness of the Judiciary officers on the CAG Legal Audit Mandate, Audit Process and Interpretation of Audit Reports

Thai last but not the least is the need for enhancing awareness of the judiciary officers involved in determining legal proceedings on the CAG reports tendered as exhibits. Such officers should be acquainted with the CAG legal audit mandate, types of audits, the audit process and interpretation of findings contained in the reports. Again, this requires consultations, proper planning and financial resources.

Conclusion

The CAG report draws attention of all stakeholders. Such reports must be credible in any circumstance that are to be used. With the court decision that audit reports are important for prosecution to prove cases in a charge of occasioning loss to a specified authority, certainly, more attention will be drawn to the office and its output. The office needs to prepare and undertake required actions to meet such expectations. However, there is still a room, albeit limited, for courts to further clarify that such reports may not necessarily be exclusively produced by the CAG.

Real Time Audit in Public Sector

It is the Time to Act!

Ally A.A Kimbwe

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Introduction

Auditing is an independent examination of and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in accordance/compliance with the relevant legislation or statute, including adherence with approved auditing standard.

Auditing involves the collection and evaluation of evidence about the performance and position of an entity or about information on that performance and position, by a competent independent person with a view to reporting an opinion on the quality of that performance, position or information as measured by established criteria.

The objective of financial reporting is to provide information that is useful to management and stakeholders for resource allocation decisions. For financial information to be useful, it should be timely and free from material errors, omissions, and fraud. In the economy, timely and reliable information is critical for day-to-day business decisions regarding strategic planning, capital acquisition, credit decisions, supplier partnerships and so forth.

However, the practice of traditional auditing has not kept pace with the real time economy. Traditional audit procedures limit audit frequency to a periodic basis, such as annually, therefore, it creates the need of real time audit. One among of the greatest advantages of real time audit is that, in accordance with an entity's risk management process, it can identify areas of risk and communicate these to management on a timely basis, thus allowing management to adapt the strategic planning process of the entity in order to deal with risks. The best way you will effectively address fraud at all levels is by using real time audit.

What is Real Time Audit?

There is no authoritative definition of real time audit. Literally, real time audit means to audit the relevant events by following their development path. It involves auditing throughout the entire process from preliminary preparation, implementation, completion and commissioning. Real time audit enhances the reliability of the underlying information.

The purpose of real time audit is to allow external parties access to information as underlying events take place, rather than waiting for end-of-period reports. The real time audit release of financial and non-financial information on a real-time or near real-time basis.

Real time audit can be broken into detective activities, which are the process of monitoring of the transactions as they occur, as well as preventative activities, which ensure that adequate controls are in place within and around the organization's environment. A system of real time audit

provides management with the ability to implement an improved control environment of its organization timely.

Features of Real Time Audit

(i) Continuity

A real-time audit generally starts with the commencement of the audited project and ends at the closing of it, during which continuous real-time examination is carried out. Most real-time audits will last as project life. For example, the Wenchuan audit in China, CNAO began to get involved when the relevant departments were preparing the Hanchuan post-earthquake recovery and reconstruction plan in July 2008, in order to see how the preparation of the plan, financing plan and project arrangement were progressing. The CNAO continued to audit the closing work when most of the post-disaster recovery and reconstruction had been completed in September 2011.

(ii) Dynamic

Different from traditional audit which examines the static financial data after the event, real-time audits moves the supervision "pass" forward by conducting multiple audits in three different stages: pre-event, in-event and post-event. The pre-event audit foresees the development of the situation and gives pre-

warning in a timely manner; the in-event audit helps to promptly make corrections when things appear to go wrong and the post-event audit is performed in a way to find out problems and urge taking remedial measures.

(iii) Preventive

Real-time audits are aimed at prevention and are service oriented. By getting involved ahead of time and tracking the entire process, it can nip the possible violations in the bud or deal with them at the early stage, so as to prevent the severe illegal violations from happening. Meanwhile, by vigorously investigating and persecuting illegal practices and economic crimes, and communicating with the public on their results, the preventive role of the real-time audits can be further enhanced.

(iv) Constructive

Real-time audits not only identify and correct errors, but also can discover problems at the outset and offer audit opinions and suggestions accordingly, and urge the related departments to correct them by drawing inferences from other cases so as to perfect the management system, standardize fund management, give full play to the constructive role of audits and improve the management of the country.



