



## YOUTH ACTION VOLUNTEERS (YAV)

### COMMENTS ON THE FINANCIAL AUDIT REPORTS FOR THE MINISTRY OF HEALTH AND SOCIAL WELFARE for FY 1998/99 – FY 2006/07

#### **Introduction**

The office of the Controller and Auditor General (CAG) was established under Article 143, sub section (5) of the Constitution of the United Republic of Tanzania 1977 (revised 2005) to oversee the accounts of the government and other public bodies. The Finance Act No 6 of 2001 (revised 2004) requires the CAG to audit all public authorities and other bodies at least once a year.

This commentary assesses the financial audited reports for the Ministry of Health and Social Welfare. The CAG's opinion is taken as the most reliable source of information regarding the ministry's accounting performance.

Recent CAG reports suggest an overall improvement in the government's financial management performance (See **Table 1**). From FY 2005/06 to 2006/07, unqualified opinions increased from 57% to 77%, qualified opinions fell from 39% to 26%, and adverse opinions fell from 4% to zero.

**Table 1: Trends in government accounts, FY2005-07**

	Unqualified		Qualified		Adverse		Total
	05/06	06/07	05/06	06/07	05/06	06/07	05/07
MDA	24	37	22	12	3	-	49
RAS	16	15	6	6	-	-	21
Total	40	52	27	18	3	-	70
Percent	57	74	39	26	4		100

Source: [www.nao.go.tz](http://www.nao.go.tz)

MDA= Ministries, Departments and Agencies

RAS= Regional Administrative Secretary

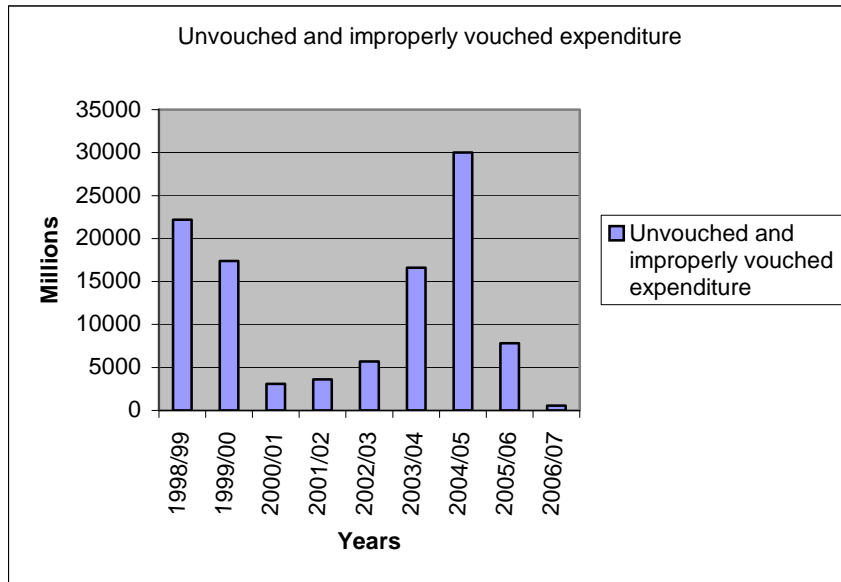
From a general outlook of the above table, there seems to be a general progress in terms of working on queries. However for the Ministry of Health and social Welfare there seems to have no significant changes over the past two years (2005/06, 2006/07) in terms of working on queries. Out of 49 MDAs audited (12) (17%) were awarded qualified opinion whereas in the F/Y 2005/2006 out of 24 MDAs audited 22 (45%) were awarded qualified opinion. From the analysis of MDAs opinions issued in financial years 2005/06 and 2006/07, the Ministry of Health and social welfare has received a qualified opinion for both years. It should be noted that a qualified opinion is not as good as the word suggests. This type of opinion is issued when the CAG encounters disagreement with management or uncertainty which has a material but not fundamental effects on the accuracy of the financial statements.

This commentary is based on the accounts of the Ministry of Health and Social Welfare from 1998/99 to 2006/07. The queries are summarized in **Table 2**.

