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Worth for Money Auditing in the Area of the public procurement Act 2011and its regulations of 2013: The case study of Tanzania Police Force HQ`s

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Abstract: *The paper as the heading represents will deal with the concepts of worth-for-money auditing in the context of the Public Procurement Act 2011 and its regulations of 2013 as amended. an attempt will be made to establish what value for money audit is, its historical perspective, its legal framework in Tanzania, and how it is crucial to the successful enforcement of the provisions of the Public Procurement Act 2011 together with its related regulations 2013.*

Introduction

The responsibility for the proper control and management of public resources in the United Republic of Tanzania is enshrined in the constitution of the United Republic of Tanzania of 1977 under Article 27 which states: -

(1) *Every person must protect the natural resources of the United Republic, the property of the state authority, and all property collectively owned by people and also respect other persons' property.*
(2) *All persons shall be required by law to safeguard the property of the state authority and all property collectively owned by the people, to combat all forms of waste and squandering, and to manage the national economy assiduously with the attitude of people who are masters of the destiny of their national.*

The Public Procurement Act 2011 was an extension of the Public Finance Act 2001 as R.E. whose enactments brought about the repeal of the Exchequer and Audit Ordinance of 1961. The promulgation of the Public Finance Regulations the Public Procurement (Selection and Employment of Consultants) Regulations (Government Notice No. 137) and the Procurement of Goods and Works Regulations (Government Notice No. 138) Brought about the repeal of the Financial Orders NO. I, II, & III under the Exchequer and Audit Ordinance, Both the Exchequer and Audit Ordinance and the Financial Orders which had been in use since 1961 had been rendered obsolete and outdated thereby rendering them impotent to effectively serve an economy undergoing major and progressive reforms, the Public Procurement Act 2011 and the Public Finance Act 2001 together with their related regulations become effective on 1st July 2001.

The two laws amplify Article 27 of the Constitution of the United Republic of Tanzania and make better provisions for the more effective control, management, and regulation of the collection and use of the finances of the United Republic of Tanzania and enhance Parliamentary control and supervision of public funds and resources and for related matters.
Since the conclusion of the Public Expenditure Review (PER) in 2022, the government of the United Republic of Tanzania has embarked on the public sector management freeform process consisting of Civil Service Reform, Parastatal Sector Reform, Financial Sector Reform, and the Planning and Budget System Reform. The objective of the reform process is to achieve the most optimum and efficient use of public resources for the better performance of the public sector and the economy at large which is the gist of the worth-for-money auditing philosophy.

The audit function in the public sector in Tanzania

Wealth in the private sector is created by businesses that harness the savings of investors and the energy of employees, industrial concertation has led to the creation of companies that are large and complex sometimes spreading all over the world and therefore making such entities impossible to be managed by all the shareholders having an interest in the company, it is, therefore, necessary for the control and management of large businesses to be delegated to a small number of directors who will be expected to perform their duties on behalf of all the other shareholders. these directors may, therefore find themselves making decisions that have enormous implications for the investors and employees of the organization that they manage.

The separation of ownership and management form control can create conflict in the direction entrusted with the running of the company will often be forced to choose between the shareholders' welfare and their own, to protect themselves, and shareholders institute mechanisms to protect themselves Example of such control mechanisms are the preparation of financial statements and reports including statutory annual audits.

The situation is not very different in the public sector. A country's whole citizens would win their government of the day thus becoming its people, as for the private sector when it comes to the control and management of such resources not every citizen can be involved, that is why any government practicing good governance will have in place a clear separation of roles and responsibilities between the executive, the legislature and judiciary as control and checking mechanism, signs such situation, we find the executive accounting itself to the electorate through their elected representative i.e. the members of parliament, parliament will have in place the necessary mechanisms to ensure their control and monitoring roles are effectively executed Again as in the private sector, the preparation of financial statements and reports including the statutory annual audit is one of the ways for parliament to execute its control function.

Conventional audit

The audit of an entity's financial statements is designed to provide an independent, objective opinion that the financial information prepared by management has been presented fairly.

In the most general sense, an audit is how one person is assured by another of the quality, condition, or status of some subject matter which the latter has examined, the need for such an audit arises because the first-mentioned person is doubtful about the quality, condition or status of the subject matter, and is unable personally to remove the doubt or uncertainty"

An audit is, therefore, an independent examination of and expression of opinion on, the financial statements of an entity by an appointed audit in pursuance of the appointment and compliance with any relevant statutory obligations, The purpose of an audit is not to provide readers of the report with additional information, it is intended to enable users to rely more heavily upon the information which has already been prepared by others.