Advantages of Real Time Audit

- Enable auditors to report on subject matter within a much shorter time-frame than under the traditional model.
- Makes the information contained in the report more useful or beneficial to the user and it can enhance significantly user's ability to make key decisions timely
- Defects discovered during the process are rectified immediately and funds which would have been lost are saved or recovered.

Challenges

Through consultation, Auditors may be involved in the designing of the systems and related controls they are auditing, as this could impact on their independence.

From the financial reporting perspective, the perceived cost of real time audit may outweigh the perceived benefit.

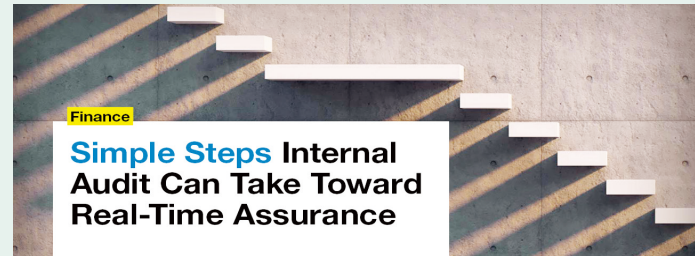
The Complexity, specialization and comprehensiveness of the organization of the real time audit work. The real-time audit as an auditing practice throughout the whole process, it requires better work organization and management.

Unexpected results, when not properly planned and implemented, real time audit can result into false positives and wasted effort.

Ways to overcome challenges

In order for the real time auditor to be effective and to maintain the independence of the auditors involved in real time audit, the auditors should be well trained. Training is essential for optimum results.

The perceived cost of real time audit may outweigh the perceived benefit. This viewpoint is a direct result of looking at real time auditing only from the financial reporting perspective. Unquestionably, the cost of issuing an audit report on a full set of financial statements each week, month or quarter would be significant and would exceed its value.



However, if the audit report only addressed specific types of relevant financial or non-financial data, performance measures or some other information that was of value to users and could be audited at a reasonable cost, then the benefits of this type of reporting may exceed its cost.

When not properly planned and implemented, real time audit can result into false positives and wasted effort. In order to success with real time audit, there should be a smart procedure in selection of projects of high public interest and which consume huge public resources.

Real-time audit generally starts when a major event occurs or when it enters a stable stage and ends when the project completes, during which, continuous real-time examination is carried out. Timeliness of audit involvement will help to reduce and avoid unexpected audit result.

Conclusion

The real-time audits will discover hidden loopholes and potential violations against the rules and timely provide suggestions for the audited units to improve their regulatory systems, plug up loopholes, prevent extravagances and investment loss, and achieve the goals by making corrections, strengthening regulation and making improvements on a timely basis. The implementation of real time audit is complex and involves many factors, however, the task is not insurmountable. There is increasing desire to conduct auditing in a real-time. With time and effort, real time audit can become a reality. Demand for more reliable, relevant and timely decision-making information it creates a need for real time audit, the National Audit Office needs to position itself to respond appropriately to the public needs.

How Tanzania's MPSA in place considers Local Content Policy for Oil, Gas Industry

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Many resource-rich countries improve their economies by controlling linkages to extractive projects, besides revenues they generate. The value an extraction project brings to local, regional or national economy is referred to as the local content.

A push toward local content compels a company to hire local labor force and to procure goods and services locally (NRGI Reader, 2015). What qualifies as local content often varies from one country to another. A country's local content requirements can be implemented on a project-by-project basis through contracts or national legislation.

Countries vary on the level of specificity of local content requirements and whether they include provisions for employment, training or ownership.

Countries often create requirements for extraction companies to include local labour forces and products or to encourage local content. Governments use a variety of tools for reaching their goal of benefiting the local economy through extraction projects.

In Tanzania, the Local content policy provides guiding principles for the participation and transformation of the country to the development of the oil and gas industry to



ensure optimal benefits and sustainable national economic growth are attained in the short, medium and long-term perspectives.

The policy has identified five key focus areas to address, namely capacity building and technology transfer, participation of locals and Tanzanian owned entities, procurement and usage of locally produced goods and services, fabrication and manufacturing in-country, and socio-economic responsibility.

Local Content Policy objectives

This policy recognises that oil, natural gas and minerals are national resources that belong to Tanzanians. It is, therefore, inherent that local people must be engaged in the entire value chain to ensure benefits reach the entire society for the present and future generations.

Main objective

The Local Content Policy provides guiding principles for maximum engagement of local content and local participants in the development of the oil and gas industry to ensure optimal benefits to Tanzanians.



