

**20. ILALA MUNICIPAL COUNCIL FOR THE SIX MONTHS
PERIOD ENDED 30TH JUNE 2004**

1. TRANSACTIONAL AUDIT

1.1 Audit Queries

Transactional audit was carried out as a result of which 47 audit queries were issued seeking remedial measures on various irregularities observed during the audit. However, none of them has been replied up to the time of writing this report.

2. REVENUE

2.1 Revenue Collection Performance

Revenue collection totaling shs 3,138,752,835 was collected during the period from January to June 2004 as against the estimated collection of shs 3,350,606,728 registering a shortfall of shs 211,853,893 or 6% of the target. Tabulated below is the trend of revenue collection for three years of accounts:-

Year	Approved Estimates (Shs.)	Actual Collection (Shs.)	Percentage on actual collection
2002	6,271,661,000	5,783,212,015	92%
2003	7,176,054,000	6,588,124,325	90%
2004	3,350,606,728	3,138,752,835	94%

2.2 Revenue Receipt Books not produced to Audit

18 Revenue Receipts books were not produced to audit for examination in the event, the accountability of any revenue collected thereon could not be established.

Type	Quantity
• Property Tax	8
• Advertisement/Sign Board	5
• City Service Levy	2
• General Receipts	1
• Natural Resources	2
Total	18
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EXPENDITURE

Questionable/Doubtful Expenditure

Audit of payment vouchers and related records revealed the following irregularities totaling shs.703,149,429:-

NO.	Category	Amount (Shs)
(i)	Unvouched Expenditure	48,299,309
(ii)	Improperly Vouched Expenditure	536,563,547
(iii)	Shortage of stores	31,084,795
(iv)	Payments made without competitive bid	15,555,096
(v)	Compensation made without schedules and valuation certificate	2,230,362
(vii)	Contracts Signed After the Completion Of the Works	35,222,320
(viii)	Purchases made by the issue of imprests without routing through the Municipal supplies section	12,650,000
(ix)	Payments of collecting waste and dumping materials not certified by the Damp Manager	<u>21,544,000</u>
	Total	<u>703,149,429</u> =====

3.2 Nugatory Payment made for the Construction Works at the Wrong Site Shs 6,820,500

A sum of Shs 6,820,500 was paid to M/S Regmass Contraction Co Ltd. for the construction of a market at Kimanga at a contract sum of Shs 16,472,016.

The above payment related to the uncompleted part of works claimed by a contractor who was instructed to stop the construction due to wrong site identification.

The nugatory expenditure would appear to have arose due to inadequate planning and control placed on utilization of scarce resources.

3.3 Unauthorised Additional Works awarded to the Contractor Shs.8,499,500

The payment of Shs 8,499,500 was made to M/S Building Water & Earthworks Co Ltd, for earthworks executed at Jangwani Lorry Parking.

The additional works were noted to have been initiated verbally by the Municipal Engineer without covering authority of the Council, which is contrary to the Public Procurement Regulation No. 40 of 2001.

Further, it was noted that, the additional work would appear to be the same to the original works and was certified by the same officer.

3.4 Nugatory Expenditure compensation for Demolished Properties Shs.12,500,000

Total payments of Shs.12,500,000 were made to two petty traders being compensation for their properties which had been seized and demolished by council officials.

I am not aware of any action taken against the officers who caused this nugatory expenditure.

3.5 Questionable payment for Road Rehabilitation works Shs.25,000,000

A sum of Shs.25,000,000 was paid to M.R.& Sons of Dar es salaam for the rehabilitation of Chanika Nzasa-zogo Ali to Kisarawe Road 1.8km. at a contract sum of Shs.32,398,200.

The rehabilitation work was disputed by the Municipal Engineer who raised the following deficiencies and anomalies:

- (i) The compaction was not well done
- (ii) The applied murram materials had excessive clay contrary to normal requirements
- (iii) The constructed joints on the curvets were not stable and would be eroded during the rain season.

It was also noted in audit that while the contract work is recorded to have been completed on 18th May, 2004, the contract agreement for the work was signed on 14th June, 2004. The situation raises doubts about this contract.

Despite of the above deficiencies earmarked by the Engineer, no formal investigation would appear to have been made by the Council on the matter.

3.6 Contracts Signed after the Completion of the Works Shs.35,222,320

The following payments were effected to various contractors, whereby the relevant contracts were signed after the completion of the works.

