

## 27. KONGWA DISTRICT COUNCIL FOR THE SIX MONTHS PERIOD ENDED 30<sup>TH</sup> JUNE, 2004

### 1. REVENUE

#### 1.1 Revenue budget performance

The council planned to collect a total of Sh. 112,887,166 from own sources of revenues during the period of January to June, 2004. However, it collected a total of Shs. 73,213,867, resulting in a deficit of Sh. 39,673,299 or 35% of the total budget for the period. Minimal efforts exerted in collection of revenues and unrealistic budgeting could be the reasons for the deficit in revenue collections.

#### 1.2 Revenue Earning Receipt Books Not Produced

One (1) revenue earning receipt book (not quantified) was not produced for audit. As such revenues collected on it could not be verified as accounted for in the books of accounts and banked.

#### 1.3 Revenues Not Remitted Shs. 16,469,900

During the period of January to June 2004, the Council entered into a contract with ten agencies for revenue collections from various sources of revenues at a total contract sum of Shs.20,307,000. As in November 2004, only Shs.3,837,100 had been remitted to the council, leaving a balance of Shs.16,469,900 unremitted.

### 2. EXPENDITURE

#### 2.1 Anomalies in expenditures

The following expenditure irregularities were noted during the audit:

Details	Amount (Shs)
(i) Missing supporting documents and Wages paylists	5,668,765
(ii) Stores not taken on ledger charge	4,982,800
(iii) Stores neither seen nor evidenced as utilized	6,889,436
(iv) Statutory deduction payments not confirmed as received by payees,	487,441
(v) Inter – transfer of funds not recorded in the register	2,028,300
(vi) Payments on delivery note and invoices raised by suppliers prior to the issues of LPOs	6,786,000
<b>Total</b>	<b><u>26,842,742</u></b>

### **3.0 FINAL FINANCIAL STATEMENTS**

#### **3.1 Consolidate Statement of Income and Expenditure**

Examination of the consolidated statement of income and expenditure disclose the following:-

- The surplus balance of Shs.64,205,425 was wrongly shown in the statement of Income and Expenditure as Shs.47,329,567, recording a difference of Shs.16,875,858 which should be reconciled.

#### **3.2 Consolidated Balance Sheet as at 30<sup>th</sup> June, 2004**

##### **3.2.1 Fixed Assets**

Examination of the schedules of fixed assets and depreciations disclosed several addition and calculation errors which had effect on the net fixed assets and the accumulated depreciation values as follows:

	<b>Details</b>	<b>Reported value (Shs.)</b>	<b>Audit value (Shs)</b>	<b>Differences (Shs)</b>
(i)	Net fixed assets	480,208,938	460,541,407	19,667,531 (overstated)
(ii)	Accumulated depreciation	112,015,658	112,315,715	300,057 (understated)

The management has been advised to effect the necessary adjustments.

##### **3.2.2 Current assets**

###### **3.2.2.1 Cash and bank balances**

A sum of Shs.387,259,413 was reported in the consolidated balance sheet as total cash and bank balance as at 30<sup>th</sup> June, 2004. However, the balance according to the individual accounts bank reconciliation statements amounted to Shs.379,626,585 resulting to a difference of Shs.7,632,828 which needs to be reconciled.

###### **3.2.2.2 Outstanding Debtors Shs.37,244,556**

The debtors outstanding consisted of the following:

Category	Balance (Shs)
Imprests	19,680,718
Advances	11,842,988
W.D.F loans	<u>5,620,850</u>
<b>Total</b>	<b><u>37,144,556</u></b>

The analysed schedules did not state action taken for their clearance. Further, an age wise analysis of these outstanding amounts had not been prepared.

### **3.3 Liabilities**

#### **3.3.1 Transfer of funds not Cleared**

Examination of various individual accounts disclosed that internal transfers of funds of Shs.120,145,370 (Cr) and Shs.117,312,370 (Dr) had not been cleared as at 30/6/2004. As such the lending accounts are suffering, due to some activities which were yet to be executed or partly executed.

#### **4. BANK RECONCILIATION STATEMENT AS AT 30<sup>TH</sup> JUNE, 2004**

The bank reconciliation statements submitted with the Final Accounts for the period under review disclosed the following uncleared items:-

Item	No.of Accounts	Amount (Shs)
Receipts in C/book not in bank statement	9	94,548,890
Receipt in bank not in c/books	3	8,281,553

#### **5. AUDIT CERTIFICATE**

In my opinion except for the matters specified in paragraph 1 through 4 above, the consolidated Balance Sheet and the statement of Income and Expenditure present fairly the financial position of the Kongwa District Council as at 30<sup>th</sup> June 2004.