NATIONAL AUDIT OFFICE

NAOT
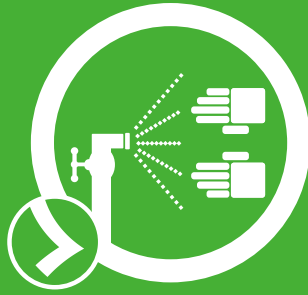
Inside this issue:

Adapting the Agile Audit,

60 years of NAOT: Its Metamorphosis and Sustenance,

Bunge's Public Accounts Committee and NAOT officials tour Mkulazi Sugar Plantation,

Capacity building workshop for Bunge's PAC, LAAC teams conducted,

Why Computer Data Reliability Assessment is Crucial in Audit Practice,

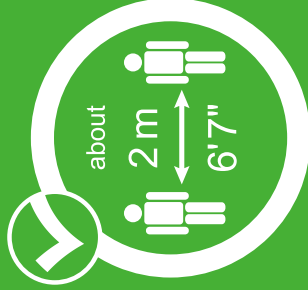The Power of Diversity and Inclusion.

COVID-19 SAFETY MEASURES

NATIONAL AUDIT OFFICE
NAO1

Use Face Mask
or Respirator

Stay at Home
if Sick

about
2 m
6'7"

Keep Safe Distance
from Other People

Use Soap
or Hand Sanitizer

Wash Hands
Thoroughly

Do Not Touch The
Front Part of a Mask

Do Not Travel
Unless Necessary

Do Not Touch Your Face
esp. Mouth, Eyes, Nose
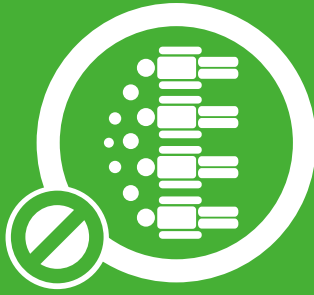
Do Not Meet
Infected or Sick People

Avoid Large
Crowds

The AUDITOR GENERAL

Editorial Board

The Chairman's Note

Dear Partner,

This is to welcome you to Volume 2 Issue No. 2 of The Auditor General Journal published by the National Audit Office of Tanzania (NAOT). This edition is special in many ways, and particularly because NAOT is celebrating its 60th anniversary this year. For us who work in this Office, our partners and stakeholders and the country at large, this is a huge milestone. We all deserve praise for a job well done.

The past six decades have seen the Office growing from strength to strength as it fulfilled its auditing mandate from one phase of the government to the next and through many financial policies under the leadership of various capable, competent and committed persons. You will read about all this in an article that has been dedicated to the history of the Office, highlighting briefly the changing legal frameworks guiding auditing practice in Tanzania from the last years of the colonial era to post-independence era.

Having pointed out this special event in the huge milestone of the Office, I must acknowledge that this organization would not be what it is today had it not been for the commitment, innovation and dedication of all those who worked with it at different times of its existence at various levels, particularly the heads. We are proud today of the milestones of NAOT because we are standing on the shoulders of the giants who made this Office become what it is.

I am honoured and privileged to name my predecessors and the eras they were at the helm of the Office. Mr. R.W.A McColl led the organization during what is referred to as the Subsistence Era (1961-1963); he was succeeded by Mr. Gordon A. Hutchinson during the Union Era (1964-1969), and passed on the button to Mr. Mohamed Aboud, whose era, Skills Development, happened to be one of the longest from 1969-1996.

Mr Aboud was succeeded by Mr. Thomas Kiama, whose focus was mainly modernization of the Office during the Transformation Era (1996-2005).

Controller and Auditor General

NAOT took a rigorous turn during the leadership of retired Controller and Auditor General Mr Ludovick S.L. Utouh, who steered the Improvement of Audit Methodologies Era (2005-2014), and took the organization to international horizons and standards. The Sustainability Era was under former CAG, Prof Mussa Assad (2014-2019) whose tenure saw the continuation of the aforementioned achievements including improving further the visibility of the office. I was honoured to succeed Prof Assad in 2019 and continue holding the fort during this Digitisation Era.

My pledge is that NAOT will continue with its core mandate of managing accountability and improving transparency in the management, collection and expenditure of public resources. We will continue to undertake this noble task professionally, impartially and as per the laws and regulations of the land, while observing best existing practice and standards acceptable at the domestic and international levels. We will also not hesitate to adopt and use the advancements of technology, particularly the Fourth Industrial Revolution (4FIR) that uses Blockchain technology and how to go about prudently using cryptocurrencies and such other technological products. I thank you all for reading this and the forthcoming editions of The Auditor General Journal in your own spare time.

Charles Kichere
Controller and Auditor General

From the Chief Editor's Desk

Dear Esteemed Reader,

Welcome to the edition of the Auditor General Journal. The National Audit Office of Tanzania (NAOT) is once again happy to publish this journal to sustain communication with its management, staff and all other players.

NAOT has come of age as it celebrates its 60th anniversary this year. This edition dedicates an article showing the path through which the Office trailed throughout the six decades to become a household name countrywide. In addition, the edition abounds with befitting obituaries explaining the life and personality of Dr John Pombe Joseph Magufuli, the fifth president of the United Republic of Tanzania, who passed on early this year.

It is, however, hard to condense Dr Magufuli's entire contribution to this country in one edition, given its limited space and the need for highlighting some other key articles with useful contents for you. Kudos to all contributors for sharing enriching, informative, entertaining and well researched articles which cover various fields relating to the core audit profession. Chief among them is the need for revisiting the auditing methodology for the audit to become predictive. Agile auditing approach is the talk of the town at the moment. Unlike the traditional approach, the agile audit focuses on meeting stakeholders' needs, accelerating audit cycles, driving timely insights, reducing wasted efforts and generating as few documents as possible.

The approach provides decision makers with room to take action even before the auditing work is accomplished. There is need for the profession to deploy real time auditing in a bid to inform the government on progress and results of projects, given colossal amount of funds it invests and massive transactions involved in the same. All what NAOT needs to embrace the new concept is to train its staff in Information and Technology (IT) for them to cope with the fast-changing government's financial management system. It also needs to heavily invest in IT resources, infrastructure and real time software comprising all essential functions.

Chief Editor

Afterall, the CAG is already equipped with sufficient human resources from cross-cutting disciplines to undertake the real time auditing in ongoing government's projects. This edition brings you an article on how to test data reliability. With the rapid increase of and changing computer-processed data, an auditor should refrain from using a figure if it is likely to give an inaccurate message. Another article shows how an organisation gains employees' satisfaction and retention; increased performance, creativity and innovation; high growth and reputation. Employees, who feel connected at a workplace, become committed, work harder and smart and produce high quality work. With a diverse, highly professional, motivated and multidisciplinary staff, NAOT can effectively live to its vision and mission.

I once again take this opportunity to thank all the contributors and writers of articles published in this edition. The end of this edition is the beginning of another one, I urge them to continue contributing articles to the forthcoming edition. Let others emulate them by contributing to the journal.

I also wish to extend my gratitude to the Editorial Board and invited editors for the task well done in bringing about this journal. In case of feedback, comments and ideas on how to further improve the journal, please do not hesitate to drop a line. Wishing you a happy reading!

Sakina Mfinanga
Chief Editor

60 years of NAOT

Its Metamorphosis and Sustenance

By **Wendy Massoy**

The year 2021 marks the 60th anniversary of the National Audit Office of Tanzania (NAOT). While marking the milestones, the Office has gone through various phases and major reforms to keep pace with operational changes in the Government, technology, and across the globe. In a nutshell, the history of the Office is divided into pre and post-independence eras of the country.

Pre-Independence era:
(Before 9th December, 1961)
The office was established during the colonial times. It was then known as the Audit Department. The department was part of the British Office Inspection Services headquartered in London, United Kingdom in accordance with Chapter 86 of the Audit Act which regulated audit activities since 1957. The head of the Audit Department in Tanganyika was recognized by the rank of the Director of Audit who had an Office at Kivukoni, in Dar es Salaam. The day-to-day operations of the Department was governed by the Colonial Regulations and General Orders and Regulations of the Audit Department from the United Kingdom.

By 1959, the Department had four offices with headquarters in Dar es Salaam and branches in Arusha, Mwanza and Tanga regions. On July 1, 1961, a law known as the 'Exchequer and Audit Ordinance of 1961' was enacted and changed the name of the Department to Exchequer and Audit Department. The post of Head of Office also changed from the Director of Audit to the Controller and Auditor General (CAG).

Post-Independence Era
The post-independence era of the historical development of the National Audit Office went hand in hand with phases of leadership. This period consists of seven leadership phases, each of which is explained below:

Phase One: Subsistence Era (1961-1963)
After the Independence of Tanganyika in 1961, the office subsisted through the Exchequer and Audit Ordinance No. 21 of 1961. The office continued to be legally recognized as the Exchequer and Audit Department under the leadership of **Mr. R.W.A McColl.**
In 1962, the Constitution of Tanganyika was drafted and recognized the Exchequer and Audit Ordinance of 1961, and this marked the beginning of the Constitutional mandate of the President to appoint the Head of the Audit Office. Prior to that, the nomination authority was with the Governor, who represented the Government of the United Kingdom.

Phase Two: The Union Era (1964-1969)

In 1964 the Union between Tanganyika and Zanzibar formed a country known as the United Republic of Tanzania. The Office continued its operations under the leadership of **Mr. Gordon A. Hutchinson.** By 9th July, 1965, the Transitional Constitution of the United Republic of Tanzania, which among others highlighted Union matters, was drafted and implemented. Hence, the scope of work of the Office was extended.

> *The historical growth of the National Audit Office shows that, the office has continued to be an important and influential tool in managing accountability and transparency in the management of the collection and use of public resources.*

Phase Three: Skills Development Era (1969-1996)

During this phase under the leadership of Late **Mr. Mohamed Aboud**, the Retired Controller and Auditor General, the major focus was to empower skills of the auditors academically so that their work would not only be impactfully but also efficient. It was during this phase that the Constitution of the United Republic of Tanzania of 1977 - which is still in force - was enacted. The Constitution defines the duties, responsibilities, powers and independence of the Controller and Auditor General. Specifically, during this phase:

(a) Auditors attended various colleges in the country for training;
(b) Auditors also took part in a six-month study tour in the United Kingdom, which assisted auditors to improve audit skills; and
(c) Great emphasis was placed on the auditors to follow procedures while performing their duties.

The biggest challenge in this phase was auditors' lacking professional certification in their professions.

Phase Four: Transformation Era (1996-2005)

During this phase, the Office's focus was to transform the Office into a modern one under the leadership of **Mr. Thomas Kiama**, Retired Controller and Auditor General.