PV. No.	Cheque	Contract /LPO	Amount	Date of Completion of work	Date of Contract Signed
1/4/04	ue037516	-	3,292,320	1/8/2003	22/12/2003
20/4/04	045134	0580	3,330,000	22/9/2003	6/1/2004
2/4/04	037517	LPO 000562	3,600,000	12.3.2004	17.3.2004
31/6/04	043397	?	<u>25,000,000</u>	18/5/2004	14/6/2004
		Total	<u>35,222,320</u> -----		

4. PAYROLL AUDIT

4.1 Unclaimed Salaries not Accounted for Shs.6,295,283

Unclaimed salaries totaling Shs.6,295,283 in respect of diseased education staff (code 5007), were noted to have not been accounted for. The names of these staff had not been deleted from the computer payrolls for a considerable length of period.

Recovery of the amounts and action taken to delete the names from the computer control list is called for.

5. STORES RECORDS

5.1 Shortage of stores Shs.31,084,795

Audit inspection carried out at the Municipal Depot and Amana Hospital Pharmacy stores disclosed numerous material discrepancies, which resulted into a shortage of stores worth Shs.31,084,795 as follows

	Shs.
- Municipal Depot Stores	28,830,415
- Amana Hospital	<u>2,254,380</u>
Total	<u>31,084,795</u> =====

Necessary action taken on the matter has not been communicated to me.

6. FINAL FINANCIAL STATEMENTS

6.1 Out – Turn

The consolidated income and Expenditure statement for the year under review reported that the year's accounts closed with a surplus baiance of

Shs.14,416,566 arising from total expenditure of Shs.6,679,708,822 against total income of Shs.6,694,125,388 realized during the period.

6.2 Consolidated Balance Sheet as at 30th June, 2004

6.2.1 Debtors Shs.667,934,446 outstanding

The Balance Sheet reported uncleared debtors of Shs.667,934,446 as at the year end which consisted of the following:-

		Amount (Shs.)
(i)	Revenue debtors:-	
	- City Service Levy	Shs.285,388,972
	- Dishonoured Cheque (Not)	<u>Shs.8,568,225</u>
(ii)	Outstanding Salary advances	26,537,138
(iii)	Outstanding Imprests	35,207,597
(iv)	Women and Youth Loans	<u>312,232,514</u>
	Total	667,934,446 =====

No action would appear to have been taken to collect/clear the outstanding amounts.

6.2.2 Provision for Bad and Doubtful Debts Shs.194,655,065

The debtor's balance of Shs.667,934,446 reflected in the balance sheet excluded the following amounts which said to have been written off according to accounting regulations.

	Type	Amount (Shs.)
(i)	City Service levy misappropriated	31,757,700
(ii)	Sign Board Advertising revenue misappropriated	3,826,000
(iii)	Trade licence revenue misappropriated	156,215,290
(iv)	Dishonoured cheques	<u>2,856,075</u>
	Total	194,655,065

Relevant w/off authority pertaining to there amounts was not availed for audit scrutiny.

6.2.3 Creditors Shs. 505,975,272.

The Balance Sheet as at 30th June, 2004 disclosed outstanding Sundry Creditors totaling Shs. 505,975,272 as analyzed below:

Item	Balance as at 30/6/2004
	Shs.
Unclaimed salaries	22,201,556
Unpaid suppliers	<u>483,773,716</u>
Total	505,975,272 =====

Clearance action taken is awaited.

7. BANK RECONCILIATION STATEMENTS

7.1 Items not Cleared as at 30th June 2004

The Bank Reconciliation Statements reflected uncleared items as follows:-

No.	Item	No. of Accounts	Amount (Shs)
(i)	Receipts in Cash Book not in Bank Statements	7	198,904,877
(ii)	Receipts in Bank Statements not in Cash Books	6	57,145,918

Immediate action towards clearance of the outstanding balances is called for.

7.2 Receipts in Cash Book but not Credited in Bank Statement Shs.185,993,682 (General Fund Account).

The figure shown above included with Shs.184,350,117 related to Cash and Cheques collected on 30th June, 2004 which were treated as in transit transactions

Banking particulars to confirm remittance of the amount to bank are awaited.

8. AUDIT CERTIFICATE

In my opinion, the Consolidated Balance Sheet and Consolidated Statement of Income and Expenditure present fairly the financial position of Ilala Municipal Council as at 30th June 2004.