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11. **ABBREVIATIONS:**

DSFA Deep sea fishing Authority

USD United States Dollar

TZS Tanzania Shilling

M&E Monitoring and Evaluation

MPAs Marine Protected Area

CFM Collaboration Fisheries Management

ISA International Standard of Auditing

PE Personnel Emoluments

URT United Republic of Tanzania

RGZ Revolutionary Government of Zanzibar

MLF Ministry of Livestock and Fisheries

EEZ Exclusive Economic Zone

OC Other Charges

MCS Monitoring, Control and Surveillance

MACEMP Marine and Coastal Environmental Management Program

1. **EXECUTIVE SUMMARY**

At the request of the Public Finance Act and Regulation, Procurement Act and regulation of 2005 and the Audit Manual of Zanzibar. Audit has been performed on the adequacy of the authority documentation in place for the Deep Sea Fishing Authority (DSFA).

1. **INTRODUCTION**
2. **Audit Background**

We have completed the Audit of the Deep Sea Fishing Authority (DSFA) and the details of audit findings arising from examination of the accounting records and evaluation of implementation of the deep sea activities which require management attention and action to be taken.

**Our Mission**

To provide efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

**Objective:**

* **Objectivity**: We are impartial organization, offering services to our clients in an objective, and unbiased manner.
* **Excellence:** We are professionals providing high quality audit services based on best practice.
* **Integrity**: We observe and maintain high standard of ethical behaviour and the rule of law.
* **People’s focus**: We focus on stakeholders’ needs by building a culture of good customer care and having competent and motivated work force.
* **Best resource utilization**: We are the Audit unit that values and uses public resources entrusted to it in efficient, economic and effective manner.

**We do this by:-**

* Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them.
* Helping to improve the quality of public services by supporting innovation on the use of public resources.
* Providing technical advice to our clients on operational gaps in their operating system.
* Systematically involve our clients on audit process and audit cycles;

1. **DSFA Background**

Deep Sea Fishing Authority activities started work on 2010, it has relied on two main sources of revenue to finance its recurrent and development activities as shown below:-

* Government budgetary allocation from Marine and Coastal Environmental Management Program (MACEMP); every year, the Authority prepares and submits a budget to the Treasury, showing its projected expenditure on MCS, office running and development (equipment and office building construction). Personnel Emoluments (PE) and Other Charges (OC) have been paid from license fees allocation. According to the DSFA Act DSFA retains 50% of all license fees and fines, 30% is remitted to the United Republic of Tanzania (URT) Treasury and the remaining of 20% is remitted to the Revolutionary Government of Zanzibar (RGZ Treasury).

Sustainable development of DSFA requires a holistic planning and financing, stable financial mechanisms and availability of adequate funds for capital investments on both physical infrastructureexpansion and human resources development. Therefore, apart from license fees other future funding sources could include:-

* Government subventions from treasuries of URT and RGZ.
* Grants from sponsors, donors and others; as a body corporate, DSFA has the authority and responsibility to raise funds from sponsors, donors, lenders and any other agencies to further its cause.
* Loans from banks or international financial institutions.

**DSFA Management**

The overall responsibility for the coordination, management and implementation of the activities of the DSFA rests with the Ministry Agriculture, Natural Resources, Livestock and Fisheries (MANRLF) SMT and SMZ.

**Objective of an Authority**

* Enhancing effective deep sea fisheries resources management, protection and conservation.
* Optimizing utilization of EEZ fisheries resources in order to achieve the deserving benefits of the resource.
* Enhancing institutional management and administrative capacity.

1. **AUDIT OBJECTIVES**

The main objective of the internal audit is enable to express a professional opinion on the financial statements of the DSFA for the period ended 30TH June 2017.

* To verify whether all expenditures made on the basis of the Statement of Expenditures (SOEs) are in accordance with accounting records and conditions of the Advance Agreement and are fully supported by original and relevant documents.
* To determine whether the financial statements have been prepared on the basis of the Public Finance Act and Regulation, Procurement Act and regulation of 2005 and the Audit Manual of Zanzibar.
* To verify whether goods and services bought during the year in question were procured according to the laid down procurement procedures and instructions issued by DSFA
* To ascertain whether all necessary supporting documents and accounts have been kept for all DSFA activities and transactions.
* To ascertain whether all DSFA programs and activities have been performed accordingly
* To confirm the correctness of the special account transactions by verifying reconciliation of receipts and payments by the bank, funds balances, and that the special account statement reflects transactions authorized to be met from the Account.