During the phase:
(a) The Exchequer and Audit Ordinance Act of 1961 was repealed and replaced by the Public Finance Act of 2001 known as the Public Finance Act, No. 6 of 2001 (revised 2004) which further highlighted the whole issue of responsibilities, powers and independence of the Controller and Auditor General;
(b) The Public Finance Act changed the name of the Department to the National Audit Office;
(c) The Act under Section 26 (1) recognized the Office by stating, "there shall be a Public Audit Office headed by a Controller and Auditor General appointed by the President of the United Republic of Tanzania";
(d) Similarly, through the Public Finance Act of 2001, the Office was empowered to conduct another type of audit namely Performance or Value-for-Money Audit;
(e) Leadership began to expand where Zonal Offices were established;
(f) Auditors were developed in the field of audit including sending them abroad (especially the UK) for further training;
(g) Auditors with different professions apart from accounting such as engineers were recruited by the Office for the first time; and
(h) The Office received a major project 'National Audit Office Development Project - (NAODP)' funded by the Government of Sweden through SIDA, the Swedish National Audit Office (SNAO) and the Government of the United Republic of Tanzania which enabled major changes in the Office.

During this phase the biggest challenge was audit reports not being released and submitted to Parliament on time; lack of audit guidelines in line with international standards; Auditors lack of sufficient skills to conduct audits in accordance with international standards; and become dependent on the Auditees' Offices. However, the NAODP project aimed to address the challenges mentioned above.

Phase Five: Improving Audit methodologies Era (2006-2014)

During this phase the focus of the Office was to improve auditing techniques including developing audit guidelines in line with international standards. This era was under the leadership of **Mr. Ludovick S.L. Utouh**, Retired Controller and Auditor General. In order to comply with the development and requirements for the conduct of national and international audit functions, Union Parliament enacted the Public Audit Act No. 11 of 2008. The Act oversees all Audit matters. Its regulations known as The Public Audit Regulations were issued in 2009 through Government Proclamation No. 47 dated March 6th, 2009). During this Phase, the Office:

(a) Received its Public Audit Act which promoted the independence of the Controller and Auditor General by enabling:
 (i) Presence of a Consultative Meeting between Parliament through the Parliamentary Accounts Committee (PAC), The Controller and Auditor General and the Minister of Finance and Planning on the annual budget of the National Audit Office. Previously, the Office was submitting its budget to the Ministry of Finance and Planning and allocated a budget according to the set ceiling. In addition, the issue of having budget ceiling set by the auditee was a conflict of interest;
 (ii) Changes in the procedure for obtaining an External Auditor who audits the Accounts of the National Audit Office. The Public Audit Act has empowered the Parliamentary Standing Committee on Public Accounts to appoint an External Auditor to audit the Office instead of the previous procedure of the Ministry of Finance and Planning (who is also the Auditee) to appoint an External Auditor. This has removed the conflict of interest of the auditee to appoint an External Auditor to audit the CAG.
 (iii) Office to recruit staff that the CAG requires for audit work where the National Audit Office - in collaboration with the President's Office--Public Service Management and the President's Office -- Public Service Recruitment Secretariat - has successfully recruited staff of various cadres up to 940 employees from a small number of auditors that were present before the Act was enacted. Of these 940 employees, the Office has 400 employees who are Certified Public Accountants (CPA holders).

(b) The NAODP enabled NAOT to build audit offices in the regions to eliminate conflicts of interest. To strengthen the presence of office buildings in each region in the country, the Government enabled the Office to allocate a budget to build two office buildings each year and has successfully acquired its own buildings in 14 regions across the country so far;

(c) It has added types of audits including Value for Money Audit, Environmental Audit, Special Audit, Forensic Audit and Information System Audit.

(d) Documented reforms;

(e) Developed and implemented the Regularity Audit Manual - RAM and Performance Audit Manual - PAM);

(f) Finalised the first Performance Audit Report in 2007 and submitted it to Parliament in July, 2007;

(g) Managed to issue audit reports and submit to Parliament on time unlike in the past when the audit reports were delayed;

(h) Received more 'attention' from Parliament and the media on the audit reports tabled;

(i) Climbed the ladder in the 'Institutional Capacity Building Framework - ICBF' standards of AFROSAI-E from level One which is the lowest to level Three;

(j) Initiated the process of building the Audit College in Kigamboni in Dar es Salaam;

(k) Strengthened cooperation with the Union of Regional and International Audit Institutions such as INTOSAI, AFROSAI, AFROSAI-E, WGEA and IDI;

(l) Increased its international involvement and managed to send its auditors to participate in building the capacity of auditors of other National Audit Offices (Other SAIs); and

(m) Had the opportunity to be a Member of the United Nations Board of Audits (UNBoA - United Nations Board of Audits) for a period of 6 years from July 2012 to July 2018.

The biggest challenge in this phase was the 'sustainability' of the great success achieved. The Third Phase of NAODP which started in January, 2013 aimed to put in place systems that will enable the development of major investments made in Phase Five.

Phase Six: Sustainability Era (2014-2019)

In this phase, the focus of the Office was to operationalize major changes that had taken place, including updating the existing guidelines. The office was under the leadership of **Prof. Mussa J. Assad**, Retired Controller and Auditor General.

During this phase the Office:
(a) Monitored the implementation of existing guidelines including promoting the Office's significant achievements;
(b) Ensured that audits were conducted in accordance with the guidelines;
(c) Audit manuals, namely, Financial Audit Manual (FAM), Compliance Audit Manual (CAM) and Performance Audit Manual (PAM) were updated;
(d) Regularity audit split to Financial and compliance audit;
(e) Strengthened Forensic and Information System Audit by developing guidelines; and
(f) Continued the process of building the Audit College in Kigamboni in Dar es Salaam.

In the sixth phase of leadership, there was a challenge of increasing application of information systems in management of revenue collection and use of public funds and the establishment of major strategic projects that created a significant budgetary need in conducting audits as per international standards.

Phase Seven: Digitalization of Process Era (2019 to date)

In this phase, digitalization of the Auditing process is key. Therefore, the focus of the Office is to improve audits and procedures in line with technological changes both locally and internationally under the leadership of **Mr. Charles E. Kichere** - Controller and Auditor General.

During this phase the Office aims to:
(a) Focus on Technical and Real Time Audit of Strategic Projects to provide timely audit reports;

(b) Ensuring the establishment of the Modern Public Works Audit Lab;
(c) Increasing number of Performance Audit conducted;
(d) Strengthening Information System Audit Systems; and Forensic Audit including establishment of a Modern Forensic Audit Lab;
(e) Increase involvement of Standing Committees on Public Accounts and Budget, that is, PAC, LAAC, PIC and Budget in a capacity building programme on analysing audit reports;
(f) Develop and finalise the construction of the Audit College at Kigamboni in Dar es Salaam; and
(g) Climb the ladder in the 'Institutional Capacity Building Framework - ICBF' standards of AFROSAI-E from the current level (Level 3) to level four.

Challenges

The challenges facing the Office include: Inadequate capacity of staff on various audit areas such as digital forensic audit process, IS audit and Technical audits; Inadequate capacity of staff to utilize Information Technology audit tools and analysis of Big Data; Lack of institutional integrity framework; Ineffective performance management systems; and Inadequate capacity in risk management. However, the Strategic Plan 2021/22 – 2025/26 aims to address the noted challenges.

Conclusion

To conclude, the historical growth of the National Audit Office shows that, the office has continued to be an important and influential tool in managing accountability and transparency in the management of the collection and use of public resources. Achievement of NAOT strategic objectives depend on the contribution of its key stakeholders. The overall objective provides for long term, reliable, transparent and sustainable management of public resources.

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Marking the
60th Anniversary

On the 1st of July 2021, the office celebrated its 60th anniversary whereby the Speaker of the Parliament of the United Republic of Tanzania, Hon. Job Ndugai graced the event as Guest of Honour. Other dignitaries who took part in the event were representatives of the members of the Parliamentary Oversight Committees, retired Controller and Auditor Generals, Government Officials and other key stakeholders.

In his speech to the audience, Hon. Speaker Ndugai congratulated the Controller and Auditor General and employees for the National Audit Office's achievements. He said 'I know this office very well and have worked with it since it was known as the 'Exchequer and Audit Department' under the Exchequer and Audit Ordinance Act of 1961. In order to bring the National Audit Office into line with the development and requirements for the conduct of national and international audit functions, the government through its powers and Parliament decided to enact the Public Audit Act No. 11 of 2008, the one that oversees all audit issues so far'.

He further said that the National Audit Office has made great strides and built a reputation for excellence both at home and abroad. Among the NAOT's achievements he mentioned included the growth of the independence of the Controller and Auditor General where such independence, among other things, has enabled the budget ceiling of the office to be debated in Consultative Meetings between Parliament through the Parliamentary Accounts Committee (PAC), the Controller and Auditor General and the Minister of Finance and Planning; the external auditor for the office appointed by Parliament instead of the Minister for Finance and Planning; freedom of access to information for audit; and increased scope of audit compared to 1961 when the

Office was conducting only one type of audit 'the financial audit'. He also said that the audit reports issued by the National Audit Office are essential tools to the Parliament as they enable it in fulfilling its responsibilities to oversee the government.

In his concluding remarks the Honourable Speaker insisted that the National Audit Office is an indispensable tool for the Government, Parliament and various stakeholders in making effective decisions and therefore all of its staff need to be aware that they have been given a very high level of responsibility by the government, hence need to work with integrity and with the highest patriotism for the interest of their country. He urged the Controller and Auditor General to continue to be creative and patriotic in fulfilling his responsibilities and work with great efficiency to bring benefits to the nation. He thereafter launched the National Audit Office of Tanzania five years Strategic Plan 2021/22-2025/26.

Bunge's Public Accounts Committee, NAOT officials tour Mkulazi Sugar Plantation

By *Evelyne Thomas*

TThe Parliamentary Public Accounts Committee (PAC) led by Hon. Naghenjwa Kaboyoka (Same East MP) in collaboration with the Office of the Controller and Auditor General (CAG) toured different projects being implemented by the government as part of practical training for lawmakers. During the two-week tour, the committee also visited the construction of Mkulazi Sugar Plant in

Dakawa, Morogoro Rural District in Morogoro Region. The project, which is a joint venture under the National Social Security Fund (NSSF) and Tanzania Prisons, is expected to commence production in 2022. Initial production capacity is estimated at 25 tonnes per day. This project is specifically being developed for the purpose of curbing the shortage of sugar in the country. A total of 28,000 hectares shall be utilized for the investment. Mkulazi Company, which is located in Morogoro, has 387 employees out of which 300 are wage labourers. During the tour, the PAC commended the infrastructure already put up around the plant.

The other projects that were inspected by PAC included Mzumbe University buildings, some roads managed by Tanzania Rural Roads Agency (TARURA), the general laboratory at Sokoine University of Agriculture (SUA), an administration building and workshop at Morogoro Vocational Education and Training Centre, water and other projects in the Coast and Dar es Salaam regions.

CERTIFICATION FOR

ISO 9001:2015

By **Edna Mtili**

O rganizations are continuously challenged to achieve success inspite of the actions of major influences in the environment. Today globalization influences forces to change for improvement. Morgan (1998) found that, the image of an organism seeking to adapt and survive in a changing environment offers a powerful perspective for managers who want to help their organizations flow with change.

