

AMENDMENTS TO CURRENT REGULATIONS TO ADDRESS NON GOVERNMENTAL ORGANIZATIONS

SUGGESTED AMENDMENTS TO TANZANIA FINANCIAL ACCOUNTING STANDARDS (TFAS) NO. 8 (*italic*)

“Objective

The aim of this Standard is to stipulate disclosure requirements in the financial statements of banks and financial institutions as defined in section 3 of the Banking and Financial Institutions Act (No. 12) of 1991. It also incorporates the need for these institutions to adhere to any additional provisions that the Bank of Tanzania may prescribe in its statutory role as regulator of all banks and financial institutions in Tanzania. These powers are enshrined in the Banking and Financial Institutions Act No. 12 of 1991 and in the Bank of Tanzania Act, 1995.

Under its own powers, enshrined in the Auditors and Accountants Act, 1972 as amended in 1995, the National Board of Accountants and Auditors has decided that, in order to promote fair competition as provided in the Fair Trade Practices Act... and to make microfinance an integral part of the financial sector as defined in the National Microfinance Policy 2000, accounting rules and regulations issued by Bank of Tanzania shall be applicable to other body corporates whose principal business consists of lending money to households, small holder farmers and small and microenterprises of rural and urban sectors, including savings and credit cooperative societies and non-governmental organizations.

Losses on Loans and Advances

- 2.3 (second paragraph) The assessment of these losses depends on the judgement of management. It is essential, however, that management applies its assessments in a consistent manner from period to period as guided through the Board of Directors by the Management of Risk Assets Regulations 2001 and the Microfinance Companies and Microcredit Activities Regulations 2003 and its amendments, and any other regulatory guidelines issued by the Bank of Tanzania under section

51¹ of the Banking and Financial Institutions Act No. 12 of 1991 and any other legislation.

2.0 Definitions and explanations of terms used

2.2 bank: A bank or a financial institution licensed by the Bank under the Banking and Financial Institutions Act, 1991 to engage in banking business. For the purposes of this Statement, the term also applies to similar financial institutions.

1.2 Similar financial institutions: For the purposes of this Statement, similar financial institutions are body corporates whose principal business consists of lending money to households, small holder farmers and small and microenterprises of rural and urban sectors, including savings and credit cooperative societies and non-governmental organizations.”

SUGGESTED AMENDMENTS TO THE PUBLIC FINANCE REGULATIONS 2001

Section 11 “Accounting Officer”

Add, at the end of section (1) the following text:

“In the case of government projects in respect of which a foreign government or institution or an international organization provides any money, goods or services, the accounting officer shall be the chief executive officer of the project.”

Modify paragraph (d) of section (1) to read as follows:

“d) establish and maintain, taking into account the guidelines contained in Tanzanian Auditing Standards established by the National Board of Accountants and Auditors, an effective system of internal control over the financial and related operations for which he is responsible and wherever applicable establish and maintain an effective internal audit organization which shall be responsible

¹ Section 1.14 of TFAS No. 8 should be modified in similar way.

Insert a paragraph (e) in subsection (3) that reads as follows:

“e) engage on an annual basis, in the case of government projects in respect of which a foreign government or institution or an international organization provides any money, goods or services, the services of an independent professional or firm who shall have the duty to conduct an audit in accordance with Tanzanian Auditing Standards issued by the National Board of Accountants and Auditors and give an opinion that the financial statements of the project give a true and fair view in accordance with Tanzanian Financial Accounting Statements.”

INDEPENDENT AUDITORS REGULATIONS 2000

SUGGESTED AMENDMENTS

“conflict of interest” means a situation or circumstance whereby a party who is in a position where privileged information obtained in line of his duty could be used to further personal or other business interests.

Modify the last sentence of subsection (1) of section 4 to read as follows.

“Prior to appointing the independent auditor, the bank or financial institution shall obtain a sworn statement regarding conflict of interest as defined in these Regulations and a commitment to comply with Regulations issued by the Bank; the Bank shall be notified of such appointment and the bank or financial institutions shall provide a copy of the sworn statement and commitment to the Bank.”

Modify section 6 to be titled “Scope and attestation of the independent audit assignment”

“(1) The independent auditors shall present a report of the audit of financial statements as provided in Tanzanian Auditing Standard No. 2 “The Audit Report”, as well as the following four compliance reports:

a) Reliability of the classification and provisioning of credit accommodations, in accordance with the minimum levels established in the Management of Risk Assets Regulations 2001. Emphasis must be placed on delinquency reports and other instruments to monitor portfolio aging and procedures to ensure timely and proper recognition of restructured operations. The preparation of this report does not relieve the independent auditor from the duty to exercise professional judgment when giving an opinion about the sufficiency of loan loss provisions.

b) Accuracy, security, and effectiveness of the electronic data processing systems in accordance with the best standards of quality of the industry, particularly on all those features related to loan and deposit administration.

c) Effective implementation and reliability of the internal controls, in accordance with the Internal Control and Internal Audit Regulations and Tanzanian Auditing Standard No. 1 “The Auditor’s Operational Standard”. Emphasis must be placed on policies and procedures that address the degree of decentralization of lending operations.

d) Effective implementation of policies and mechanisms on laws and regulations related to money laundering.

(2) The four compliance reports shall be prepared under the guidelines established in Tanzanian Auditing Standard No. 17 “Specialized Areas Audit” or International Standard of Auditing (ISA) No. 800 “The Auditor’s Report on Special Purpose Audit Engagements”.

(3) The Bank may, at its own expense, procure the services of professional individuals or firms to perform the attestation of independent auditor’s reports or firms.