To achieve this goal, the Tanzania government shall participate in the oil and gas industry's activities and, where necessary, engage foreign companies in specific operations.

The following seven specific objectives support this main objective and address challenges emanating from the industry:-

Specific objectives:

- To develop Tanzania local businesses for them to become internationally competitive through the empowerment of local suppliers to meet the needs of the oil and gas industry.
- To have appropriate technology transferred to Tanzania for managing and operating the oil and gas industry.
- To enable local training institutions run requisite curricula relevant to the oil and gas industry.
- To maximise participation of skilled and unskilled Tanzanians in the oil and gas supply and value chains' activities.

- To enhance value addition and job creation through the use of local businesses.
- To have local goods and services procured by operators in accordance with terms and conditions of their operating licenses.
- To support activities in the oil and gas industry based on gender issues and to address HIV and AIDS and other infectious diseases.

Local Content Policy and MPSA 2013

Local content requirements for the upstream operations in the oil and gas industry are well reflected in the Model Production Sharing Agreement (MPSA).

The MPSA is the basis for the individual contracts (PSAs) signed between operators and the Tanzania Petroleum Development Corporation (TPDC) on behalf of the government for exploration and production of oil and gas. All these local content provisions are stipulated under Articles 20 and 21 of the MPSA 2013.

The breakdown of the local content per each specific objective as per the Tanzania's Local Content Policy for oil and gas industry is as follows:

Objective I

To develop Tanzania local businesses for them to become internationally competitive through the empowerment of local suppliers to meet the needs of the oil and gas industry:

This policy aims at enhancing the capacity of local firms to participate. It requires the government to ensure every player in the oil and gas supply and value chains emphasizes on local participation, ensures specified thresholds for local participation are in place at each stage of the value chain, and local firms have full and reasonable access to procurement opportunities.

The local content is reflected in Article 20(b) of the MPSA 2013 which directs the International Oil Companies (IOCs) and others operating in the oil and gas industry to purchase local goods, services and materials in a bid to increase the market of the goods and services and to enable local businesses and suppliers to develop and grow competitively.

Article 20(c) and (d) of the MPSA also directs both foreign and local contractors and their sub-contractors to assure local enterprises of prompt payment for goods and services of certified standards if they are available at competitive prices and terms.

Objective II

To have appropriate technology transferred to Tanzania for managing and operating the oil and gas industry:

This policy aims at adopting new and appropriate technologies. It directs the government to ensure Tanzanians have adequate capacity to manage modern or requisite technology, all industry players prepare capacity building programmers for training Tanzanians, affordable technologies from multinationals are available to develop the oil and gas industry, local businesses adopt relevant information technology pertaining to all oil and gas operations, and licensees and their sub-contractors are obliged to financially support local capacity building.

The content is also reflected in Article 21(c) of the MPSA 2013. The Article requires a contractor to implement in consultation with the TPDC, in not later than six months after a Development License is granted, the programme proposed in the development plan and approved by the government, for training and employing nationals in each phase and level of petroleum operations and for the transfer of management and technical skills for conducting operations safely and efficiently.

The contractor shall, in any case, ensure the management and operation functions are transferred to Tanzanians within a period not exceeding five years from the commencement of commercial operations.

Objective III

To enable local training institutions to run requisite curricula relevant to the oil and gas industry:

The policy aims at getting skilled and qualified personnel locally, enhancing competency of Tanzanians in provision of full range of services required for the oil and gas industry, and obtaining local training and technical institutions.

It directs the government to support local training and technical institutions; encourage adoption of specialised input, technology and knowledge through the application of PSAs to allow IOCs to participate; ensure a centre of excellence in oil and gas is established; and to ensure Research and Development functions are strengthened to meet needs of the industry.

The Local Content Policy is further reflected in Article 20(b) (i), (ii), (iii) and (iv) of the MPSA 2013 which requires a contractor to spend at least US\$500,000 during each year of the term of the Exploration and Development licenses or any renewal thereof on one or more of the following purposes:

- To provide a mutually agreed number of the government and the TPDC personnel with on the job training in the contractor's operations in Tanzania and overseas, and/or training at institutions abroad or within the country, including natural earth sciences, engineering, technology, petroleum accounting and economics, economic analysis, contract administration and law as related to the fields of oil and gas exploration and production;

- To send suitable Tanzanian personnel picked by the government and the TPDC to universities, colleges or other training institutions for courses mutually selected by the contractor, the government and the TPDC;
- To send Tanzanian personnel picked by the government and the TPDC to conferences, workshops and seminars pertaining to the petroleum industry; and
- To purchase for the government and the TPDC advanced technical books, professional publications, technical software, scientific instruments or other equipment required.