Consequently, to support this change organizations must provide quality products and/or services. Quality is always an integral aspect of an organization because it represents its image and raises potential to gain customers'/stakeholders' trust. For this reason, quality management can never be neglected and many organizations seek to validate their approach towards quality management with the top quality assurance certification. Quality assurance and certification, therefore, go hand-in-hand.

In modern organizations, quality management system (QMS) is managed through ISO 9001:2015 which is an international recognized standard used by organizations to support them in demonstrating the ability to consistently

provide products and services that meet customers and regulatory requirements.

Certification for Quality Management System (QMS) therefore gives the organization a competitive edge and make its products or services more credible to others. This certification is substantial proof of organization's commitment to quality. Complying with the conditions of an internationally recognized quality certification, the organization will be able to establish a strong unified Quality Management Systems that helps to maintain the quality of their products or services.

Among other thigs, implementation of ISO 9001:2015 improves organization's performance in diverse ways, since it increases employees' performance through total involvement by bringing   to achieve the intended targets. Additionally, implementation of ISO 9001:2015 apparently increases stakeholders satisfaction, reduces waste, improve

efficiency and culminating at acquiring an International recognition as among best service providers in our line of operations.

NAOT being a supreme audit organization, quality control is inevitable. It is imperative therefore to adopt and use this process-based quality management system to strengthen our services in providing high quality audit Reports and strengthen our quality control systems through the proper use of standard 9001:2015 and get certified to reap all the advantages obtained being an ISO 9001:2015 certified.

Being ISO 9001:2015 certified, NAOT will strengthen and promote continual progress and improvements of audit reports which will manifest their impacts to the public through upholding public accountability even more.

On top of that it will as well strengthen internal management by streamlining both auditing and operational processes.

Reminiscing Magufuli,
his unique leadership style

By **Sakina Mfinanga**

It was at night on Wednesday March 17, 2021, when the then vice president Samia Suluhu Hassan broke the worst news about the untimely demise of the President of the United Republic of Tanzania, Dr John Pombe Joseph Magufuli.

Tanzanians and Africans at large were saddened by the news of his demise after ruling the country for barely five years with enormous progress observed in infrastructure, industrial development and social service delivery ranging from clean and safe water supply to construction of health and education infrastructure. Global media houses have written it all about the man they called "The Bulldozer" for his zeal to ensure Tanzania attains a middle-income status come 2025, by reviving a number of mega projects and industries.

He was a no-nonsense man, who never tolerated lazy and corrupt high-ranking government officials and other public servants as well; he meant what he said and wanted things to go as planned without fear or favour. He styled his administration after the Tanzania's first president,

Mwalimu Julius Nyerere, who always had an independent mind. President Magufuli once said "Our founding father was not someone to be told what to do…the Father of the Nation refused to receive directives". Dr Magufuli's result-oriented actions, a dose of what the continent needs for resolving its governance hiccups, were also thought to be applicable to other African countries.On the very outset of his presidency, the late president Magufuli sent a stark message that he would not tolerate the country's chronic absenteeism among civil servants when he visited the Finance Ministry headquarters, asking for the whereabouts of those not present at their workplaces.

He also purged thousands of the so-called "ghost workers" -- non-existent employees -- from the public payroll, and fired suspected corrupt or underperforming officials during public rallies, including some which were televised live.

> *Global media houses have written it all about the man they called "The Bulldozer" for his zeal to ensure Tanzania attains a middle-income status come 2025, by reviving a number of mega projects and industries.*

President Magufuli clamped down on what he saw as extravagant spending, cancelling Independence Day celebrations for the first time in 54 years. He ordered public clean-up weekends, getting his own hands dirty by picking up rubbish outside the State House in Dar es Salaam. In April 2017, he banned all foreign trips for public servants.

Dr Magufuli has been behind the move to nurture indigenous millionaires by helping them to grow their businesses. He held meetings with members of the business community to solve challenges facing the private sector.

He established a number of iconic projects in the country and revived the defunct Air Tanzania, the grounded national carrier, which remained with barely one aircraft by 2015, by procuring six brand new planes and assisting the airline to recover from bad debts. Other flagship projects of his administration include the ongoing construction of a Multibillion-Shilling Standard Gauge Railway (SGR) between Dar es Salaam and Mwanza.

REPUBLIC OF RWANDA
OFFICE OF THE AUDITOR GENERAL OF STATE FINANCES
OAG
In Public Interest

Kigali .... 1 9 MARS 2021 ....
Nº .152103121.1.OAG.....

The Controller and Auditor General
National Audit Office,
PO. Box 950
Dodoma, Tanzania
Email : ocag@nao.gov.tz

Dear Controller and Auditor General,

Re: Condolence Message on passing on-of Dr John Pombe Magufuli, The President of United Republic of Tanzania

We are truly sorry to hear of the loss of Dr John Pombe Magufuli , The President of United Republic of Tanzania.

On my behalf and on behalf of OAG Rwanda and EAC audit commision, I wish to convey our heartfelt condolences to all of you who have been affected by passing of the great person in the EAC region.

Our thoughts, prayers and well-wishes are with you during this difficult time.

Please, CAG accept our condolences and May God give him eternal rest.

BIRARO R. Obadiah
Auditor General
Chair EAC audit commission

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PECB
CERTIFIED

T.C. SAYIŞTAY BAŞKANLIĞI
TURKISH COURT OF ACCOUNTS

30 March 2021
Ref: Int.Rel/21-30

Dear Mr. Kichere,

Dear Colleague,

I am deeply saddened to have learned that 45 people died in the stampede that occurred during the funeral service held for the late President of Tanzania John Magufuli.

Availing myself of this opportunity, I would like to extend my sincere condolences to the family and friends of those who have lost their lives, the people of Tanzania and colleagues in the National Audit Office of Tanzania.

Please accept the assurance of my highest consideration,

Seyit Ahmet Baş
President
Turkish Court of Accounts
EUROSAI President

Mr. Charles E. Kichere
Controller and Auditor General
National Audit Office
P.O. Box 950
Hazina Street
41104 Dodoma
TANZANIA (UNITED REPUBLIC OF)

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E-Mail : sayistay@sayistay.gov.tr Web : www.sayistay.gov.tr

The SGR is expected to link Tanzania with neighbouring countries, namely Rwanda and Uganda, and through them with Burundi and the Democratic Republic of Congo, as part of the East African Railway Master Plan. As of June, last year, it was announced that 98 per cent of the construction work between Dar es Salaam and Morogoro was accomplished.

Dr Magufuli went on increasing electricity production for the national grid to do away with power rationing by putting up the Mwalimu Nyerere Hydro Power Project in Rufiji River Basin. The move aims at supporting Tanzania's pipe dream of becoming an industrialised country and a regional business hub.

Dr Magufuli's five-year in power has also witnessed airports construction in various regions, including at Msalato area in the country's Dodoma Capital. Other megaprojects, which commenced and were implemented during his reign, include the Kigongo-Busisi Bridge across Lake Victoria, major highways, flyovers and terminal buses in the commercial hub of Dar es Salaam. Several markets worth billions of Shillings were also constructed countrywide.

As we mourn the passing on of Dr Magufuli, our great leader and Africa's icon, let us emulate distinctive leadership styles meant for bringing about development to the citizens and the country at large.

Capacity building workshop for Bunge's PAC, LAAC teams conducted

By *Evelyne Thomas*

Controller and Auditor General (CAG) Charles E. Kichere opened a two-day workshop organized for members of the Parliamentary Public Accounts Committee (PAC) and the Local Authorities Accounts Committee (LAAC). The training took place in Dodoma at the Msekwa Parliamentary Conference Hall located within Parliament grounds.

During the opening of the workshop, Mr. Kichere promised members of the two permanent committees that his office will accord them maximum cooperation to enable the lawmakers to execute their work efficiently.

The Chairperson of the PAC, Hon. Naghenjwa Kaboyoka (Same East MP), advised committee members to use the opportunity to learn more given the fact that most members were new to her committee. "I urge you to utilize this opportunity fully as the best way to build our capacity in the financial and auditing fraternity", she said.

After the capacity building workshop, the committee members were scheduled to tour different projects that were being implemented by the government as part of practical training. They were to be accompanied by officials from the office of the Controller and Auditor General (CAG) to guide them on the auditing practice over such projects/ investments.

Why Computer Data Reliability Assessment is Crucial in Audit Practice

By *Karim Selemani*

ADA, CPA, CFE ● Auditor – Forensic Audit Unit - National Audit Office,
Mobile Phone #: 0788 144017 ● Emails: skarim@nao.go.tz | karimsele@yahoo.co.uk

As per International Standards in Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAIs) the auditor is required to design and perform audit procedures that are appropriate in particular circumstances for the purpose of obtaining sufficient and appropriate audit evidence. In a rapid changing environment involving computer-processed data, a need for reliability assessment becomes even more paramount.

The extent of the assessment and one's decision about data reliability assessment depends on: expected importance of the data to the product, strength or weakness of corroborating or conflicting evidence and the anticipated level of risk in using the data.

Generally, data entered into a computer system/application is considered reliable if it is reasonably accurate, complete, and consistent; and while stored in the computer system/application, it is not inappropriately modified or deleted; and any computer processing performed on that data is reasonably accurate, complete, and consistent.

At the very minimum, gather as much information as possible about the data from existing sources, that is make a rigorous review of the existing information. This will help you determine whether the data is appropriate enough to answer your desired objectives and provides you with enough information for you to make the right assessment. Generally, this can be done by; examining existing audit or quality assurance reports, studies, and documents related to the data; and interviewing staff knowledgeable about the data and the system that produced them.

Having done that you may need to test the data by applying logical tests to electronic data files or paper copies of reports. You can use computer programs and it might be desirable to test only data elements that you plan to use. Examples of tests include: range tests and frequencies, looking for out of range values or other anomalies; checks for missing data (records or values in key data elements), valid dates, and erroneous duplicates (entire records or unique identifiers); and examining relationships between variables (cross-tabulations).

Thereafter, you may choose to trace a sample of data to and/or from source records when: there is a need to quantify the degree of reliability of required data elements (proper random sample needed); preliminary work has led us to believe that there is no assurance that internal controls are in place to assure the reliability of the data; there is a need for assurance the data is precise, accurate or there are concerns about the completeness of the data.

Further, you may choose to review selected controls when you have: identified potential system control problems or learned that source documents were not readily available. Controls will usually include general controls, such as logical access and control of changes to the data, and application controls that help ensure that data is accurate, complete, and authorized. You may need to involve qualified information technology auditors or security specialists. In making decision about reliability you will need to examine the results of your work in the context of the previously discussed factors: importance of data to final product,

corroborating evidence, and level of risk in using the data. If necessary, take further steps to assess the data. At this level with relevant stakeholders you may come to a decision as to whether; the data is sufficiently reliable (e.g., to answer the required objective); or the data is not sufficiently reliable or the reliability of the data is undetermined.

❖ The decision that the data is sufficiently reliable should be made when the assessment provides sufficient assurance that the data is reasonably complete and accurate and therefore is sufficiently reliable to answer the desired objective. Specifically, that the likelihood of significant errors or incompleteness is minimal and the use of the data would not lead to an incorrect message. You may therefore use the data and disclose work done along with any limitations of the data.

