

82. (ii) MTWARA/MIKINDANI TOWN COUNCIL FOR THE PERIOD ENDED 31ST DECEMBER, 2003

1. SUBMISSION OF FINAL ACCOUNTS

The final financial statements for the year ended 31st December, 2003 were submitted to audit on 15th November, 2004 a delay of more than seven months beyond the statutory date.

2. REVENUE

2.1 Statement of Revenue Collection

During the year 2003 the Council collected Shs.265,639,460 as against the estimates of Shs.384,440,650 hence registering a shortfall of Shs.118,801,190 or 31% of the estimates.

Analysis given below is revenue collection trend of the council for three years:-

Year	Approved Estimates (Shs.)	Actual Collection (Shs.)	Percentage of collection over approved estimates
2001	312,429,000	34,243,390	111.5%
2002	349,491,500	233,484,980	66.8%
2003	384,440,650	265,639,460	69.1%

2.2 Revenue collection performance not ascertained.

The Council did not prepare an itemized comparative income statement for the year 2003. The statement is essentially required in order to evaluate the revenue collection made on individual budgeted items compared to the estimated income. The omission depicted the council's failure to meet the annual accounts disclosure requirements.

3. FINAL FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 2003

3.1 Missing statements

Contrary to para 84 (iii), (iv) and (v) of the Local Authority Financial Memorandum, the following statements were not prepared and submitted together with the Final Financial Statements.

- (i) Cash flow statements
- (ii) Capital expenditure and its financing statement

- (iii) Separate income and expenditure statements and balance sheet for each individual account.
- (iv) Receipts and Payments statement in respect of the miscellaneous Deposit Account.
- (v) Notes stating the Accounting principles and policies adopted in drawing up the accounts.
- (vi) Directors' Report

3.2 Missing Explanatory Notes

Contrary to Regulation number 85 of the Local Authority Financial Memorandum (1997) and best Accounting practice, both the consolidated Balance Sheet and Consolidated income and Expenditure statement submitted to me for examination did not contain explanatory notes to support the various accounts items reflected therein such as grants, fixed assets, deposits e.t.c. which are necessary to gain fuller understanding of each summary item of the account reported.

3.3 Comparative Information

Contrary to Accounting practice, the consolidated income and Expenditure statement for the year 2003 did not provide comparative information in respect of previous period (i.e. 2002 accounts) which is important in understanding the current periods statement.

3.4 Financial performance

The consolidated income and Expenditure statement for the year 2003 reported surplus balance of Shs.49,652,694 which arose due to total expenditure of Shs.1,374,864,110 against total income of Shs.1,424,516,804 realized during the year. However, the surplus balance reflected appeared to be incorrect due to the following:-

- (a) The fixed assets depreciation charges for the year appeared to have not been expensed in the accounts, hence understating the total expenditure for the year.
- (b) Capital expenditure incurred during the period were treated as revenue expenditure instead of being capitalized and hence reflected in the Balance Sheet. In the event, the total expenditure figure reported was overstated.

3.5 Consolidated Balance Sheet as at 31st December, 2003

3.5.1 Outstanding Debtors Shs.40,476,984

The Balance Sheet as at 31st December, 2003 disclosed outstanding debtors as follows:

	Shs.
Sundry Debtors	6,000,125
Loans	12,197,920
Imprests	17,891,089
Advances	<u>4,387,850</u>
Total	<u>40,476,984</u>

No efforts have been made to ensure retirement of imprests on time and to recover the amounts due from other debtors.

3.5.2 Deposits Shs.39,963,824

The balance related to 35 uncleared deposit items.

Clearance action taken is awaited.

4. AUDIT CERTIFICATE

In my opinion, the Balance Sheet and summary statement of Income and Expenditure do not present fairly the financial position of the Mtwara/Mikindani Town Council as at 31st December, 2003.