Objective IV

To maximise participation of skilled and unskilled Tanzanians in the oil and gas supply and value chains' activities:

The policy aims at creating employment opportunities for Tanzanians. It requires the government to ensure foreign experts have limited and non-renewable work permits, maximise the number of skilled Tanzanians in every oil and gas operation along the supply and value chains, make deliberate preference for Tanzanians during recruitment, ensure certain employment cadres are reserved for Tanzanians only and to work with oil and gas and service companies to ensure approved employment and succession plans are implemented. Both of the above objectives are reflected in Article 20(f), (h) and (j) of the MPSA which requires an IOC to ensure the unskilled manpower requirement is reserved for nationals only. Sub-article (j) requires the contractor to employ Tanzanians in order to give effect to the Law and to ensure opportunities are given for the employment of nationals. If the government implements and adheres to them, both sections provide and maximise participation of skilled and unskilled Tanzanians in the oil and gas supply and value chains' activities.

Objective V

To enhance value addition and job creation through the use of local businesses:

The Local Content Policy for oil and gas aims at creating business opportunities for local firms through promoting

provision of quality goods and services the industry demands, ensuring usage of local goods and services, and giving preference to procurement of local goods and services.

All objectives above are reflected in Article 20(b) and (e) of the MPSA of the local content which directs contractors to purchase local goods, services and materials of certified standards and quality in accordance with Tanzanian authorities, namely the Tanzania Bureau of Standards, Tanzania Foods and Drugs Authority or any other relevant authority established and operating under the Law.

The local content also requires contractors upon purchasing goods, services or materials to follow an efficient, open, transparent, non-nondiscriminatory and competitive purchasing and award procedure in accordance with the Law and Best International Petroleum Industry Practices and to submit relevant procurement plan to the TPDC for review.

Objective VI

To have local goods and services procured by operators in accordance with terms and conditions of their operating licenses:

This policy aims at enhancing the value addition and job creation through the use of local firms for providing goods and services.

To achieve this objective, the policy shall ensure a compulsory local content requirement is applied to every Invitation to Bid, contractors and lead sub-contractors manage risks of local businesses by allowing them to participate and to ensure transparency, value for money and competitiveness are adhered to every procurement process contractors and sub-contractors undertake.

The content is also reflected in Article 20(k) (i) of the MPSA which requires contractors to provide the TPDC with an annual work programme and budgets required under Articles 5 and 7 for all projects to be carried out as well as for all goods and services for the petroleum operations.

Article 20(k) (ii) and (iii) of the MPSA requires the TPDC to agree with a contractor on a list of projects and goods and services to be published in at least two local newspapers and on the TPDC Website, and the contractor

in collaboration with the TPDC to invite qualified suppliers and contractors to bid for the supply or execution of the projects as the case may be.

Article 20(m) of the MPSA requires the contractor to give preference to Tanzanian companies by ensuring access to all tender invitations and including high weighting on local value added in the tender evaluation criteria.

Objective VII

To support activities in the oil and gas industry based on gender issues and to address HIV and AIDS and other infectious diseases:

Through the Tanzania's Local Content Policy for oil and gas, a contractor has to ensure compliance with health, safety and environmental standards in the industry. This can be achieved by ensuring operators adhere to statutory and international best practices on environmental management and protection and to also ensure the industry establishes and adopts sound environmental management systems.

The content is reflected in Article 24(n) of the MPSA 2013 which requires a contractor to put in place programmes for dealing with awareness and control of HIV and AIDS, malaria and other epidemic outbreaks in the contract area, the surrounding areas and other areas around the petroleum operations.

Conclusion:

The MPSA 2013 contains the latest local content requirements, but they are so far not yet adopted into any effective contract. The TPDC has the obligation to monitor the PSA Local Content provisions compliance on behalf of the Ministry of Energy and Minerals in line with the Petroleum (Exploration and Production) Act, 2015. However, the provisions allow alternative sourcing if the local market is unable to meet standards and quantities the industry demands.