❖ The assessment should result in a decision that the data is not sufficiently reliable when the work shows that the data is unacceptably incomplete and/or inaccurate and could possibly lead to an incorrect/incoherent message. You, therefore, may not use the data and you may explore other options, including modifying the audit objective or approach; seeking other sources; collecting primary data; reporting on problems with the data and/or consider whether results should be reported or explored further in another audit engagement.

❖ If you are not sure and are unable to determine reliability after having done all the data reliability assessment work and you are still uncertain about the reliability, then you will have to determine as to whether "Using the data could likely result into an inaccurate message" If so, then do not use the data; clearly lay out all limitations and articulate how those limitations affect the interpretation of the data. Do not use the data as the sole basis for findings, conclusions, or recommendations and strongly consider reporting on the problems found.

At the very minimum, gather as much information as possible about the data from existing sources, that is make a rigorous review of the existing information. This will help you determine whether the data is appropriate enough to answer your desired objectives and provides you with enough information for you to make the right assessment.

Lastly, you should note that in performing a data reliability assessment it is important you plan performing the assessment; document the assessment and the decisions made, and report the assessment steps and decision(s), in relation to the use of the data in the audit engagement. All work performed as part of the data reliability assessment should be documented and included in the engagement documentation. This includes; all testing and results, information review and interviews related to data reliability, and decisions made during the assessment, including the final assessment of whether the data is sufficiently reliable for the purposes of the engagement.

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Adapting the Agile Audit

By **Faizy S. Mansoury**

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In a world where Project Management and Internal Audits are becoming agile, External Audits shall have to pace with the fast-moving world. With the public starting to question the agility of SAIs and public auditing[1], it is high time the auditing methodology is remodelled and shifted from a predictive to an agile approach.

In 2019, an audit firm, namely KPMG, conducted an international survey to over 120 organisations on the agility principles' application within different departments. Eighty per cent of the organisations showed that they had started to work in an agile way in the past three years and the remaining 20% had already been doing so for a longer period. This shows that organisations, and, therefore, Internal Audit Functions (IAFs), are working more and more agile.

An analysis of the Polish SAI's activities (NIK, 2011-2019) showed the time between the start of the audit and the publication of some audit report is, on average, several months. Pondering on the publishing date and timeframe of audited activities, one may generalise that decision makers and the public receive information on the audited entities' activities several years after audits or activities.

Agile audit emphasises on delivering audit reports frequently, from a couple of weeks to a couple of months, with a shorter timescale preference.

Agile auditing in a husk

An agile audit is a mindset which focuses more on stakeholder's needs, acceleration of audit cycles, driving timely insights, reducing wasted effort, and generating less documentation.

While the traditional audit approach is single-phase planning. Agile auditing is based more on flexible, iterative planning on an ongoing basis in "sprints" (short bursts of planning and work) and focuses on continuous communication and collaboration among the audit team and stakeholders. In the traditional audit, the planning, fieldwork, review, and reporting stages could take up to eight weeks or more, but with agile auditing, these three phases are completed in much shorter time frames.

Does the Agility matter?

Having cross-functional teams (teams that include practitioners with all the skills necessary to deliver valuable product increments) ensure continuous attention to technical excellence and a good plan of the audit, hence enhances agility.

The main advantage of the agile audit is helping a team to get rapid feedback on scope and direction in the audit execution and not after completion. Insights could immediately be incorporated during ongoing audit phases. This is antagonistic to the traditional approach where teams complete one step fully, in sequence, before moving on to the next.[2]

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1   Zbysław Dobrowolski, Are the Supreme Audit Institutions Agile? European Research Studies Journal Volume XXIV, issued 1, 2021 pp. 52-62

2   https://www.wegalvanize.com/audit/an-overview-of-agile-auditing/

Flexible audit plans

Due to the flexibility and iterative nature of agile audits, there are no rigid audit plans, rather a continually updated backlog of audit tasks or events prioritised based on risks and institutions' needs and to be undertaken once resources are available. Communication is more frequent and informal, and reporting is more common through ongoing dashboards and updates, rather than formal full audit reports.

The main advantage of the agile audit is helping a team to get rapid feedback on scope and direction in the audit execution and not after completion.

More rapid responses to changing business needs

Agile auditing allows reassessment and resources to shift as priorities change. Every two to three weeks (or depending on the length of the sprint) the audit team reviews and adjusts priorities, tasks, and goals. This helps the team to identify any major issues as they arise, instead of waiting until the completion of an eight-week-long audit project. Audit teams become more responsive rather than strictly adhering to much longer and more resource-intensive plans.

Empowered audit teams

Rather than a hierarchy of established roles, agile auditing involves flat, but empowered roles. The team can decide to continue with a project or change directions based on insights obtained during the sprints. These decisions can be made at lower levels because senior people have established parameters and guidelines during planning. Auditors are open to changing requirements, even late in developing an audit. Agile processes harness change for the best realisation of stakeholder's needs.

The most efficient and effective method of conveying information to and within an audit team is face-to-face conversation. Therefore, there is a need for organising day-to-day to provide face-to-face contact between auditors in various assignments using e-tools. Deputy Auditor Generals (DAGs), Assistant Auditor Generals (AAGs), Chief External Auditors (CEAs) and audit staff must work together daily throughout the audit, which should be treated as a project. No doubt, audit methodology should contain the requirement of daily meetings of audit teams with Management (DAGs, AAGs and CEAs) using the contemporary e-tools.

Accelerated delivery cycles

Working in sprints, auditors are checking in and fine-tuning their work every two to three weeks, not waiting until the end of the cycle. This means planning, fieldwork, and review cycles are delivered more quickly, and results and insights obtained more rapidly. The auditor's highest priority should be to satisfy the stakeholder (decision-makers, auditee, taxpayer, and beneficiaries of public programmes) through early and continuous delivery of valuable audit recommendations based on audit findings.[3]

Traditional Audit Approach
(1 year of parallel engagements)

	April	July-Dec	Jan-Mar	March 31
Engagement 1	Planning	Audit execution	Audit review	Audit reporting
Engagement 2	Planning	Audit execution	Audit review	Audit reporting
Engagement 3	Planning	Audit execution	Audit review	Audit reporting

The above diagram shows our traditional audit approach where the engagement passes through linear path of Planning, Audit Execution, Audit review and Audit reporting. In this approach for the engagement of one entity (say one LGA) to be executed, the Auditors shall complete the whole process of planning other entities (LGAs).

Then the review will not start until the execution of all engagements is accomplished. On the other hand, the diagram below (agile mindset) focuses on completing the circle of engagement before moving to another engagement.

The Audit planning of one auditee will not be followed by the Audit plan of the other entity, rather the Audit execution of the same entity, the execution of which will be done parallel with the weekly or two weeks review, audit reporting and lastly, the reflection of what went wrong and how to improve (retrospective meeting)

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3   Agile Essentials. 12 Principles Behind the Agile Manifesto. Retrieved from: https://www.agilealliance.org/agile101/12-principles-behind-the-agile-manifesto/.

NEWS IN PICTURES

The former President of the United Republic of Tanzania, H.E. Dr. Jakaya Kikwete receives an Audited report from the former CAG, Mr. Ludovick Utouh at the State House in Dar es Salaam. H.E. Dr. Jakaya Kikwete was the 4th President of the United Republic of Tanzania from 1995-2015.

ANNIVERSARY: This year, the National Audit Office celebrated 60 years since it's establishment in Tanzania. Right is the former Controller and Auditor General (CAG) Mr. Ludovick Utouh in tete 'a tete with the former Prime Minister of the United Republic of Tanzania, Hon. Mizengo Kayanza Peter Pinda when they met at the NAOT Headquarters in Dodoma.

Various school children pose for a group picture with the immediate former CAG, Prof. Mussa J. Assad during the celebration of the National Ethics Day

The Controller and Auditor General (CAG). Mr. Charles E. Kichere is franked by Hon. Naghenjwa Kaboyoka, the Chairperson of the Local Government Accounts Committee (LAAC) at a press conference immediately after presenting his Audit Reports at the Parliament.

NEWS IN PICTURES

The first CAG after independence Mr. McColl poses for a group picture with other employees of the Audit Office. He was the CAG from 1960-1963.

Secretaries from the National Audit Office who participated in a capacity building national conference which was held in Arusha earlier this year.

The Controller and Auditor General (CAG), Mr. Charles E Kichere (right) shakes a hand with the former CAG, Prof. Mussa J. Assad during celebrating the 60 years of National Audit Office, which was held in Dodoma on the 1st of July, 2021.

The Guest of Honor, Hon. Job Ndugai, who is the Speaker of the Parliament of the United Republic of Tanzania holding the National Audit Office Strategic Plan 2021/22 - 2025/26 and the Capacity Building Manual, presented to him by the Controller and Auditor General (CAG), Mr. Charles E. Kichere in Dodoma, at the commemoration of 60 years since the establishment of the National Audit Office in Tanzania. The event took place in Dodoma on July, 2021.

NEWS IN PICTURES

The Controller and Auditor General Mr. Charles E Kichere posing for a picture with the former CAG, Mr. Ludovick Utoh now the Executive Director of Wajibu Institute immediately after the CAG paid a courtesy visit to his office in Dar es Salam on 23rd Feb, 2021.

Journalists from different media houses share the CAG Report at a press conference, moments after tabling it in the Parliament.

A cross section of Women employees of the National Audit Office participating in the procession during the commemoration of the International Women's Day which took place in Dodoma recently.

The Director of Human Resource Management and Administration Mr. Novert Mfalamagoha receiving a freezer from distribution and seller of Kilimanjaro Fresh Milk, the Event took place at the NAOT HQ on 17th June, 2021.

Adapting the Agile Audit

Agile Audit Approach

Engagement 1 (6 to 8 Weeks)	Engagement 1 (6 to 8 Weeks)	Engagement 1 (6 to 8 Weeks)

Increased value and risk-specific insights.

By streamlining the work and documentation, agility helps to focus the audit's attention on the insights, risks, and opportunities that stakeholders need. It also allows audit to be more adaptive and helps the team to deliver the value that the executives now demand. Agile promotes the art of simplicity to remove procedures that are no longer relevant and save time and money by automating manual work, uses and updates existing libraries instead of creating new ones from the scratch, and provides room to focus on delivering more value to our audits.

Audit reports from self-organising teams are the measure of progress

Conducting the audit itself is not the primary measure of progress. There must be frequently delivery of outputs (audit reports) that there is no downtime during the examination. The best audit reports emerge from self-organising teams. Self-organising teams have teamwork and collaboration, competency, continuous improvement and growth, respect and trust in the team and ownership.

The audit team reflects on how to become more productive at regular intervals and then tunes and adjusts its behaviour accordingly. To avoid surprises, Cushman and King (1995) suggest that organisations should maintain close relationships with stakeholders where auditors widely cooperate with those who initiate audit needs. For example, parliamentarians should be engaged in the planning phase of the audit and be familiar with any audit constraints. American SAI - the GAO (Government Accountability Office) used such an approach for many years and fixes audit assumptions with the audit's initiator in a commitment letter (Dobrowolski, 2004).