**Table 2: Summary of Queries from the Audited Accounts for the Ministry of Health and Social Welfare 1998/99 to 2006/07**

S/N	Query	Financial Year (million shillings)								
		1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
1	Questionable payments	56.4	–	158.6	101.8	156.8	561.0	–	56.8	–
2	Treatment abroad	1,300.0	673.1	732.1.	733.5	–	–	–	255.4	–
3	Unreceipted salaries	6.9	–	–	–	–	–	–	–	–
4	Unclaimed salaries	5.0	–	20.8	5.4	–	–	–	–	–
5	Special Imprests	356.1	–	749.1	1,000.0	1,100.0	–	949.5	1,100.0	750.2
6	Strength of pro forma invoice	134.3	–	–	–	–	–	–	–	–
7	Loss of stores	132.0	152.0	850.2	166.9	58.2	–	–	–	–
8	Unvouched and improperly vouched expenditure	22,200.0	17,400.0	3,094.4	3,600.0	5,700.0	16,600.0	30,000.0	7,829.7	565
9	Variance in cash book balances	217.0	–	–	–	–	–	–	3,860.0	–

**Chart 1** shows the trend in unvouched and improperly vouched expenditure for the period under review.



Unvouched and improperly vouched expenditures fell rapidly between 1998/99 and 2000/01, but then rose again in 2004/05, and fell again in the last two financial years. This is an achievement on the part of the ministry. Major payments challenged by the CAG include, for the year 2004/05, Tsh 20m paid for consultancy services, which were not rendered, and non-delivery of motor vehicles worth Tsh 242m. For the year 2005/06 there was a Tshs 150m nugatory (unnecessary) expenditure on printing of malaria guidelines, goods worth Tsh 36m were not delivered and were questionable purchases of motor vehicles worth Tsh 57m.

In the table of summarized queries above it appears that the number of queries (Table 2) for the year 2006/07 is few compared to the previous years and yet the Ministry of Health and Social Welfare as said earlier has received a qualified opinion. This opinion was contributed by;

Limitation Scope of Audit;

- Unvouched and Improperly vouched expenditures amounted to Shs.565, 030,363
- A register of movable assets do not reflect fixed Assets owned by the Ministry.
- A statement for Assets and Liabilities (Deposit Account) was not prepared.

Disagreements in best practice on records keeping and non-compliance with laws and Regulations

- Imprests worth Shs.750, 239,060 were not accounted for.
- There was revenue collections understated of Shs.1, 237,408,995
- Unreported arrears of revenue was Shs.108, 516,140
- Goods paid for but not delivered Shs. 8,103,130,448.

### **Parliament as an oversight body**

Within the Tanzanian Parliament, the Parliamentary Social Services Committee is responsible for handling matters concerning MDAs, including the Ministry of Health. Duties of the committee include:

- Reviewing the Ministry's budget
- Reviewing annual audit reports
- Making follow up of the steps being taken by the Ministry.

The Social Services Committee reviews the Ministry's budget and expenditure. Yet it is apparently powerless to force action on instances of deficiencies in financial management, embezzlement, waste, extravagance and fraud that the annual audit reports have been exposing.

### **Conclusion**

Does the whole process of auditing and parliamentary review create the intended financial discipline and accountability? President Kikwete has indicated that audit reports should be taken more seriously. The implication here is that these reports have not received the proper attention that they deserve. Guilty officials have not been held responsible while the reports provide strong evidence. Yet the minister for Health and Social Welfare in his 2006/2007 report states that the ministry has improved the internal control of public expenditure. It is clear that the available resources have not been utilized for the intended purposes and priorities.

The Tanzanian Government has not managed to allocate 15 percent of its total budget to Health as stipulated in the 2001 Abuja Declaration, which Tanzania signed. If one was to draw a conclusion from the reports of the Auditor General, it is that the increased budget share to the MOH is not likely to bring the improved services that people anticipate.

Before the health budget gets the agreed 15% of the total national budget there is a need to devise a mechanism that will ensure that available resources are utilized for the intended purposes. If proper management has not been possible for the few resources we have in hand, will it be possible to manage them when they are increased? The principle thrust of the PER task team together with the general public is to encourage public accountability in government financial operations, in order to promote efficient and effective use of the taxpayer's money. Proper financial management and accountability over public funds is a central component of good governance and provides a fundamental catalyst for faster economic growth.