The objective of an audit of financial statements, prepared within a framework of recognized accounting policies, is to enable an auditor to express an opinion on such financial statements, the auditor's opinion helps establish the credibility of the financial statements, the user, however, should not assume that the auditor's opinion is an assurance as to the future viability of the entity nor an opinion as to the efficiency or effectiveness with which management has conducted the affairs of the entity.

As part of the process, the auditor may include an examination of accounting and information systems and may make recommendations to management to improve these systems generally, audit reports are predictable and short because the auditor is guided by generally accepted accounting and audit principles and standards, this branch of the audit was first introduced in the audit of local and central government and has since spread into the private sector.

Management Consulting

Management consulting on the other hand involves assignments that require solutions to perceived problems and experience in implementing solutions. it may involve advice on specialized management decisions or implementing specialized management systems, in management consulting assignments, the range of situations, solutions, and the system is very diverse, there is no predictable form of reporting and there are no "generally accepted standards or benchmarks for decision making or systems to guide the consultant.

Worth for money audit

Worth audit on the other hand is a blend of both conventional auditing and management consulting. WFM audit benefits from the independence, objectivity, and reporting skills of auditors, complemented by the specialized analytical systems and implementation skills that may be available from management consultants, reporting in WFM auditing is attention directing and not providing detailed solutions. The phrase WFM has a wide and often ambiguous meaning, it is commonly used when presenting political arguments for expenditure costs in the public sector, Holtham and stearate [(p3):-

“We see the new concern as arising in an era of restraint, but see that the case for worth for money standard apart from the political stance taken- whether it is for or against cuts in local government expenditure. worth for money is justified whatever level of expenditure is aimed at, Questions of worth for money are about political judgment- the judgment of what is value for money, value for money does not remove political judgment- it may well increase the emphasis on it, we argue however that the process for search for worth for money is politically neutral even though what is decided in that process will not be”

In the worth-for-money audit, we see the auditor is not concerned with a policy which is the responsibility of elected politicians and accounting officers, and public officers who are responsible for the operations of the functions under them, we see the auditor is concerned with investigating whether the outcomes of policy correspond with the intentions of the policy, this is an apolitical monitoring function being a comparison of the situation that exists with that which might have been expected.

To say that a particular department, ministry, or local government provides worth for money means that those who strive to provide the service do so as best as they can, given the available resources and the environment within which they operate. It is impossible to provide an absolute measure of worth for money. In establishing worth for money, the auditor should examine whether available resources could have been put to better alternative uses and whether the same objectives could have been achieved at lower costs using an alternative strategy.

According to US Government (1972), published the "*Yellow Book*" which acknowledges an expanded audit role within the public sector. The Yellow Book defined the objectives of auditing the public sector as: -

- Financial operation and compliance with applicable laws and regulations
- Economy and efficiency of management practices and
- The effectiveness of programs in achieving a desired level of results

As outlined in previous paragraphs, a worthwhile audit entails three words which are economy, efficiency, and effectiveness commonly referred to as the 3Es.

Worth audit provides a means whereby the public can gain increased assurance that public servants managing these resources are being held accountable for performance and results.
"The serious malaise pervading the management of government stems fundamentally from a grave weakening and in some cases as an almost total breakdown in the supply chain of accountability, first within government and second in the accountability of government to parliament and ultimately to the people".

According to the PPRA audit reports of 2020 and 2021 state clear that: Accountability in the public sector occurs when both politicians and the public at large are assured that public funds are being spent efficiently, economically, and on effective programs. Worth-for-money auditing assists this process by reporting on management performance at both local and central government levels, Also auditing provides regular and systematic feedback to those responsible for the initial formulation of objectives.

Thus, a review operation is well suited to the diagnostic and interpretative skills of the auditor, particularly since there are financial implications, which always have a bearing on overall all financial strategy, in all government activities.

What does Worth constitute?
Worth for money can be thought of as comprising the following three elements: -

- Economy
- Efficiency and
- Effectiveness

The first two of these elements are fairly uncontroversial but the third element, effectiveness, is both hard to define and difficult to measure.