1. **AUDIT SCOPE**

Our audit was carried out in accordance with Auditing Standards and guidelines. It was designed to cover the evaluation of the financial accounting system and internal control over the activities of the DSFA for the financial year 2015/2016 to ensure that the funds were used to meet eligible expenditures.

As auditors, we are not specifically required to search for fraud and, therefore, our audit cannot be relied upon to disclose all such matters. However, our audit was planned in such a way that we would have a reasonable expectation of detecting material errors and misstatements in the financial statements resulting from irregularities or fraud.

The responsibility for detection and prevention of irregularities or fraud rests with the management who are responsible for the design and maintenance of an effective system of internal control.

1. **AUDIT METHODOLOGY**

The audit of the DSFA was conducted on a review of the internal control structure to assess significant policies, procedures and regulations and to determine whether they are being followed.

1. **RESPONSIBILITIES OF THE INTERNAL AUDITOR**

Our responsibilities in the IAS units are defined in regulation 34 of the Public Financial Regulation, 2005 as follows:-

* Review and report on conformity with financial and operational procedures, and good practice as defined by the Accounting General, in order to avoid incurring obligations and authorising payments to the extent which would ensure effective control over the expenditure of the unit.
* Review and report on proper control over the receipt, custody and utilization of all financial resources of the unit.
* Review and report on operations or programs to ascertain whether results are consistent with established objectives and goals.
* Review and report on adequacy of action by management in response to internal audit reports, and assisting management in the implementation of recommendation made by those report and also where appropriate, recommendation made by the Controller and Audit general.

In addition, the responsibility of Internal Audit is to review and report on the adequacy of controls built into computerized systems in place within the unit.

1. **DSFA FINANCING**

An authority was planned to collect 3,202,116,990 Tzs for the period of (July 2016 – June 2017) while the actual collection was 765,188,888.75 Tzs which is 24% this implies that the authority has bad performance.

The actual expenditure for the period of (July 2016 - June 2017) was 2,870,295,347 Tzs against the Annual budget which was 2,870,495,712 Tzs. The performance was equivalent to 100% of the annual budget. The finding obtained from documents and physical verification of DSFA through discussion with concerned parties

1. **AUDIT FINDINGS AND RECOMMENDATIONS**

The Audit findings and recommendation in respect of an Authority activities under review were observed for management attention and action.

Most of the areas audited comply with the rules, regulation and accounting standards procedures but there were some weaknesses noted during the auditing process. These weaknesses are as follows: -

1. The DSFA during the period under review there are some payments total of Tsh: 114,605,500 and Usd. 135,441.62 which have no or incomplete returns. These payments are summarized in the following tables: -