The transition siloes

However, agile can be used in compliance-based audits, its adaptivity is more effective in an environment where the scope of the audit is uncertain. Adapting change is highly a challenge for most institutions, that is why hybrid auditing (predictive with few elements of agile) is recommended in transition before adapting the full-fledged agile auditing. With the Public Audit Act, 2008, and its regulation of 2009, together with SAIs mandate, a lot has to be done to re-model audit approaches.

Uniqueness

Audits are done in sprints iteratively (short bursts of planning and work which can be as per entity, audit component, audit risk or internal controls) and are structured with key events: sprint planning (where a goal, scope and definition of done (DoD) are planned, daily scrum (feedback among the team members and managers where progressions are shared and blockers are discussed and resolved), sprint review (feedback to top management and then client) and sprint retrospective (discuss success, failure and future improvements).

Conclusion

The propensity of publishing Audit reports several years after audited institutions performed the activities or months after the audit completed is more beneficial to historians than decision makers. There have been some instances where the decision makers are taking actions while the team is in the field or before issuance of reports to the public which deem our reports irrelevant thereafter. Agile Auditing delivers better alignment and provides real-time assurance rather than retrospective assurance.

Institute of Internal Auditors (IIA) is highly emphasising on agile internal audit where sophistication and changes are more and documentation is less. Adopting an agile approach can not only reduce audit costs and save time, but will also improve overall audit quality and communication. The adoption of agile audit should be researched, analysed and put into implementation before our audits become old-fashioned and irrelevant.
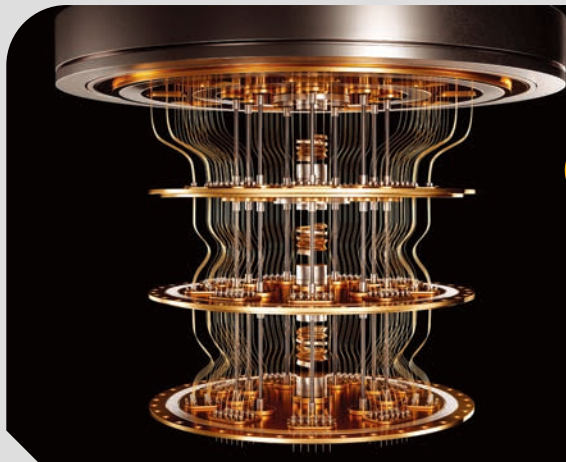
QUANTUM COMPUTING

A Technology in a fringe with significant Cyber Security Ramification

By *Azizi Dachi*

As auditors, we are always obsessed with risk identification and devise appropriate response to reduce the risk to acceptable level. Around the world big companies like IBM, Microsoft and Google as well as countries like China are aggressively engaged in development of quantum computing. This technology introduces pervasive cyber security risks to our current computing architecture. This article attempts to explain the quantum computing technology and its ramification on cyber security technology architecture.

Understanding quantum computing becomes relatively easier if we contrast with our current computing technology. The current computing technology is view as classical computing which relies on principles expressed by Boolean algebra; usually Operating with a 3 or 7-mode logic gate principle. Data must be processed in an exclusive binary state at any point in time; either 0 (off / false) or 1 (on / true). These values are binary digits, or bits. The millions of transistors and capacitors at the heart of computers can only be in one state at any point.

In addition, there is still a limit as to how quickly these devices can be made to switch states. As we progress to smaller and faster circuits, we begin to reach the physical limits of materials and the threshold for classical laws of physics to apply.

Now back to quantum computing, it is an area of study focused on the development of computer-based technologies centred around the principles of quantum theory.

In contrast to classical computer, the quantum computer operates with a two-mode logic gate: XOR and a mode called QO1 (the ability to change 0 into a superposition of 0 and 1). In a quantum computer, several elemental particles such as electrons or photons can be used. Each particle is given a charge, or polarization, acting as a representation of 0 and/or 1. Each particle is called a quantum bit, or qubit. The nature and behaviour of these particles form the basis of quantum computing and quantum supremacy. The two most relevant aspects of quantum physics are the principles of superposition and entanglement.

By superposition we refer to the particle in a state where it behaves as if it were in both states (0 and 1) simultaneously. This capability gives quantum computer a tremendous computing power incomparable to classical computer.

Entanglement is another principle governing quantum computer, quantum entanglement allows qubits that are separated by large distances to interact with each other instantaneously (not limited to the speed of light). No matter how great the distance between the correlated

> *Current best cyber security practices can assist in deterring a potential for sensitive financial and national security data being stolen now.*

particles, they will remain entangled as long as they are isolated. Therefore, measure one and you instantaneously know the state of the other. Entanglement is important in quantum cryptography and quantum communication.

Now the question, what is the threat of this technology to our current cyber security technology architecture.

This can be answered by understanding that public-key cryptography, specifically the RSA algorithm, is at the heart of the nearly all web technology security which protects ecommerce industry and eGovernment.

RSA relies on the fact that the product of two prime numbers is computationally challenging to factor. It would take a classical computer trillions of years to break RSA encryption that is why we may feel that we are safe from such attacks.

On other hand, a quantum computer with around 4,000 error-free qubits could defeat RSA encryption in seconds. However, this would require closer to 1 million of today's noisy qubits. The world's largest quantum computer is currently less than 100 qubits.

However, IBM and Google have road maps to achieve 1 million qubits quantum computer by year 2030. A million-qubit quantum computer may still be a decade away, but that time frame could well be compressed to achieve that target earlier than the aforementioned time frame. Additionally, highly sensitive financial and national security data is potentially susceptible to being stolen today — only to be decrypted once a sufficiently powerful quantum computer becomes available.

However, current best cyber security practices can assist in deterring a potential for sensitive financial and national security data being stolen now. In the future quantum computing can bring us Quantum cryptography for cyber security. Which is the science of exploiting quantum mechanical properties to perform cryptographic tasks. The best-known example of quantum cryptography is quantum key distribution which offers an information-theoretically secure solution to the key exchange problem.

As information systems auditors, we need to be vigilant on development of this new technology so that we can timely identify the risk and devise appropriate response to ensure eGovernment is secure and role of CAG remain relevant.

20 AUDITORS GRADUATED FROM IPSAS

National Board of Accountants (NBAA) conducted Training of Diploma in IPASAS for Auditors from National Audit Office for the year 2020/2021. Some of the Graduated Auditors of the training are:

Andindile Peter Mwabwanga

Anthony Philipo Msemakweli

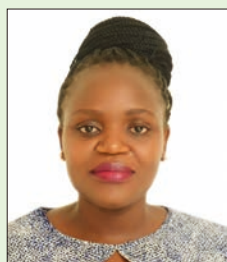**Beatrice Herini Mlaki**

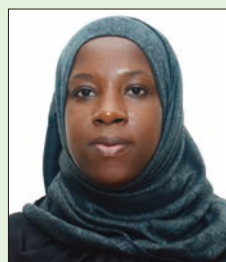**Ben Said Selehe**

Deogratus Beda Shayo

Fadhil Henry Mnyawami

Gerald John Mashinga

Getrude Meshak Magawa

Hidaya Rashid Ndaile
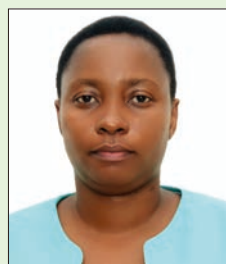
Joyce Samwel Luena

Lobikoki Elisa Lucas

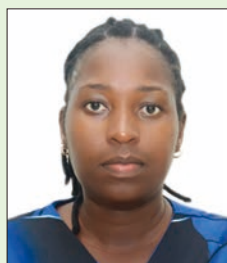**Magdalena Msuya**

Maria Laurent Tungu

Nankondo Ramadhani Ndoera

Rahel Hakam Hassanary

Silvano Gift Temu

Stella Sigisbet Rwetabura

Tegemea Benson Mwangomole

Yasir Said Salum

The Real Time Auditing in Public Sector
Is the CAG Really Prepared to Practice It?

By **CPA Burton John Mbwile**
MFA (Oil & Gas), MBA-fin, PGDA, BAF, CPA-(T), ACPA-PP
Extractive Industry Audit Unit, National Audit Office Tanzania, Dodoma

1.0 Introduction

Historically, organisations have relied on manual control testing to assess and mitigate risk in their operating environments. Control testing tends to be performed on a retrospective and cyclical basis, which often occurs many months after the business activities were performed. The testing procedures employed have often been based on sampling methodologies and manual reviews of only a small percentage of the accounting transactions, policies and procedures, approvals, reconciliations and compliance. Unfortunately, these traditional testing procedures afford only a limited evaluation of an organisation's business processes and operational risks. In today's hyper-complex operating environment, these traditional auditing and risk management techniques are becoming increasingly inadequate as evidenced by the recent dramatic increase in the number of financial crises troubling the world's economy.

Increasingly, decision support systems are being harnessed to reinvent audit and risk management processes with the ultimate hope of preventing the next financial crisis by helping executives to make informed decisions and maintain compliance with the perpetually evolving bodies of law and corporate policy. Inevitably, Real Time Auditing requires a type of decision support system that will help transform the audit paradigm from periodic reviews of a few transactions to a continuous review of all transactions.

## 1.1 Public Sector Auditing and its objectives

Public Sector Auditing is conducted in the environment where governments and their entities are parties responsible for resources raised from taxpayers and other sources for use in the provision of services to citizens and other service recipients. These entities are accountable for their management and performance, and their use of resources to those that provide them with the resources and those that depend on them to use the resources to deliver necessary services, including citizens. Public sector auditing helps to create the conditions and to reinforce the expectation that public sector entities and public servants will perform their functions effectively, efficiently, ethically and in accordance with laws and regulations.

In general, public sector auditing can be described as a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions correspond with established criteria. Public sector auditing is essential in providing information and independent objective assessments of the stewardship and performance of government policies, programmes or operations, to legislatures, oversight bodies, those charged with governance and the public.

1.2 Challenges of public sector transactions

Currently, the public sector transactions are facing several challenges. For example, their transactions have grown in volume and complexity, and they are implemented in highly regulated business environments. Thus, controlling and monitoring mechanisms are required to evaluate and validate all transactions in a comprehensive manner to meet controls and regulations as well as to achieve the value for

money. However, the traditional audit process occurs mostly after the completion of projects and its transactions, since it is not feasible to audit them in time. Thereby, it makes it possible to inhibit the risk associated to their execution. In case of many projects, therefore, there is a significant risk of errors and fraud that could not be detected in time, resulting in a negative impact to the Government.
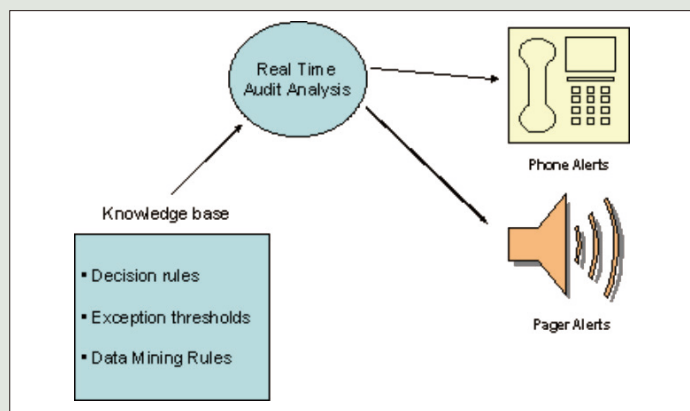
1.3 Necessity for real time auditing in Tanzania

The government implements and expects to execute more enormous projects in the country which involve a huge amount of transactions. The funds are either from our own sources or from donors. Thus, there is a need for deploying a mechanism for informing the government on the progress and results of the the utilisation of the invested funds at every stage of the projects well before the worse happens to the same.