What do the 3E's mean:
The three objectives desired to be achieved in a worth-for-money audit which are economy, efficiency, and economy are defined as follows: -

Economy- refers to the situation of acquiring resources of an appropriate quality for the minimum cost. It shows the relationship between input resources that is the purchase of resources (goods and services) of the quantity and quality for the lowest possible price with the outputs. Emphasis is therefore on the control of the input; a lack of economy could occur for example when there is overstaffing.

Efficiency- seeks to ensure that the maximum output is obtained from the resources devoted to the public entity or ensuring that only the minimum level of resources is devoted to a given level of output.
Efficiency- shows the relationship between inputs and outputs. The auditor's main concern, therefore, is matching the quality of output with the input used to ascertain whether there is commensurate value for money. An efficient operation produces the highest output or returns at minimum cost. The principle of efficiency advocates, maximum output from the use of a given batch of resources or minimization of resources deployed (input) in producing the output required.

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An operation could be said to have increased its efficiency if either fewer inputs were used to produce a given amount of output or a given level of input resulted in increased output. Efficiency is normally revealed through unnecessary wastage of resources, the performance of work with no useful purpose, or the holding of excess materials and supplies effectiveness-set to ensure that the output from any given activity is geared towards achieving the entity's desired goals and objective. It shows the relationship between achieved outputs and the desired or planned objectives of the entity. It measures the extent to which the outputs produced or acquired and the use of policies and procedures have achieved the stated goals and objectives of the entity.

The 3E's have been ranked in order of comprehensibility and measurability although they are interrelated to one another. To establish an economy of operation means to examine the entity's internal set-up including its internal regulations for the creation of standards, establishments, etc. Areas for the examination of the economy would be to establish the quality of input resources and the price paid for such resources.

The legal framework for audit in Tanzania.
The annual audit in the public sector is a constitutional requirement as per Article 143 of the constitution of the United Republic of Tanzania which calls for the establishment of the office of GAG and PPRA in the United Republic of Tanzania to ensure that the use of public money proposed to be paid out of the consolidated Fund has been authorized and that the funds shall be paid out by the provisions of Article 136 of this constitution, and where he is satisfied that that provision shall be duly complied with, then he shall authorize payment of such money.

(i) to ensure that all the money the payment of which has been authorized to be charged to the Consolidated Fund of the Government of the United Republic of Tanzania, or the money the use of which has been authorized by a law enacted by Parliament and which has been spent, have been applied to the purposes connected with the use of such money and that such expenditure has been incurred by the authorization for such expenditure; and
(ii) at least once every year to audit and give an audit report in respect of the Government of Tanzania the accounts managed by officers of the Government of the country the accounts of the United Republic of Tanzania and the accounts of the Clerk of the National Assembly."

As explained earlier, the Public Procurement Act 2011, and the Public Finance Act 2001 together with their related regulations of 2013 as amended aim at amplifying the various articles of the constitution of Tanzania notably Articles 27,135,136,137,138,139,140,142,143 and 144. It is in this context therefore as a way of ensuring greater accountability and improved governance, the concept of worth for money audit is explicitly enshrined in the laws. Section 33 of the Public Finance Act 2001 as R.E. for the first time in the history of this country introduced the value for money audit philosophy. The section states,

(i) "The controller and Auditor General may, to establish the economy, efficiency, and effectiveness of any expenditure or use of resources by ministry or department I respect of which Appropriate Accounts are required to be prepared under this Act or any public authority or other public body to which Article 137 applies, Enquirer into examine investigation and report in so far considers necessary, on: -"

(b) The expenditure of public money and the use of resources by such Ministries, disappointments, and all such public authorities and other bodies.
(c) Any other activity undertaken by such ministries, departments public authorities, and other bodies."
Arising from the provisions of Section 33 of the Public Finances Act, 2001 R.E worth audit is now statutory and has therefore to be abided by.
In previous paragraphs of this paper, we stated that the efficiency of operations in any entity is a measure of the output of the input used. For the value-for-money audit to be properly executed, there is a need to relate or translate the entity's input into expected outputs. This is also now a legal requirement for the public sector as per section 18 of the Public Finance Act 2001 R.E which states.

According to the Constitutional of Tanzania Section 18 (1) of Article 137 of the Constitution states that "the Minister shall cause to be prepared and laid before the National Assembly as soon as practicable before the commencement of each financial year":
(a) estimates of the revenues, expenditure, and financing requirements for the Government of Tanzania for that year,
(b) For each vote of expenditure, a statement of the classes of outputs expected to be provided from that vote during the year and performance entries to be met in providing those outputs.

