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THE PUBLIC FINANCE ACT,
(CAP. 348)

REGULATIONS

(Made under section 10)

THE PUBLIC FINANCE (AMENDMENT) REGULATIONS, 2024

Citation
GN. No.
132 of 2001

1. These Regulations may be cited as the Public Finance (Amendment) Regulations, 2024 and shall be read as one with the Public Finance Regulations, 2001 hereinafter referred to as the “principal Regulations”.

Amendment of
regulation 2

2. The principal Regulations are amended in regulation 2, by-

- (a) deleting the definition of the term “accounting officer” and substituting for it the following-
“accounting officer” has the meaning ascribed to it under the Act;”;
- (b) adding in the appropriate alphabetical order the following new definitions:
““independence of internal audit service” means the freedom from conditions that threaten the ability of internal audit service to carry out internal audit responsibilities in an unbiased manner;
“internal auditor” means a trained

professional engaged by a public sector entity to undertake internal audit responsibilities within the internal audit service;

“internal audit service” means a department, division, team of consultants or other practitioner which undertakes internal audit responsibilities;

“internal control” means set of policies, procedure, processes and systems designed and effected by the legislation, authorities, and management to provide reasonable assurance on reliability of financial records, information and reporting, improve efficiency and effectiveness of operations, compliance with legal requirement and safeguard of public assets and resources;

“risk management” means management policies, procedures and practices for identifying, analysing, assessing, treating, monitoring and reporting various risks which might affect an entity’s ability to achieve its objectives;”.

Deletion and substitution of regulations 28 and 29

3. The principal Regulations are amended by deleting regulations 28 and 29 and substituting for them the following:

“Internal audit service 28.-(1) An accounting officer shall, for purposes of ensuring-
(a) the attainment of value and improved public sector

entities
operations;
(b) accomplishment of public sector entities objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes,

establish an internal audit service for which he is responsible.

(2) The internal audit service shall report administratively to the accounting officer and functionally to the Audit Committee.

Responsibilities of
internal audit service

29.-(1) The internal audit service shall for the purpose of appraising the design, soundness and application of accounting, financial and operational controls-

(a) review and report on proper control over the receipt, custody and

utilisation of
all resources
of the public
sector entity;

- (b) review and
report on
conformity
with financial
and
operational
procedures
laid down in
any legislation
or any
regulation or
instruction for
control over
the revenue
and
expenditure of
the public
sector entity;

- (c) review and
report on the
correct
classification,
allocation and
utilisation of
revenue and
expenditure
accounts;

- (d) review and
report on the
reliability and
integrity of
financial and
operating data
used for the
preparation of
financial
statements and

- other reports;
- (e) review and report on the systems in place for safeguarding assets and, where necessary, verify the existence of such assets;
- (f) review and report on special audits regarding value for money, performance, information security, data protection and cyber security and forensic;
- (g) review and report on operations or programs to ascertain whether results are consistent with established objectives and goals;
- (h) review and report on the adequacy of actions by management to internal and

external audit reports and follow up on implementation of audit recommendations;

- (i) review and report on the adequacy and effectiveness of controls within computerized systems of the public sector entity;
- (j) review and report on the implementation of risk management practices quarterly and annually;
- (k) submit quarterly internal audit reports to the Internal Auditor General within thirty days after the end of the respective quarter after being reviewed by the audit committee and approved by

the accounting officer;

- (l) submit annual internal audit reports to the Internal Auditor General within thirty days after the end of the financial year after being reviewed by the audit committee and approved by the accounting officer; and

- (m) submit risk-based plans to the Internal Auditor General within thirty days before commencement of the financial year after being reviewed by the audit committee and approved by the accounting officer.

(2) The internal audit service shall-

- (a) review the implementation of risk

management
practices on a
continuous and
periodic basis
as stipulated in
the public
sector entity's
risk
management
framework;

- (b) for the purpose
of improving
management of
risks, public
sector entity's
operations and
value addition,
respond to
requests for
audit assistance
or advice as
may be
requested by
the accounting
officer.

(2) For the purpose
of subregulation (1)(j), (k)
or (l), the internal audit
service shall report to the
Internal Auditor General
where the accounting
officer or audit committee
has not reviewed or
approved the report or plan
within thirty days after the
end of a respective quarter
or within thirty days before
commencement of the
financial year, as the case
may be.

- (3) The internal

audit service shall assess and make appropriate recommendations to improve the public sector entity's governance processes for-

- (a) making strategic and operational decisions;
- (b) promoting appropriate ethics and values within the public sector entity;
- (c) ensuring effective performance management and accountability;
- (d) coordinating the activities of, and communicating information among, the highest governance structure, external and internal auditors, other assurance providers and management.”.

Addition of regulations 29A, 29B, 29C and 29D

4. The principal Regulations are amended by adding immediately after regulation 29 the following:
“Independence of 29A. The internal

internal audit service

audit service shall-

- (a) be free from interference in determining the scope of internal auditing;
- (b) operate independently and communicate results;
- (c) be granted access to information without limitations;
- (d) confirm that all instructions are enforced and implemented in respect of the audit services;
- (e) prepare an audit charter defining its mandate which shall be reviewed at least once annually and approved by Accounting Officer; and
- (f) report to the accounting officer, Audit Committee and Internal Auditor General on any challenges experienced during the respective year.

Internal control and
risk management

29B.-(1) An accounting officer of a public sector entity shall, for the purpose of ensuring internal controls are adequate to provide reasonable assurance that the public sector entity's risks have been managed effectively and that the goals and objectives will be achieved efficiently and economically, implement an effective internal control which is consistent with the nature, complexity and inherent risk.