The traditional audit usually used to check the result at the end of the projects or after completion of a particular phase while the procedures based on the historical transactions. Therefore, the Real Time Audit is inevitable and should be introduced to government transactions auditing in order to have the current assurance on the funds invested.

1.4 Essential requirement for practicing Real Time Audit effectively

In today's environment, organisations can produce standardised financial information on a real time, online basis. Real-time accounting needs Real Time Auditing to provide real time assurance about the quality of data. This calls for the presence of various technical conditions, including reliable systems, highly automated continuous audit process and effective links between the audit's firm and the client's systems to enable fast, accurate and secure communication of audit instructions and results.

Advancement in technologies has continued improving Real Time Auditing. Auditors, therefore, need to have proficiency of the emerging technologies required for the automated systems. These technologies include Embedded Auditing Module (EAM), Extensible Business Reporting Language (XBRL), Database Technology, Data Warehouse and the Internet. In addition, there are various tools and techniques which aid in an analysis of transactions and internal controls. These tools can either be purchases software packages or auditor-designed module. The tools are collectively referred to as Computer Aided Audit Tools and Techniques.

In order to have an efficient and effective implementation of Real Time Audit in the public sector, the following requirements should be kept in mind:

❖ Dedicated web servers should be permitted to communicate;
❖ Data flow from the entity's system to the auditor's Real Time Audit tools within the system;
❖ Audit agreement (engagement letter) defining roles between parties participating in the auditing process;Reliable interconnected systems;
❖ Circulation of information between parties based on secure infrastructure with authorised, confidential, and integrated system; and
❖ Access to audit reports continuously in the real time environment.

1.5 CAG and execution of Real Time Audit in Government's transactions

The current setup of National Audit Office and available resources, especially IT infrastructures, clearly facilitates the Controller and Auditor General (CAG) in practicing the Real Time Audit in the Government's transactions. The office of the CAG has achieved to move to institutions digitally by transforming all its works into web, especially the audit work which will start to be implemented in the current year of audit (2020/2021) and onwards. Every auditor in every duty station will be online during the work and all supervisors, including CEAs, AAGs and DAGs, will review the work done on the real-time basis. This scenario will enable the CAG to provide the real-time assurance to all ongoing transactions.

My pledge is that NAOT will continue with its core mandate of managing accountability and improving transparency in the management, collection and expenditure of public resources. We will continue to undertake this noble task professionally, impartially and as per the laws and regulations of the land, while observing best existing practice and standards acceptable at the domestic and international levels.

CAG Charles Kichere

On the other hand, the CAG is capable of practicing the Real Time Audit in government's transactions, including the ongoing projects, given composition of staff with different professional background like financial auditors, civil engineers, quantity surveyors, lawyers and other related disciplines available in the office.

1.6 Challenge on Real-Time Audit execution

Since the Real Time Audit is relatively a new concept to most of our auditors as well as to our clients (Government and its agents), the office of the CAG requires to make a huge investment on training staff in order to cope with the fast changing IT environment. Also having the knowledge of what is Real Time Audit and of how it is practiced is very important to auditors as well as to other related staff. This knowledge can be learned and acquired through various training from other Supreme Audit Institutions which have already practiced it.

1.7 Conclusion

For the time being, the National Audit office is ready to conduct Real Time Auditing in the public sector's transactions since most of the requirements for it are already in place. With the advancement being made in technology and the changes in the Tanzania Government financial management system, the use of Real Time Auditing is an important paradigm shift that will enable auditors to remain relevant and to cope with these changes. And with the increasing automation of government's processes, the use of Real Time Auditing can increase efficiency in the public sector's transactions.

Therefore, the National Audit office, as the supreme audit institution, needs adequate investment in IT resources and infrastructure, training in necessary Real Time Auditing skills to its staff (auditors). Also, there is need for the development and implementation of tailor-made Real Time Auditing software that will encompass all the required functions.

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EVOLUTION OF EXTERNAL AUDIT SERVICES:
THE PAST, PRESENT AND FUTURE PROSPECTS

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The audit function has evolved in response to a perceived need of individuals or groups in a society who seek information or re-assurance about the conduct or performance of others.

External auditors are tasked with assurance role. They give confidence to user of the accounts of organisations while maintaining their independent professional function. Auditors ensure that both parties' interest are met in the affairs of the organisations.

The auditors' role has evolved with time particularly on the nature of appointment, objective and responsibility. External Auditors' sense of duty is inevitable, vital and of similar weight to both the public and private sectors as well as to other stakeholders, including banks, employees and suppliers.

The most prominent theory on the role of external audit is the Agency theory. This was first introduced by Stephen Ross and Barry Mitnick (Mitnick 2013). It focuses on explaination of balance of interest between the principal (owners) and agents (managers), known as an "agency problem" from a public sector perspective. The theory explains the relationship between the citizens as owners of the resource and the Executive organ of the state as the manager of the resources. The agency problem is a conflict of interests that occurs when agents do not fully represent the best interests of principals, namely the citizens. A classical example is the famous Enron's saga which led to the demise of one of the leading bussiness conglomerate.

The fall down was due to the management practice of hiding losses from shareholders and the general public through accounting tricks.

Audit Profession: The History

The word "audit" comes from the Latin word audire, meaning "to hear". The audit function has evolved in response to a perceived need of individuals or groups in a society who seek information or re-assurance about the conduct or performance of others. It has been asserted that "the aim of an audit has always been a dynamic rather than a static one". The objectives and techniques of auditing have changed during the 400 years of auditing to suit the changing needs and expectations of the society. Tech and Ali have discussed the evolution of auditing by looking at four main periods (Teck-Heang & Ali, 2008):-

Before 1840

The audit professional can be linked to ancient Greece whose documented history has been related to the ancient Exchequer of England. King Henry I (1100-1135) established Exchequer in England through his appointment of special audit officers to ensure state revenue and expenditure transactions were properly accounted for.

Between 1840s and 1920

This was a time of Industrial Revolution in the UK. During this period, large factories and machine-based production emerged. The middle class provided funds for the establishment of large industrial and commercial undertakings. This resulted into accumulation of substantial amount of capital to facilitate huge amount of capital expenditure. During this period, the audit profession evolved and refocused on fraud detection and the proper portrayal of the company's solvency (or insolvency) in the balance sheet.
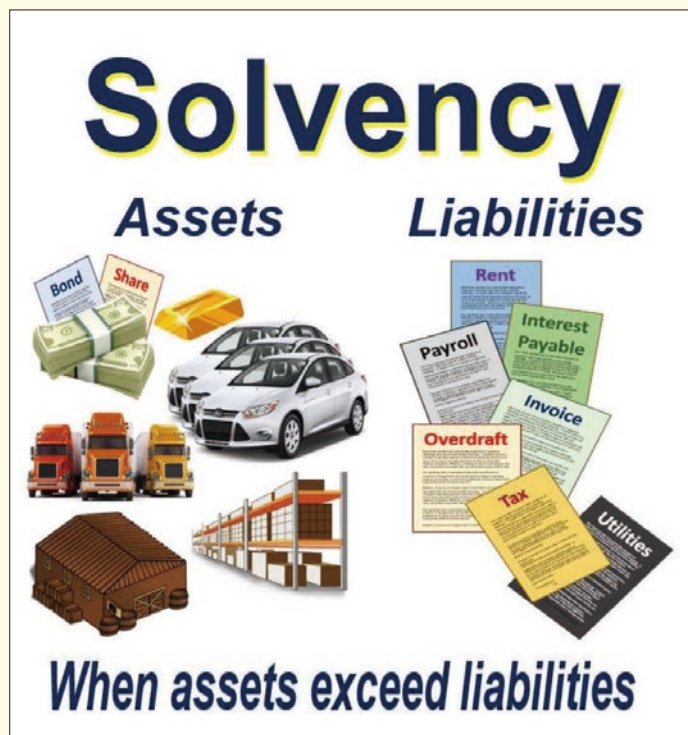
Between 1920 and 1960

The growth of the US economy caused a shift of auditing development from the UK to the US. The primary objective of an audit function evolved into adding credibility to the financial statement prepared by company managers for their shareholders, basing on truth and fairness rather than on detection of fraud and errors. It was during this era when the concept of materiality (Queenan, 1946) and sampling techniques (Brown, 1962) were first introduced in auditing, thanks to voluminous amount of transactions involved in the conduct of business by large corporations covering widespread locations.

Between 1960 and 1990

This period was marked by an important development in technological advancement. There was also increase in terms of size and complexity of companies as well as introduction of computer systems to process data, monitor and to control operational and administrative processes. The role of auditors in auditing financial statements generally remained the same but with changes of audit techniques and approach by using analytical procedures and risk-based auditing.

Post 1990

This period has witnessed substantial and rapid growth of the auditing profession resulting from accelerating growth of the world economies (Teck-Heang & Ali, 2008). Auditing has expanded beyond the basic financial statement attest function to a business risk approach that rests on the notion that a broad range of the client's business risks is relevant to the audit.

The audit profession is noted to have widened its scope by detecting and reporting fraud and by assessing and reporting more explicitly doubts about an auditee's ability to conform with society's regulations. The ultimate objective of auditing has been to lend credibility to financial and non-financial information managements provide in annual reports.

Future External Audit

The evolution of auditing from the traditional approach to the future audit has always been influenced by two basic factors, one being a change in stakeholder's expectations from the work of an auditor and the second is a change in the client auditing environment.

In the contemporary times, a massive transition has been noted in most organisations' operational environments influenced by inventions and complex developments of technologies such as such as artificial intelligence, Block-chain technology and the Internet.

These has neccessarily forced auditors to change their appoaches and focus of things, and 5G technologies which enable a new kind of network that is designed to connect virtually everyone and everything, including machines, objects and devices.

These technologies have an advantage of bridging the accountability gap between the principal and the agency that has existed for over 20 centuries by ensuring that activities and operations of organisations are transparent, irreversible, ensured credibility of data, real-time visibility of information, pear to pear enhanced communication network and transacting.

For that reason, even though public sector appears relaxed in the adoption of technology compared to the private sector, one thing which external auditors in the public sector should be sure of is that changes in social/citizen's expectations are benchmarked or driven by the era of development surrounding the society.