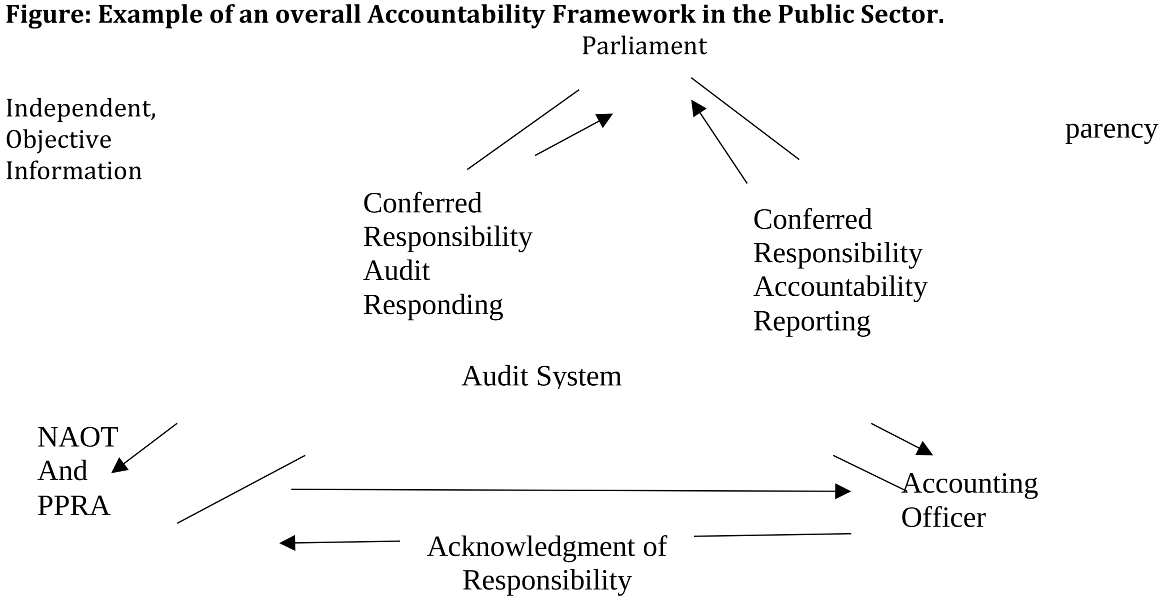
(2) Notwithstanding subsection (1), if the National Assembly is dissolved less than three months before the commencement of any financial year, the estimates for that year may be laid before the House as soon as practicable.
(3) The votes of expenditure contained in the estimates (other statutory) shall be included in a Bill to be known as an Appropriation Bill which shall be introduced into the National Assembly to provide for the issue from the Consolidated Fund of the sums to meet that expenditure and the appropriation of those sums to the purposes specified there.
(4) If in respect of any financial year, it is found that the amount appropriated by an Appropriation Act is insufficient or that a need has arisen for expenditure for a purpose to which no amount has been appropriated by that Act, a supplementary estimate, showing the amount required, shall be laid before the National Assembly and the votes of expenditure shall be included in a Supplementary Appropriation Bill to be introduced in the House to provide for the appropriation of those sums."

The provisions of the above section of the Public Finance Act 2001 as R.E., clearly demonstrate the supremacy of the National Assembly over the use of public funds and resources. The emphasis in the law is that it is illegal for anyone in respect of his position in government or political hierarchy to spend public funds or resources in whatever form without such funds or resources having explicit approval of the National Assembly through either an Appropriation Act or a Supplementary Appropriation Act.
To be able to evaluate the effectiveness of worth-for-value audits, expected objectives or outputs must have been established. This is not necessarily an easy procedure as some targeted outputs are not initially apparent or easily quantifiable and measurable. Once a set of goals has been established, the law requires the auditor to examine whether these goals have been achieved or not.

Under worth-for-money audits, auditors will be expected to produce "hard-hitting "factual reports that will address the issues of economy, efficiency, and effectiveness in the use of public resources. Accounting officers will be held responsible and accountable for their actions. Accountability refers to the obligation the executive has over parliament to ensure that the responsibilities conferred upon me have been accomplished according to approved standards of efficiency, economy, and effectiveness.

