

**51. KILWA DISTRICT COUNCIL FOR THE SIX MONTHS
PERIOD ENDED 30TH JUNE,2004**

1. REVENUE

1.1 Revenue Collection Performance

The revenue collection performance of the Kilwa District Council for the period under review was Shs.69,800,858 against the budgeted amount of Shs.64,504,000, registering an over collection of Shs.5,296,858 which is 8% of the estimated revenue. The council also received grants of Shs.62,282,276 in lieu of the abolished revenue sources.

The following is the trend analysis in respect of revenue collection performance for the past three years.

<u>Year</u>	<u>Approved Estimates</u>	<u>Actual Collection</u>	<u>Percentage on actual Collection</u>
2001	245,000,000	160,640,000	65.6%
2002	250,000,000	171,673,603	68.7%
2003	250,000,000	270,704,749	108.3

1.2 Unproduced Earning Receipt Books

One hundred revenue earning books (Open receipt) issued to various revenue collecting agents were not produced to audit when called for. Accountability of any revenue collected thereon could not be ascertained.

1.3 Unreceipted remittances to the Ministry of Natural resources and ourism Shs.103,409,490

Revenue totaling Shs.103,409,490 was collected by the Department of Natural Resources and Tourism Kilwa and banked to the Credit of the account of Permanent Secretary, Ministry of Natural Resources.

1.4 Revenue collections not banked Shs.9,010,373

Revenue collections aggregating to Shs.9,010,373 were noted to have not been banked. Thus possibility of misappropriation of revenue collected could not be ruled out. Recovery of the same is called for viz:-

<u>Account</u>	<u>Account (Shs)</u>
Forestry	7,718,250
Water	92,000
Land	1,200,123
Total	<u>9,010,373</u>

2. EXPENDITURE

Examination of payment vouchers and related records disclosed the following irregularities:-

- 2.1 Cheques dispatched to various payees worth Shs.13,880,871 were not received by the bonafide payees.
- 2.2 Payment vouchers involving Shs.25,926,405 were missing.
- 2.3 Expenditure of Shs.7,556,048 was not supported by the relevant documents.
- 2.4 **Funds totaling Shs.19,880,000 were transferred without proper approval.**

3. FINAL FINANCIAL STATEMENTS

3.1 Itemized Income and Expenditure Statements missing

The council did not prepare and submit along with other annual statements the detailed itemized income and expenditure statement for the period under audit. In the absence of such vital statements, audit could not evaluate the council's revenue collection performance and the council's spending, subsequently the correctness of the consolidated income and expenditure statement prepared could not be confirmed.

3.2 Missing statement

Contrary to the Local Authority Financial Memorandum (1997) No.84, the council did not prepare and submit a statement of capital expenditure and its financing.

3.3 Comparability of Financial Statements

In terms of the Tanzania Financial Accounting Standards and best accounting practice, the council is required to prepare comparative financial statements for the council through time in order to identify trends in the financial position. The need for preparation of comparative statements appeared to have been ignored by the council while compiling the consolidated income and expenditure statement for the period under review.

3.4 Explanatory notes to the financial statements missing

Contrary to regulation No.85 to the Local Authority Financial Memorandum, (1997) the council did not prepare explanatory notes to support the various summary items of the accounts reported in the consolidated Income and Expenditure Statement.

3.5 Consolidated Income and Expenditure Statement for the period of six months ended 30th June,2004

3.5.1 Statement wrongly compiled

The Consolidated Income and expenditure statement was found to be incorrect due to the following:-

- (a) The statement wrongly reflected ledger receipts of Shs.138,853,201 and ledger payments of Shs.90,943,893 which related to Deposit accounts.
- (b) The fixed assets depreciation charges appeared to have not been expensed in the accounts, hence understating the total expenditure.
- (c) Capital expenditure incurred on Road Fund, PEDP (development) and on donor funded project accounts were treated as revenue expenditure, hence not capitalized as required by accounting regulations.

3.6 Consolidated Balance Sheet as 30th June,2004

3.6.1 Fixed Assets Shs.3,098,534,098

The value of fixed assets of Shs.3,098,534,098 reported was found to have been understated by Shs.4,874,850.

3.6.2 Debtors Outstanding Shs.163,454,038

The Outstanding Debtors totaling Shs.163,454,038 reflected in the consolidated balance sheet comprised the following accounts:-

<u>Account</u>	<u>Amount (Shs)</u>
Staff Imprests	47,477,856
Staff advances	107,390,080
Water bills	8,440,802
Unclaimed Salaries	145,300
Total	<u>163,454,038</u>

Action towards recovery/clearance of the outstanding amounts would appear to have not been taken.

3.6.3 Creditors Shs.78,949,474

The Consolidated Balance Sheet reflected the outstanding balance of creditors totaling Shs.78,949,477 made of the following accounts:-

<u>Account</u>	<u>Balance (Shs)</u>
Staff advances	31,540,134
Staff Imprests	683,770
Creditors	32,734,390
Unclaimed Salaries	13,991,180
Total	<u>78,949,474</u>

Action to clear the outstanding balance is awaited.

3.6.4 Accrued expenses and Loans Shs.77,867,064

<u>Type</u>	<u>Balance (Shs)</u>
Savng & Credit	2,336,629
BIMA	2,122,030
TALGU	1,244,395
NSSF	59,105
TUGHE	216,446
CWT	3,052,210
Ujamaa Credit Society	20,300
Mfumaki	935,200
L.A.P.F.	66,324,032
LGLB (Loan)	<u>1,556,717</u>
Total	<u>77,867,064</u>

Clearance action is called for.

4. AUDIT CERTIFICATE

In my opinion the Balance Sheet and Consolidated statement of the Income and Expenditure do not present fairly the financial position of Kilwa District Council as at 30th June, 2004.