

**58. HANANG DISTRICT COUNCIL FOR THE SIX MONTHS
PERIOD ENDED 30TH JUNE 2004**

1. REVENUE

1.1 Revenue Collection Performance

As against Shs. 177,005,723 estimated to be collected by the Council during the six months period ended 30th June, 2004 from own sources, Shs. 184,190,098 was realized reflecting an over collection of Shs.7,184,375, or 4% over the total revenue estimates. The collection included Shs. 132,504,783 being grants in lieu of the abolished revenue sources.

2. EXPENDITURE

2.1 Unvouched and Improperly Vouched Expenditure Shs. 52,084,811

Examination of the payment vouchers for the period under review revealed cases of improperly vouched expenditure amounting to Shs. 42,412,140 and unvouched expenditure amounting to Shs. 9,672,671.

2.2 Procurement proposal not evaluated Shs. 3,591,000

A sum of Shs. 3,591,000 was paid to a tenderer for procurement of goods of which the supplier was not evaluated during the award of the tender as two other suppliers with quotations lower than the successful bidder were not selected and no reasons were documented as shown below:-

First Bidder	Shs. 2,802,600
Second Bidder	Shs. 3,368,000
Selected Bidder	Shs. 3,591,000

2.3 Payments not acknowledged Shs. 19,386,001

Payments totalling Shs. 19,386,001 (made to suppliers of goods Shs.16,635,223 and to agencies for statutory deductions Shs.2,750,778) were not acknowledged receipt. In the absence of the receipts it could not be confirmed that, the payments were made to bonafide payees.

2.4 Deferred payments Shs. 6,308,896

Payments aggregating to Shs. 6,308,896 properly chargeable in the years 2002 and 2003 accounts were effected during the year under review without budgetary provision and no specific reasons were given.

2.5 Doubtful payment to a contractor Shs. 4,664,500

The Council entered into a contract with a Contractor based at Singida for levelling sports ground at Katesh Primary School at a cost of Shs.4,664,500 based on the Works Engineer's estimates for a completion period of 5 days.

An audit review of the contract payment revealed the following anomalies:-

- (i) No contract document for the work contracted
- (ii) The work was not advertised to obtain competitive bidders which in the evaluation process the lowest evaluated bidder would be selected.
- (iii) Liquidated damages of Shs. 466,450 was not recovered from the contractor for failure to complete the work within the scheduled time.

2.6 Procurement procedures violated Shs. 8,923,000

Contrary to prevailing regulations, purchases of goods worth Shs.8,923,000 were made without involvement of the Procurement Management Unit of the Council.

2.7 Motor vehicle maintenance Costs Shs. 6,216,194

Council motor vehicles were sent to private garages for repairs without first being inspected by a competent mechanical technician of the Council to identify defective parts and recommend for repair methods. A total sum of Shs. 6,216,194 had been paid for repairs.

2.8 Stores not delivered and/or short delivered Shs 2,739,600

Stores worth Shs. 2,516,600 ordered and paid for could not be confirmed to have been delivered while stores valued at Shs. 223,000 were short delivered. Recovery particulars of the amounts are still awaited.

2.9 Questionable PEDP supervision expenses Shs. 8,340,000

A sum of Shs. 8,340,000 was incurred for payment of supervision expenses in respect of Primary Education Development Programme (PEDP) activities. The expenditure was not supported by activity plan and budget duly approved.

2.10 Imprests neither recorded nor retired Shs. 4,932,300

Imprests amounting to Shs. 4,932,300 issued to sundry officials for conducting various activities during the period under review were not

recorded in the imprests register and the respective imprest holder's personal accounts. In the event, retirement follow up of these imprests was difficult.

2.11 Diversion of Basket Funds Shs. 10,568,553

During the period under review Basket Funds amounting to Shs.10,568,553 were diverted to meet other unrelated expenditure. Refund of the same has not been done.

3. FINAL FINANCIAL STATEMENTS

3.1 Advances and Imprests Outstanding Shs 46,954,621

The Consolidated Balance Sheet reflected outstanding advances and imprests of Shs. 2,794,099 and Shs. 44,160,522 respectively aggregating to Shs. 46,954,621.

3.2 Unspent balance with MSD omitted from the Balance Sheet Shs. 8,623,750

Verification of funds received at Medical Stores Department in favour of the Council as deposit for drugs revealed that net due of Shs.8,623,750 as at 30th June 2004 was not reflected in the balance sheet as cash asset.

3.3 Outstanding Debtors and Creditors

The Balance Sheet as at 30th June, 2004 disclosed the following outstanding balances:-

(i) Debtors Shs. 30,844,892

Category	Amount Shs.
Other Debtors	26,526,469
Loans	<u>4,318,423</u>
Total	<u>30,844,892</u>

(ii) Liabilities not Liquidated Shs. 407,507,112

Category	Amount Shs.
Sundry Creditors	338,444,003
Deposits	<u>69,063,109</u>
Total	<u>407,507,112</u>

Clearance of these balances is awaited.

4. BANK RECONCILIATION STATEMENTS

4.1 Unpresented Cheques not analysed Shs.7,634,228

Unpresented cheques totalling Shs. 7,634,228 out of Shs. 23,993,125 reflected in the bank reconciliation statements were not supported by analysed schedules.

4.2 Stale cheques not analysed Shs.23,414,433

Stale cheques totalling Shs 23, 414,433 in respect of six accounts were not supported by analysed schedules and no accounting action taken to clear them.

5. AUDIT CERTIFICATE

In my opinion, except for the matters reported in paragraphs 1 through 4 above, the Balance Sheet and Summary Statement of Income and Expenditure present fairly the financial position of the Hanang District Council as at 30th June, 2004.