The Tanzania Statement of Recommended Accounting Practice on Governance in the Public Sector sees accountability as a process as demonstrated in the figure below:

Figure: Example of an overall Accountability Framework in the Public Sector.



Source: Researcher, (2023)

In Tanzania, there is a clear separation of the roles and responsibilities of the three pillars of governance i.e. the executive, legislative, and the judiciary. Parliament usually provides authority for the acquisition and use of financial resources by passing laws to levy certain taxes and approving budgets to regulate government spending, Parliament is also responsible for overseeing the development and administration of government policy.

The role of accounting officers

The Accounting Officer is authorized by parliament to spend within an overall approved budget, invest, borrow, and administer programs by any laws and regulations that apply. The accounting officer is also responsible for authorizing the acquisition and use of financial resources within the authorization by parliament and for overseeing and monitoring the implementation of the approved budget or financial plan.

Accounting Officers in Tanzania are appointed by the Paymaster General by name, office, and in writing as per Section 8(1) of the Public Finance Act 2001 as R.E which clearly states. "There shall be appointed by name and office and in writing by the Paymaster-General an accounting officer in respect of each expenditure vote, who shall control and be accountable for the expenditure of money applied to that vote by an Appropriate Act for all revenues and other public money received, held or disposed of by or on account of the department or service for service for which the vote provides."

Section 8(2) provides for the roles of other public assisting accounting officers in executing their obligations.
Such appointment vests personal responsibility for the overall responsibility of the entity including the internal control and government of the entity. In essence, the accountability of the accounting officers is a personal responsibility for the function entrusted to them. This means that if all Accounting Officers were to execute their duties and responsibilities by the requirements of the law and its regulations fraud, misappropriation, corruption, unnecessary wastage and misuse of public funds and resources would minimal.

Oversight function of parliament

Parliament has the right and responsibility to hold the executive and its organization accountable for their management of the financial affairs, the use of resources entrusted to them, and the results achieved. In effect, accountability is the obligation to answer for a responsibility that has been conferred upon someone it presumes the existence of at least two parties: One who allocates responsibility and one who accepts it with the undertaking to report upon how it has been discharged. Therefore, parliament plays an important role in the overall framework of governance in the public sector.

Parliament achieves the supervisory roles through its three committees namely the Public Accounts Committee (PAC); the Local Authority Accounts Committee (LAAC) and the Public Investment Committee (PIC). These committees fulfill their responsibilities by reviewing the audit reports (including the worth audit reports) by the Controller and Auditor General. There are therefore five steps in making a cycle of accountability i.e.:-

1. Parliament of Financial statements and reports by accounting officers
2. PPRA Audit Report of 2020/2021
3. Audit and reporting by CAG for 2020/2021
4. Hearing by Parliament through its relevant committees
5. Recommendations of Parliament to Accounting Officers
6. Response of the Accounting Officers and follow-up action where appropriate.

The efficiency of the cycle depends on the timeliness with which all five steps are accomplished. This accountability process is further legally enforced through the provision of Regulation 8(5) of the Public Finance Regulation 2011 which states:

8(5) "Every Ministry, Agency or Department shall be responsible to ensure that information is available to the general public in respect of its activities and finances and for this purpose each Ministry, Agency or Department shall prepare and make available to the general public an Annual Report stating out": -

(a) The overall budget strategy
(b) The nature and objectives of each main program
(c) assessment for output and performance against objectives
(d) a summary of the financial results for the fiscal year of the Ministry, Agency, or department in a form approved by the Accountant General
(e) The plans for the year ahead, as approved by Parliament and
(f) The provisional plans for the two subsequent years

The Public Procurement Act 2011 and its related regulations 0f 2013.

Article 137 of the constitution of the United Republic of Tanzania empowers the President to cause the national budget to be prepared and submitted to the National Assembly for approval.
Section 18 of the Public Finance Act 2001 as R.E amplifies Article 137 of the constitution in which it states: -

18 (i) "Subject to Article 137 of the constitution, the Minister shall cause to be prepared and laid before the National Assembly as soon as practicable before the commencement of each financial year.

- *(a) Estimates of the revenues, expenditure, and financing requirements for the government of Tanzania for that year*
- *(b) For each vote of expenditure, a statement of the classes of outputs expected to be provided from that vote during the year and the performance criteria to be met in providing these outputs"*

The public procurement policies in the country are based on the need to make the best possible use of public funds, whilst conducting all procurement with honesty and fairness (REG 4 (1) - (3) of the procurements of goods regulation which states: -

Reg 5" 4(2) "All public officers and members of tender boards who are undertaking or approving procumbent shall be guided by the following basic consideration of the public procurement policy.