* **Payments in Tanzania Shillings (Tsh)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| VN | CHEQUE NO | PAYEE | DETAILS | AMOUNT  Tsh: | PROBLEM |
| 24/12 | 000813 | DG | Being payment in respect of regional air patrol of three days allowances | 3,080,000 | * No Payees signatures for allowances * No air tickets |
| 35/10 | 000768 | DG | Being payment in respect of meeting with fisheries | 3,730,000 | Return difference of Tsh: 1,570,000 |
| 31/11 | 000792 | DG | Being payment for the air patrol mission | 5,396,000 | No any returns Tsh: 5,396,000 |
| 14/8 | 000709 | DG | being payment for the meeting on condition and policy for increasing revenue | 5,660,000 | * No returns for air tickets and taxi Tsh: 460,000 * Returns for food and refreshment Tsh: 1,750,000 * List of participant and their payments |
| 10/9 | 000719 | DG | Being payment in respect of stake holder meeting for discussing issues of fishing activities | 12,910,000 | * Return difference of Tsh: 1,690,000 * No returns for food Tsh: 1,750,000 * No registration * No payees signature for two particpants |
| 19/9 | 000723 | DG | Being payment in respect of DSA and travelling costs to DSM | 5,156,000 | No payee’s. signatures |
| 30/9 | 000729 | DG | Being payment in respect of DSA and travelling costs | 6,930,000 | * Return difference of Tsh: 1,700,000 |
| 31/1 | TTS | FETA- MBEGANI | Payment for deploying FADs | 12,840,000 | No receipts. |
| 22/2 | 000852 | DG | Payment for facilitating task force team for new DSFA regulation | 14,372,500 | No Return for activity totalled of sh. 4,638,500. |
| 27/2 | 000855 | DG | Payment for facilitation of Air Patrol of 12/2/2017 | 4,271,000 | No any returns. |
| 19/3 | 000880 | DG | Payment made in respect of meeting held at Bagamoyo | 14,520,000 | No any return. |
| 45/3 | 000890 | DG | Payment for evaluation for fisheries for taking fish from deep sea | 8,744,000 | No any return. |
| 32/6 | 000951 | FIRE WORK SOLUTION | Payment for additional software of CCTV to the management | 5,520,000 | No receipt. |
| 38/6 | 000953 | DG | Payment for the travelling cost to mwanza for special tsk regarding storage | 18,900,000 | * Returns for fuel Tsh: 1,500,000 * No returns for tickets * No payee’s signature 5 staffs |
| 39/6 | 000953 | DG | Payment for travelling cost to DSM to attend exhibition on 30 June to 8 July | 18,150,000 | * No Returnr for uniform Tsh: 3,400,000. * Return difference Tsh: 2,800,000. |
| 9/4 | 000904 | DG | Payment for VMS training | 12,970,000 | No break down and any returns. |

* **Payments in United State Dollars (Usd)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| VN | CHEQUE NO | PAYEE | DETAILS | AMOUNT  Usd. | PROBLEM |
| 3/9 | 000169 | DG | Being payment in respect of short course to Mbabane | 7,300 | No signature of receiving |
| 2/10 | TT | TAN WINGS LTD | Being payment in respect of hiring air craft for patrol | 40,628 | No returns for receipt |
| 11/10 | 000183 | DG | Being payment in respect of DSA to Slovenia for two staffs | 8,464 | No signature for a one staff Usd. 4,032 |
| 13/10 | 000185 | DG | Being payment in respect of DSA while travelling to Indonesia for three staffs | 10,122 | No signature for receiving |
| 1/2 | TT | TAN WINGS AVIATION (T) LTD | Payment as a services rendered to DSFA for Air patrol | 30,384.62 | No Receipt |
| 1/3 | TT | FAO REGIONAL REPRESENTATIVE FOR AFRICA | Payment as an annual fee for IOTC membership | 31,973 | No Receipt |
| 8/5 | 000205 | DG | Payment for the costs of training for IT officer in Kenya | 6,570 | No payee’s signature |

**Cause**

* Delaying in submitting the returns after completion the activities cause lost or misplacing the returns.

**Implication**

* There is a possibility of fraud and improper use of funds

**Recommendation**

* New payments should not be made before retirement from the previous payment.
* Return (receipt) should be collected when the activities are completed.

1. **In active Audit Committee -** The Public Finance regulation 2005 section 30 state that A Ministry Department or Agency shall establish a committee known as an audit committee.

It is noted that there is an Audit Committee for an Authority which is not active that may lead to the implementation of internal and external audit recommendations not taken in action as appropriate.

There are no meetings which have been held by committee since an Authority started.

1. **Receiving and Issuing of Items in store ledger**

During the period of auditing it was observed that the payment made in purchasing voucher number 70/3 for Tsh: 10,361,540 for the purchasing an additional software of CCTV from Fire Work Solution. These items were not entered in the store ledger

**Cause**

* Unfollowing the procurement procedures

**Implication**

* Management may lose the control of receipt and issue of store items
* Improper use of store
* Miss allocation or misuse of such store items

**Recommendation**

* An authority should follow the procurement procedures for all purchasing activities

1. **CONCLUSION**

The detailed audit findings presented above were communicated to management of the Deep Sea Fishing Authority (DSFA), in which the issues raised were discussed and agreed upon and will be rectified.

Lastly, I would like to express my appreciation to the management of the Deep Sea Fishing Authority (DSFA) for their co-operation. It is my hope that such good working relationship will be extended during our future audits.

Thanks,

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| ........................................ |
| Ali Mabrouk Juma |
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