Thus, to remain relevant, the role of an external auditor in the public sector auditing, the audit professionals have suggested transformation of auditing in terms of audit techniques, audit objectives, audit approaches and reporting as follows:First, continuous auditing approach as an internal process that examines accounting practices, risk controls, compliance, information technology systems and business procedures on an ongoing basis. Continuous audits are usually technology-driven and designed to automate error checking and data verification in real-time which meets the social expectations. It is expected that auditors should be more proactive in undertaking audit with a focus on preventing irregularities in the organisations contrary to the traditional approach of uncovering events that have occurred.
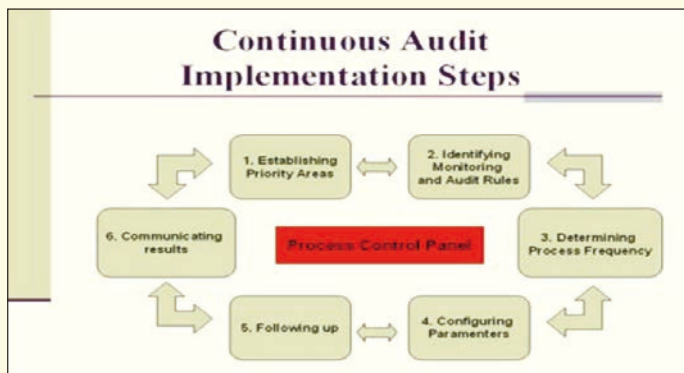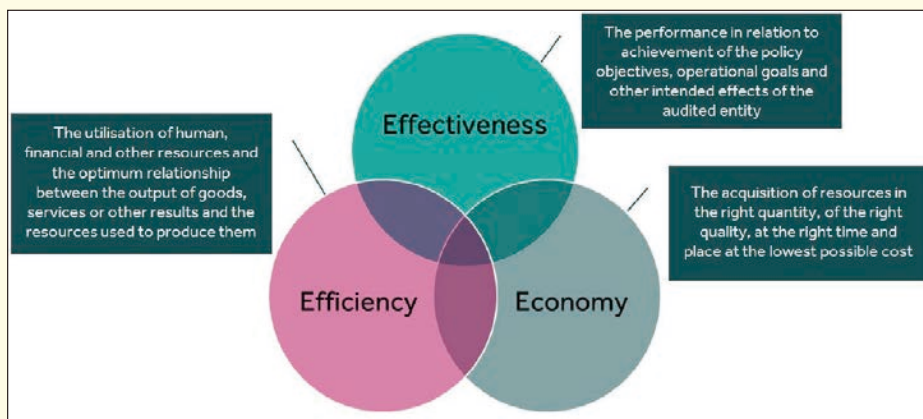

Second, business risk approach being different from adding credibility on the financial statements, a society expects an audit objective to change from true and fair view on the financial accounts towards addressing risks that may prevent a company or an organisation's plans from not turning out as originally planned or not meeting its target or achieving its goals. Whereas objectives of public sector entities are mainly on improved public services such as education, roads, clean and safe water supply, health, etc.
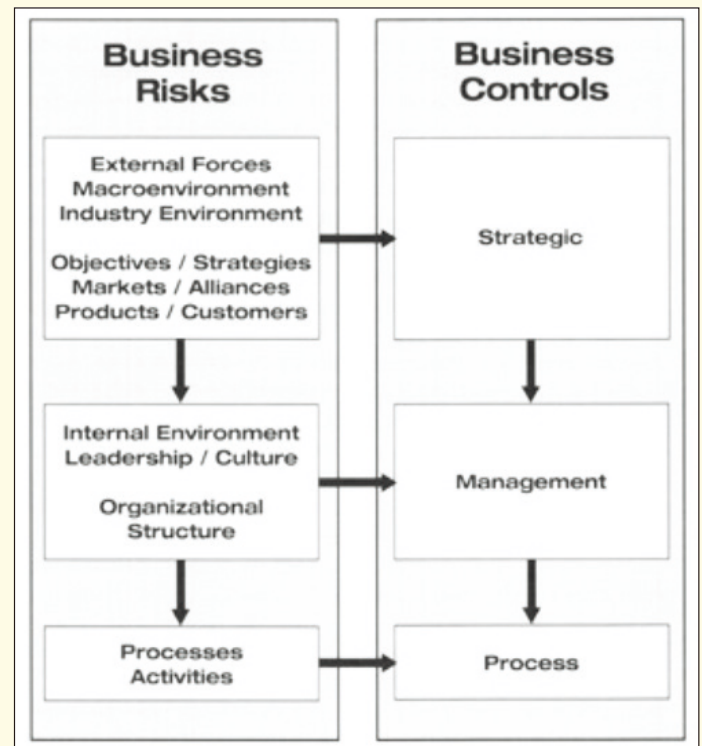
Third, performance audit in line with social expectations to take a wait from the traditional financial auditing. This is due to citizens earning the social value on public goods when all the government undertakings, systems, operations, programmes, and activities follow the principles of economy, efficiency and effectiveness, consequently minimising costs of resources while getting the most from the invested resources as well as meeting the set objectives and achieving the intended results.

Fourth, reporting framework is expected to evolve to more relevant and related to the needs and expectations of of stakeholders in accordance with respective sector or industry as compared to traditional single, standardised report that does not reflect the needs of particular users.

Sixth, use of big data analytics and CAATs for addressing business risk exposure that hinders an enity form archieving its objective as different form sampling techniques adopted due to voluminous transaction during the Industrial Revolution attributed to limitations of computer processing capacity and availability of technologies of the period.

Seven, transformations of audit firms/SAIs into a technology company that specialises in the audit. Embracing the need for integrating Artificial Intelligence technologies into the way audit is performed to stay relevant to their clients. Moreover, providing the audit as an online service primarily over the web.

The reporting is also expected to reflect real time audit approaches where reports are issued immediately and actions are taken to fix the noted anomalies rather than waiting until future dates, as it is in traditional reporting arrangement where audit reports only cover historical financial information. For instance, SAI Tanzania issues audit reports on six to nine months after the end of the period of the audited entities.
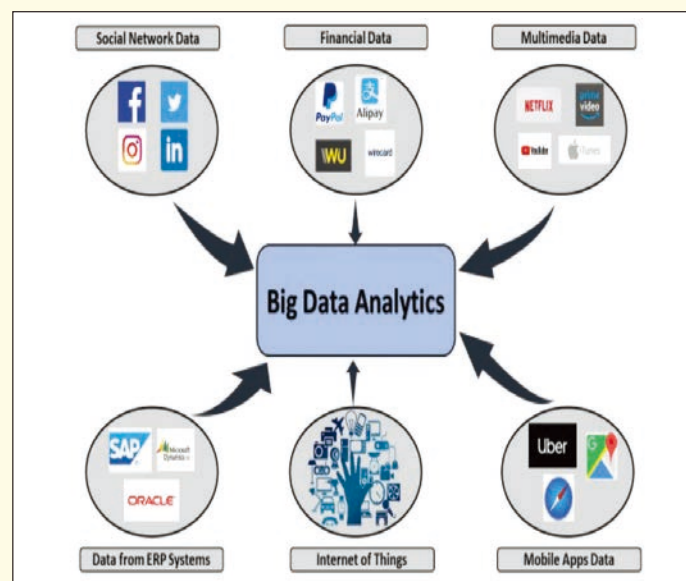
Fifth, information system auditing to take path on midst of the technological advancements to ensure implemented technologies safeguard important aspects of data processed in the computer systems in terms of confidentiality on restricting access to and disclosure of data; completeness of data recorded; accuracy on the amount, dates, etc; integrity as the data is from trustworthy and reliable sources; and availability of data when required as well as compliance such that the data has been recorded according to the enterprise standards and frameworks.

All this said, audit insitutions preparing for change is ineveitable. Auditors at personal level must embrace the changes and live to the expecetations of the society. This will require commitment, continuously learning and investing in technology and capacity building by the government and all stakeholders involved. I want to conlude by saying changes are inevitable and the best way to cope with changes is to adopt them as Albert Einstein once said: **"The measure of intelligence is the ability to change".**

THE POWER OF DIVERSITY AND INCLUSION

Open Mindedness and Mindfulness

By *Karim Selemani*
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> Individuals and organizations have "behavioral scripts" – ways of doing that resist change and can become outdated in a changing world. The messages we get from environments we engage can create "people brands' for us (i.e., stereotypes). The combination of outdated behavioral scripts and potentially negative people brands can lead to the exclusion and intolerance of people, groups, and ideas that differ from ours.
>
> **Steve Robbins.**

This article intends to examine open-mindedness and mindfulness in the context of understanding our mental models and applying them consciously. Moreover it tends to explore ways to apply open-mindedness and mindfulness to how we interact, make decisions about processes that affect people, such as staffing, performance ratings, promotions and sharing knowledge and considering different perspectives.

Organizations may create a work environment where all employees are valued, treated fairly, and given opportunities to develop to their full potential. Having a diverse, highly professional, motivated and multidisciplinary staff helps an organization to fulfill its mission even more efficiently.

Each person's skills, talents, experiences and characteristics broaden the range of perspectives and approaches to the work which an organization is doing. All employees play a role in supporting a diverse workforce and an inclusive work environment by demonstrating respect for each other and acting with integrity in every aspect of daily workplace experiences.

Diversity reflects "an appreciation for different talents, skills, abilities, cultures, values, and viewpoints in people" and; Inclusion involves "the use of different talents, skills, abilities, cultures, values, and viewpoints to achieve performance excellence".

Diversity and Inclusion and Human Capital and Interpersonal Issues are driven by core factors such as age, disabilities, gender identities and status; and other factors such as language, location, education and position.

A diverse and inclusive environment a deeper trust and sense of belonging among employees. When employees feel more connected to work, they tend to be committed, work harder and smarter, hence producing high quality work. Ultimately the organization gains employees satisfaction and retention, increased performance, creativity and innovation, high growth, and reputation. In our daily endeavors unconsciously our behavior might be influenced by the following deceptions:

Not Inclined to Critically Examine
What we have in our head (our mental model) influences how we respond to things in our world. In order to get rid of this we must critically examine our own behavior and the behavior of others to make changes in our lives and influence changes in other peoples' lives.

The Power of Culture
Culture provides us with the lenses and filters we use to view and understand the world. Filters and lenses give us our perspective. People with different sets of experiences can receive the same data and information and yet walk

away with very different interpretations. Culture is learned and we use culture to interpret our experiences and generate our behavior.

Unintentional Intolerance (Unconscious assumptions)

Triggers in our heads can lead to mindless behavior that impacts other people. We need to be mindful in the moment instead of relying on past experiences. This is crucial because there is knowledge outside our experience base that will allow us to better solve problems.

Lazy Brains

Our brains attempt to streamline and do things the easy way. We have roughly 80 -100 billion neurons in our brains. Neurons are the nerve cells in the brain that convey information about the world around us, help us make sense of the world, and send commands to our muscles and organs to act.