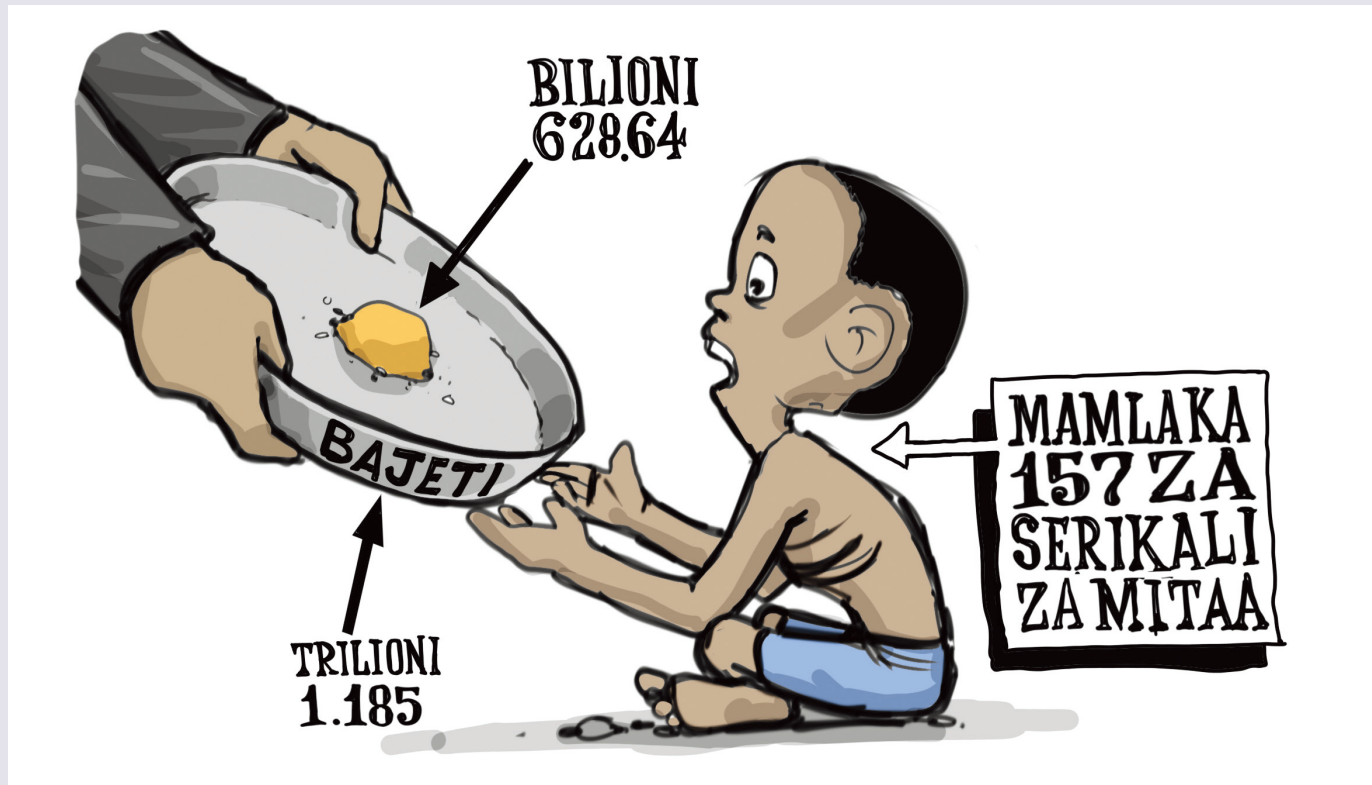
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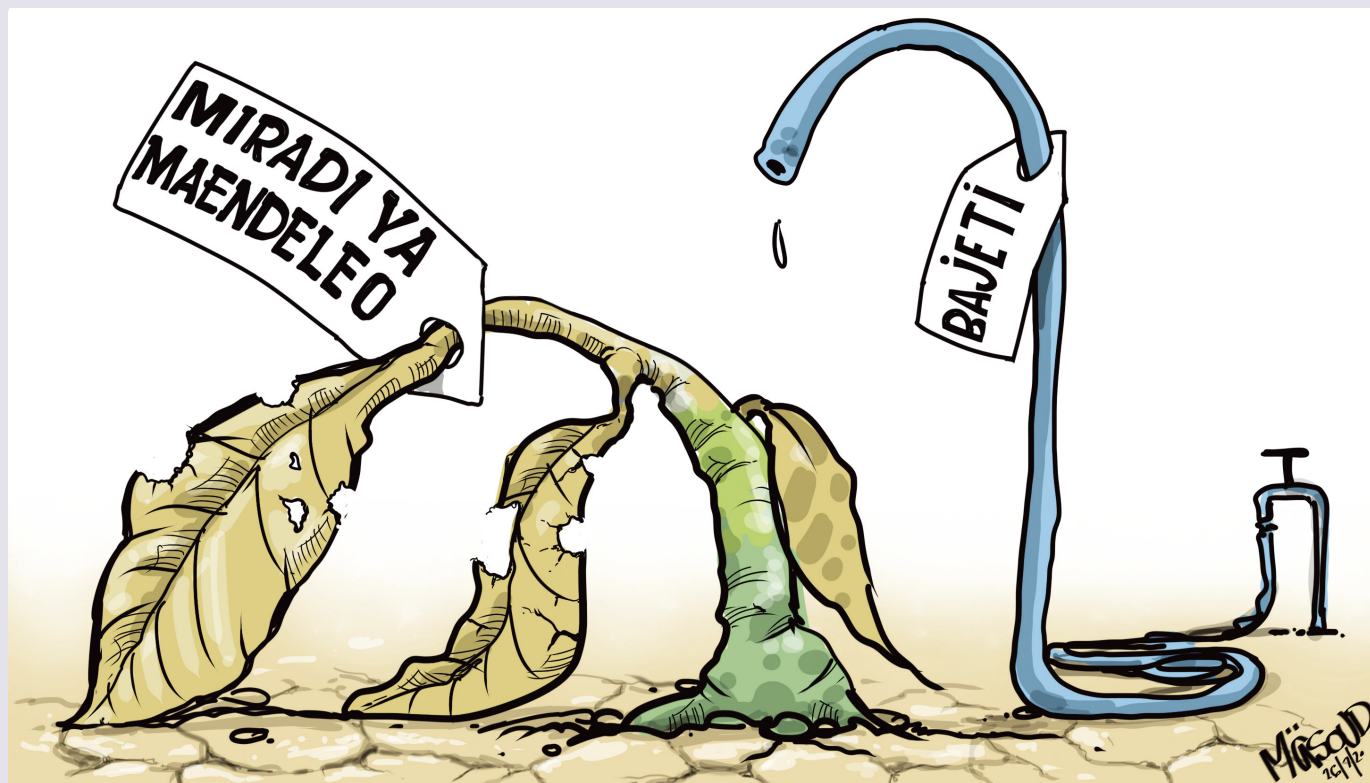
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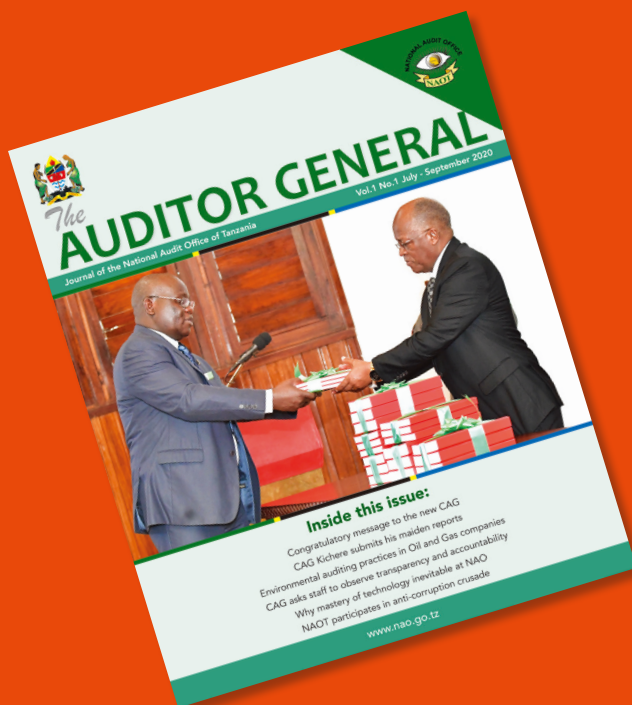


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The National Audit Office of Tanzania (NAOT) is the supreme Audit Institution of the United Republic of Tanzania headed by the Controller and Auditor General (CAG). Its mandate is enshrined under Article 143 of the Constitution of the United Republic of Tanzania (URT) of 1977. The powers and mandate of the CAG are clearly stipulated in Sections 11 and 12 of the Public Audit Act No.11 of 2008.

2. VISION

"To be a highly regarded Institution that excels in Public Sector Auditing."

3. MISSION

"To provide high quality audit services that improve public sector performance, accountability and transparency in the management of public resources."

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- Providing audit staff with appropriate training, adequate working tools, and facilities that promote their independence.



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