- (a) The need for economy and efficiency in the use of public funds and the implementation of projects in the implementation of projects including the provision of related goods and services.
- (b) The best interest of a public authority is to give all eligible suppliers and contractors equal opportunities to complete in providing goods or executing works.
- (c) encouragement of national manufacturing contracting and service industries.
- (d) The importance of integrity, accountability, fairness, and transparency in the procurement process"

Reg. 5 further states that:
"Public officers and members of tender boards when undertaking or approving procurement shall choose appropriate procedures and cause the procurement to be carried out diligently and efficiently so that the prices paid represents the best value that can reasonably be obtained for the funds approved"

All these provisions of the law aim at achieving fairness in promoting good governance, through the pillars of openness, integrity, and accountability.

Once the government budget has been approved by the National Assembly, Accounting Officers are allowed to spend by Article 136 of the constitution of the URT and Section 16 of the Public Finance Act on how issues from the consolidated Fund can be affected. A sizeable chunk (between 40%-50%) of the approved public funds is utilized by Accounting Officers through various procurements of either, services/consultancies, goods, or works. This is where the Procurement Act comes in arising from the magnitude of the resources involved and the available opportunities for fraud, theft, corruption, wastage, and misuse.

The Public Procurement Act 2011 together with its two regulations one on Consultancy of 2013 and the other on Goods and Works aims at regulating and standardizing the procurement function in the public sector to ensure that the highest standards of equity are achieved. Section 18 of the Public Procurement Act 2011 states:

"In the execution of their duties, tender boards and procuring entities shall strive to achieve the highest standards of equity taking into account: -

- *(e) Equality of opportunity to all prospective suppliers, contractors, or consultants*
- *(f) Fairness of treatment to all parties and*
- *(g) The need to obtain the value for money in terms of price, quality, and delivery showing regard in set specifications and criteria."*

In achieving the above objective, the Public Procurement Act together with its regulations has established: -

- (i) The procuring authorities, specify their duties and responsibilities
- (ii) Procurement procedures include the duties of procuring entities, qualifications of suppliers, contractors, consultants, etc.
- (iii) Limit for procurement for various public sector entities
- (iv) Methods of procurement that as much as possible emphasize competitive bidding
- (v) Authorization of contracts including the limits of authority and procedures for alterations and amendments of procurement contracts.
- (vi) What should not be done in procurement (prohibition) including fraud and corruption
- (vii) A mechanism for dispute resolution by establishing the Public Procurement Appeals Authority

The law requires that proper planning of procurement be affected (Regulation 17(1)-(5) Public Procurement (Selection and Employment of Consultants) Regulations.

Haphazard or unplanned procurement is fertile ground for corruption and fraud and should therefore be avoided at all costs.

The cap it all, Reg. 31 of the Procurement of Goods and Works Regulations requires the auditor of every public body in his annual report to state whether or not the procurement law and its regulations have been complied with about competitive tendering and approval of procurement by the appropriate tender boards. This is an additional task to the auditor which will be a review of the entity's procurement procedures and processes to establish compliance with the law and regulations

Conclusion:

The information of today is managing for value whether one is in the public or private sector. Many entities are now implementing economic value-added (EVA) management systems in their quest for the value maximization proposition. For the concept to succeed as a robust measure of financial performance and related financial management tools to create value, EVA must be coupled with changes to management processes and systems, including planning, portfolio management, strategic and tactical decision-making, and total compensating strategy.

The worth concept is a value-based management system that emanates from the scarcity of resources. There is a need therefore to put the scarcity of resources. There is a need therefore to put the scarce resources to the maximum possible best use. The worth concept is fairly a recent development whose need will increase by the day as governments are held more accountable by their citizens through their elected members of parliament. The bonus of meeting this challenge lies squarely with accounting offices and all public offices that have been entrusted with the management and use of public resources.
Arising from the enactment of the Regional Administration Act of 1997 which has changed the roles of Regional Secretaries (RS), there is a need to re-orient them through training to the demands of their new roles. This will be a continuous process to equip the RSs and other public offices with the necessary knowledge and skills whose demands will keep changing as our institutional structures and setups change.

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