> *"According to researchers, the functioning speed of neurons our brain makes up its mind up to ten seconds before we realize it. By looking at brain activity while making a decision, the researchers could predict what choice people would make before they themselves were even aware of having made a decision"* **Kerri Smith.**

Therefore we have to be 'conscious' of our decisions due to the fact that these circumstances challenge ideas about how 'free' we are to make a choice at a particular point in time.

> **Steve Robbins** also argued that, *"Open-mindedness and the desire and ability to consider perspectives, ideas and behaviors other than those we are comfortable with are key attributes of a culturally competent person".*

There is no one fit for all model for ways of promoting diversity and inclusion in the work place. Different ways can be undertaken depending on the maturity level of the Organization's diversity an inclusion programs. Initially the organization can start by conducting a gap analysis which encompasses taking stock of current situation and acknowledge the shortcomings for better establishing the diversity and inclusion strategy.

On the other hand promoting a culture of listening and belonging that will allow collaborations even by lower cadre employees to air views without compromising the hierarchies.

Another way is to align strategies and tactics with functional areas. It is obvious that in some organizations different business units might be working in silos. Leveraging diversity occurs when each functional area fully contribute their talents, thoughts, skills and abilities to meet the core goals and mission of the organization.

Hence it is highly advocated that the organization should find a ways to promote understanding of how each functional area contribute to the core business.

Furthermore having a policy and action plan for the diversity and inclusion cannot be down played. This can go together with communicating or reporting on initiatives plausibly undertaken to ensure the diversity and inclusion such as in the annual performance reports and other platforms.

It is very interesting to note that, critically examining our mental models can lead to unintentional intolerance (or unconscious assumptions). We use learned values, beliefs and attitudes to interpret experience and generate behavior. In order to streamline things for efficiency, the brain creates mental categories for things it has already encountered in order to react quickly.
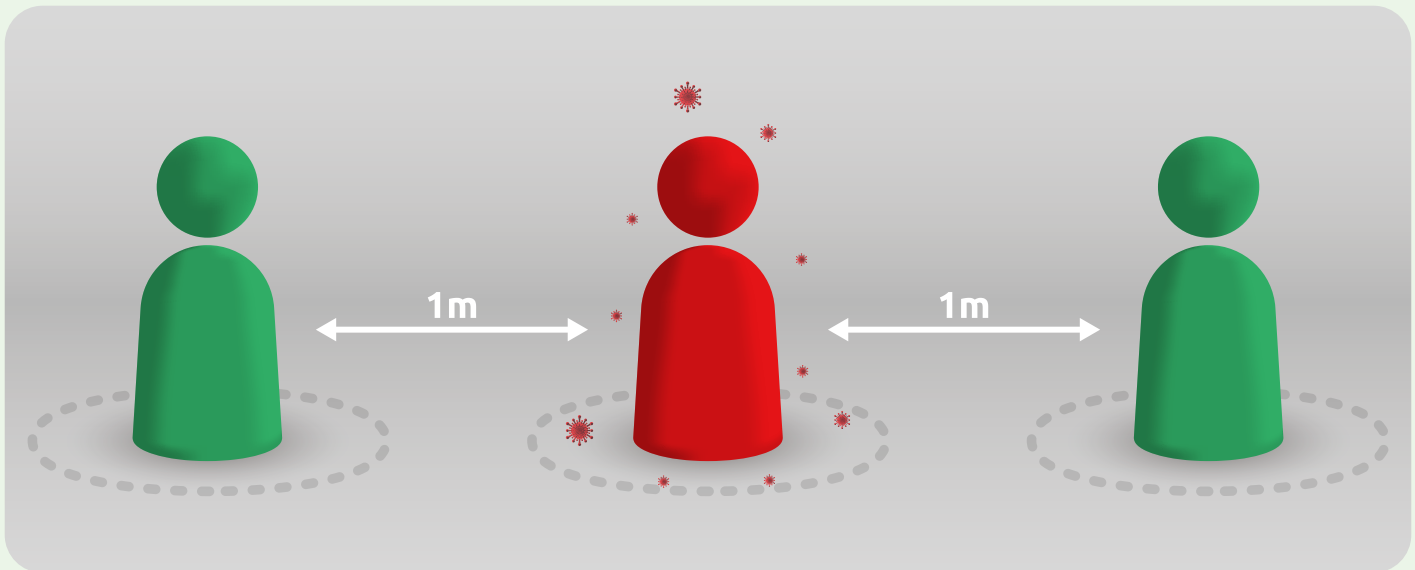
Therefore we need to be aware of our mental models and unconscious assumptions and strive to find out the ways we can change or monitor the mental models that might have negative impact on others and our interactions with them.

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AUDITING IN TIMES OF SOCIAL DISTANCING:
THE EFFECT OF COVID-19 ON AUDITING QUALITY

Purpose
This paper aims to discuss the theoretical impact of COVID-19 social distancing outbreak on audit quality.

Approach
This paper uses a desk study method to explore the possible impact of COVID-19 crisis on five key considerations for audit quality during the pandemic. These include audit fees, going concern assessment, auditor human capital, audit procedures and audit personnel salaries.

Findings
As many believe that the COVID-19 outbreak is as yet not a financial crisis, the authors, on the contrary, believe that the effects of the COVID-19 pandemic would be the toughest challenge for auditors and their clients since the 2007–2008 global financial crisis. Specifically, the authors believe that the COVID-19 social distancing can largely affect audit fees, going concern assessment, audit human capital, audit procedures, audit personnel salaries and audit effort, which ultimately can pose a severe impact on audit quality.

Practical implications due to the implementations of work-from-home strategy, audit firms are highly recommended to invest more in digital programs, including artificial intelligence, block chain, network security and data function development. This can help them to be more adaptable to working from home experience, which is ultimately expected to enhance the effectiveness and the flexibility of communication between auditors and their clients. Also, the authors recommend stock markets and other governmental bodies to provide temporary relaxations in compliance requirements to corporations.

This procedure is expected to help firms that apply work-from-home strategy to report better earnings figures, which is appeared to be positively associated with audit quality. Originality/value To date, to the best of the authors' knowledge, there is no academic study that explores the potential impact of the COVID-19 outbreak on audit quality.

This paper, therefore, fills an important research gap in the auditing literature. In addition, this paper can be used as a base to construct a research instrument (e.g. questionnaire or interviews) to provide empirical evidence on the potential impact of COVID-19 on audit quality. © 2020, Emerald Publishing Limited.
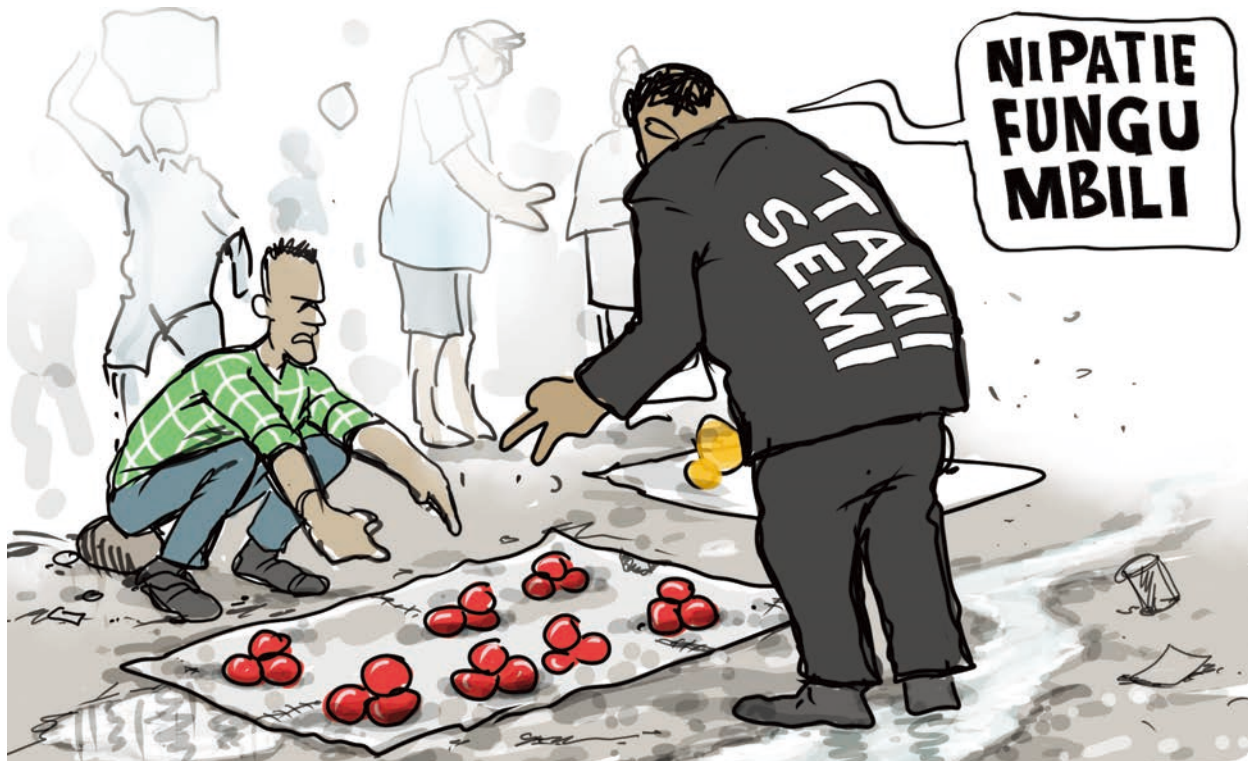
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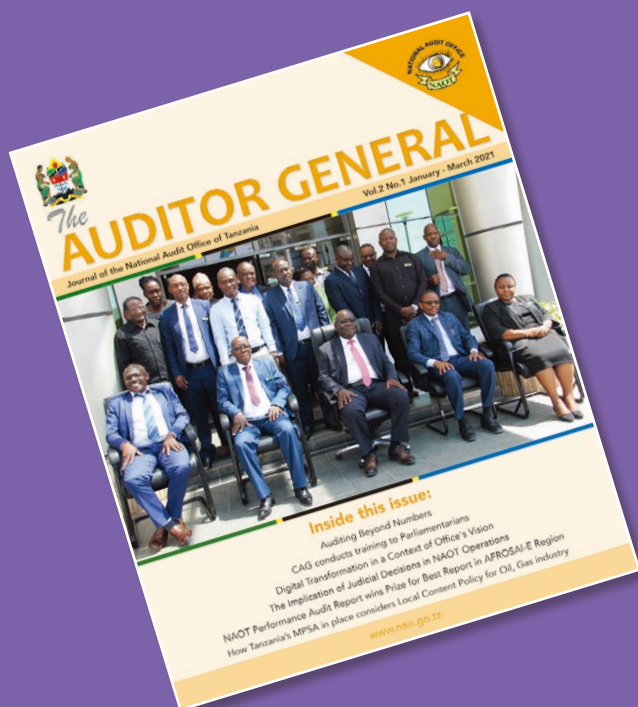
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THE AUDITOR GENERAL

The Journal of Supreme Audit Institution of The United Republic of Tanzania

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