

**118. KOROGWE DISTRICT COUNCIL FOR THE SIX MONTHS
PERIOD ENDED 30TH JUNE 2004**

1. REVENUE

1.1 Revenue collection performance.

As against Shs. 128,408,126 estimated to be collected by the Council during the period January, 2004 to June, 2004 from own sources, the actual collection was Shs. 104,768,951 registering a collection deficit of Shs. 23,639,175 or 18% of the revenue estimates. The collection reported included grants of Shs.57,761,550 received in lieu of the abolished revenue sources.

1.2 Revenue Earning Receipt Books not produced:

146 Revenue earning receipt books (open) were not produced for audit examination hence revenue collected on them could not be confirmed to have been accounted for.

1.3 Revenue collections Underbanked Shs. 1,909,815

Revenue collections amounting to Shs. 1,909,815 was underbanked indicating laxity in control over the Council's revenue.

1.4 Revenue collections Not Remitted by Collecting Agents Shs. 2,455,000

Revenue amounting to Shs. 2,455,000 has not been paid to the Council by the collecting agents and the amount was not included in the list of the outstanding debtors as at 30th June, 2004.

2. EXPENDITURE:

Test examination of payment vouchers and related records for the period January, 2004 to June, 2004 disclosed the following anomalies:-

2.1 Examination of the Deposit Account noted the following:-

2.1.1 A sum of Shs. 357,000 paid as salary advance was not recovered.

2.1.2 Shs. 17,197,280 received from the Treasury for transporting "chakula cha njaa" was not accounted for.

2.1.3 A total amount of Shs. 96,954,676 was transferred from the Deposit Account as revenue compensation against the amount Shs. 94,339,812 received from the Treasury resulting in excess amount of Shs. 2,614,864.

- 2.1.4 Grants for personal emoluments received in Deposit Account Shs.982,219,812 was paid over to respective Departments in excess by Shs. 23,663,987.
- 2.1.5 A sum of Shs. 4,956,285 realized from sales of "chakula cha njaa" was not paid over to the Prime Minister's Office.
- 2.2 Payments totalling Shs. 47,439,013 for goods and services including a laptop computer worth Shs. 3,850,000 were made without proper supporting documents.
- 2.3 Questionable utilization of fuel worth Shs. 10,207,000.
- 2.4 Payments for repairs and maintenance of motor vehicles Shs. 4,197,000 were made prior to inspection by the District Engineer.
- 2.5 Value Added Tax Shs. 20,307,100 exempted on road works was paid to 8 contractors.
- 2.6 Internal Auditor's reports and programs citing the recommendations for strengthening the internal control system were not made available for audit purposes.
- 2.7 Purchases worth Shs. 42,528,300 were made without evidence of inviting tenders or quotations.
- 2.8 Payment Vouchers for Shs. 15,802,590 were found missing from respective batches.
- 2.9 Stores worth Shs. 4,981,040 were not taken on ledger charge.
- 2.10 Liquidated damages Shs. 3,014,016 was not imposed on contractors for delayed completion of works as per contract agreements.
- 2.11 A sum of Shs. 1,200,000 was paid as house rent from Development Account in respect of a private house occupied by an employee of the Germany Development Services. This amount need to be refunded to Development Account.

3. FINAL FINANCIAL STATEMENTS

3.1 Consolidated Balance Sheet as at 30th June, 2004

Audit scrutiny of Balance Sheet against the detailed analyses and related records disclosed the following outstanding amounts:-

3.1.1 Current Assets

Category	Amount disclosed Shs.	Audit Figure Shs.
Advances	727,000	8,724,300
Debtors		7,234,358

3.1.2 Bank Balance Shs.319,172,974

The Balance sheet disclosed a Bank Balance of Shs. 319, 172,974 while the bank reconciliation statements ended with a total adjusted Cash Book Balance of Shs.306,106,418.

3.1.3 Stores Shs. 165,893,355

The detailed schedule of the stores valued at Shs. 165,893,355 reported in the balance sheet as at 30th June, 2004 were not produced for examination.

3.1.4 Unpresented Cheques treated as Sundry Creditors Shs. 115,293,846

The balance sheet erroneously disclosed a sum of Shs. 115,293,846 relating to unpresented cheques which were yet to be stale.

3.2 Consolidated Statement of Income and Expenditure as at 30th June, 2004

The figures of revenue collected in respect of the following sources disclosed in the Statement did not tally with those in the detailed Schedules as the source of information:-

Description	Figure in the Analysis Shs.	Figure in the Statement Shs.
Hotel Levy	360,940	405,940
Bank Interest	-	10,000
Ununuzi wa Nafaka	105,000	414,000
Miscellaneous Receipts	31,650,513	28,316,784

Reconciliation for the differences is called for,

3.3 Missing statements

The following annual statements were not prepared and submitted for audit examination.

- (i) Notes to the accounts stating the accounting principles and policies adopted.
- (ii) Explanatory Notes in support of the summary items of accounts reported in the consolidated Balance sheet, Income and Expenditure statement.
- (iii) Individual accounts income and Expenditure Statement and Balance Sheets.
- (iv) Receipts and payments statement in respect of Deposit Account.
- (v) Capital Expenditure statement and its financing.

3.4 Incomplete Income and Expenditure statement

The consolidated Income and Expenditure statement prepared for the year ended 30th June, 2004 was found to be incomplete due to the following:

- (i) The statement did not indicate the out turn of the years accounts i.e. surplus or deficit balance.
- (ii) The statement was not signed and dated.

4. BANK RECONCILIATION STATEMENTS

4.1 Uncleared Items

Examination of the bank reconciliation statements as at 30/6/2004 disclosed uncleared items as follows:-

Item	No. of accounts	Amount (Shs.)
Receipts in Cash book not in Bank Statement	5	128,901,479
Unpresented cheques	8	111,166,279

4.2 Bank Reconciliation Statements not Prepared:

Bank reconciliation statements in respect of the following Accounts were not prepared and submitted along with the Final Accounts:-

- (i) Technical Aid Project A/C
- (ii) Cashew Training A/C
- (iii) Transport A/C
- (iv) Agriculture Development Plan
- (v) Women Development A/C
- (vi) Premium Account.

The correctness of these accounts could not therefore be established.

5. AUDIT CERTIFICATE

In view of the significance of the matters reported under paragraphs 1 through 4 above, in my opinion, the Consolidated Balance Sheet and Consolidated Statement of Income and Expenditure do not present fairly the financial position of the Korogwe District Council as at 30 June 2004.