(2) An accounting officer shall ensure internal controls are reviewed at least once annually.

(3) An accounting officer shall, for the purpose of developing and implementing effective risk management ensure-

- (a) a risk policy or framework is developed and reviewed;
- (b) a risk coordinator is designated to facilitate identification, recording and monitoring of risks;
- (c) a risk register is developed and updated at least once annually as

- provided in National Guidelines for developing and implementing risk management in public sector;
- (d) a risk management report is prepared quarterly and annually and submitted to the Audit Committee for review and accounting officer for approval and thereafter to the Internal Auditor General;
- (e) risk management process is integrated with strategic planning, budgeting and operations; and
- (f) there is established a process for monitoring, reviewing, reporting, and enhancing risk management, controls and governance systems.

Relationship between

29C.-(1)

The

internal auditors and
management

responsibility of the internal auditor for checking and reporting shortcomings in connection with the accounts, finances and other business operations of the public sector entity shall not absolve any public sector entity from responsibility to comply or secure compliance with instructions within the scope of its own authority.

(2) The prevention and detection of fraud shall be the responsibility of management of the public sector entity, and in conducting audit assignments, the internal audit service shall be alert to opportunities, including control weaknesses which may allow fraud and where fraud is suspected the appropriate authorities within the public sector entity shall be informed.

(3) The internal audit service shall-

- (a) actively evaluate the potential for the occurrence of fraud and how the management shall manage fraud risk;
- (b) support the management's efforts to establish ethical

- culture;
- (c) evaluate internal controls used to prevent, detect, and mitigate fraud; and
- (d) be involved in internal public sector entity fraud investigations.

Role of Internal Auditor General

29D.-(1) In order to ensure that adequate and consistent standards of internal audit are applied throughout the Government, the Internal Auditor General shall be responsible for ensuring that the status and powers of the internal audit function in a public sector entity conform to internationally accepted standards and procedures.

(2) For purposes of discharging the functions under subregulation (1), the Internal Auditor General shall have powers to-

- (a) issue instructions regarding internationally known standards of internal audit to accounting officers;
- (b) inspect the internal control, risk management,

governance and
audit functions
instituted by the
accounting
officer;

- (c) ensure that
instructions
issued are
implemented and
the appropriate
standards are
achieved; and
- (d) conduct external
assessment of
quality assurance
and improvement
programs.”.

Deletion and
substitution of
regulation 31

5. The principal Regulations are amended by deleting regulation 31 and substituting for it the following:

“Audit Committees

31.-(1) There shall be, in each public sector entity other than an entity whose governing law provides for establishment of an audit committee, a committee to be known as the Audit Committee which shall be composed of five members as follows:

- (a) four senior members from outside the reporting public sector entity who shall be appointed by the accounting

officer;

- (b) one senior member appointed by the Permanent Secretary from outside the reporting public sector entity who shall be the Chairperson;

(2) Members of the Audit Committee shall be senior persons who have knowledge and experience in finance, accounting, auditing, risk management, technology, legal expertise or industry expertise.

(3) The accounting officer shall appoint a senior officer within the public sector entity to be the secretary to the Audit Committee.”.

Amendment of
regulation 32

6. The principal Regulations are amended in regulation 32, by-

- (a) deleting subregulation (1) and substituting for it the following:

“(1) The Audit Committee shall undertake the following functions:

- (a) review and approve annual risk-based internal audit plans;
(b) review and approve the internal audit budget and resource plans;
(c) review and approve the internal audit charter;
(d) review quarterly and annual internal audit reports and advise

- the accounting officer accordingly;
- (e) review the entity's draft financial statement and advise the accounting officer prior to submission to the Controller and Auditor General;
- (f) receive feedback from the head of internal audit on the internal audit activity's performance relative to its plan and other matters including internal audit report;
- (g) review quarterly and annual risk management reports and advise the accounting officer accordingly;
- (h) review the terms of engagement and work plan of the external auditor;
- (i) review all internal and external audit reports involving matters of concern to senior management of the public sector entity, including the identification and dissemination of good practices;
- (j) make appropriate inquiries of management and the head of the internal audit service to determine whether there are inappropriate scope or resource limitations;
- (k) provide advice to the accounting officer or executive board, as the case may be, on actions to be taken on matters of concern raised in a report of the internal auditor or in a report of the Controller and Auditor-General and other assurance providers concerning the public sector entity;

- (l) provide advice to the accounting officer or executive board, as the case may be, on the preparation, presentation and review of financial statements of the public sector entity; and
- (m) undertake annual performance evaluation and prepare an annual report on its functions, copies of which shall be sent to the accounting officer, the Internal Auditor General and the Controller and Auditor-General.”; and
- (b) in subregulation (2), by-
 - (i) deleting the words “Ministry, Agency or Department” appearing in paragraph (c) and substituting for them the words “public sector entity”; and
 - (ii) adding immediately after paragraph (c) the following:

“(d) prepare a charter to govern the performance of its activities.”.
- (c) adding immediately after subregulation (3) the following:

“(4) Notwithstanding subregulation (3), a representative of the Controller and Auditor General shall not have the right to vote or take part in the decision making at any meeting of the Audit Committee.”.

Deletion of Parts
XIV to XVIII

7. The principal Regulations are amended by deleting Parts XIV, XV, XVI, XVII and XVIII.

Dodoma,
3rd September, 2024

MWIGULU LAMECK NCHEMBA MADELU,
Minister for Finance