

84. TANDAHIMBA DISTRICT COUNCIL FOR THE SIX MONTHS PERIOD ENDED 30TH JUNE, 2004

1. LATE SUBMISSION OF ANNUAL ACCOUNTS AND STATEMENTS

The Final financial statements of the Council for the six months period ended 30th June, 2004 were submitted to me on 9th November, 2004 a delay of one (1) month from the statutory due date.

2. REVENUE

2.1 Revenue Collection Performance not ascertained

The Council did not prepare an itemized comparative revenue statement for the period under review. Thus it was not possible to assess the revenue collection performance for the period under audit, based on individual revenue items estimated. The situation implies a serious departure from the annual accounts disclosure requirements.

2.2 Missing Revenue earning receipt books

A total of fifty three (53) general receipt books issued for revenue collection were not produced for audit examination when called for. In the event revenue collected thereon could not be confirmed to have been properly brought to account.

**2.3 Revenue collection not confirmed to have been banked
Shs.1,371,616**

Revenue collections amounting to Shs.1,371,616 could not be confirmed to have been banked in the absence of banking particulars. Thus possibility of misappropriation of the council's revenue could not be ruled out.

2.4 Underbanking of Revenue Collection Shs.5,921,137

Revenue collection totalling Shs.5,921,137 was observed to have been under banked. Action taken to recover the amount is called for.

3. EXPENDITURE

Examination of the payment vouchers and related records for the period under review disclosed the following irregularities.

- 3.1. Missing payment vouchers Shs.3,300,000
- 3.2. Improperly vouched expenditure Shs.126,124,892
- 3.3. Payments based on proforma invoices Shs.53,994,669
- 3.4. Payments to other organizations not acknowledged Shs.32,113,920
- 3.5. Purchases made without competitive quotations Shs.16,168,500
- 3.6. Irregular contributions to associations Shs.1,275,000
- 3.7. Questionable payment of acting allowances Shs.2,740,972
- 3.8. Irregular transfer of funds Shs.50,000,000
- 3.9. Questionable payment of loan to NECU Shs.6,000,000
- 3.10. Irregular purchase of hospital equipments shs.22,680,000
- 3.11. Questionable loan to TDTF Shs.3,704,475
- 3.12. Questionable payments to casual labourers of Tandahimba and Luagala Secondary Schools Shs.2,045,355
- 3.13. Stores not taken on ledger charge Shs.64,661,600
- 3.14. Purchases of goods and services exceeding purchasing powers Shs.22,174,760
- 3.15. Imprests and Advances not booked Shs.14,205,250
- 3.16. Distribution account of the purchased sulphur dust not produced Shs.286,582,600

4. CONTRACTS

4.1 Irregular contract for construction of residential houses Shs.34,382,118

A sum of Shs.34,382,118 was paid to a contractor M/s Victoria Earth Plan vide Certificates Nos.1, 2 and 3 including advance payment as per contract No. TDC/DE/99/36.

The following irregularities were noted as a result of examination of the contract documents.

- (a) Tender evaluation team was not established by the Council instead the Council's Tender Board performed the evaluation work during the award of contract.
- (b) Forms for declaration for interests were not completed
- (c) Opening of tender was done on 1/11/2003 instead of 31/10/2003 as it was advertised and no notice of postponement was given.
- (d) Further scrutiny of the contract noted that:-
 - There was no commencement and completion dates indicated on the contract agreement.
 - The contract sum taken into account was that quoted on the tender documents from the contractor.
 - Mode of payments was not specified in the Contract agreement
 - There was no clause specifying the liabilities in case of breach of contract.
- (e) The contract has not be completed to date and no liquidated damages would appear to have been charged to the Contractor.
- (f) It was also noted that the contractor was awarded another contract for rehabilitating the Mahuta Health Centrer vide contract No. TDC/DE/D/99/38 for Shs.9,575,572 which was paid on basis of certificates Nos. 1 & 2.

However the contractor would appear to have been awarded another contract even before completing the previous one hence contrary to the Public Procurement Act. No. 3 of 2001.

4.2 Contract Agreement lacking Vital information Shs.4,156,263

Payments totaling Shs.4,156,263 were made to M/s Tanestate Company Ltd. being advance for the rehabilitation of Labour Ward and Mahuta Health Center. However, the contract agreement lacks the following vital information:-

- Contract sum
- Commencement and completion dates
- Mode of payment
- Clause specifying liabilities in case of breach of contract

Comments on the anomalies noted are called for.

5. LOSS OF MOTORCYCLE NOT REPORTED

One motorcycle with registration No. SM.3339 Yamaha DT 125 was stolen neither recovery action has been taken nor loss report has been prepared by the Council.

6. FINAL FINANCIAL STATEMENTS

6.1 Comparative Information

Contrary to Accounting practice, the consolidated Income and Expenditure statement for the period under review did not provide comparative information in respect of the previous period (i.e. 2003 accounts) which is important in understanding the current period's statement.

6.2 Missing explanatory notes to support the summarized items in the Accounts

Contrary to regulation number 85 of the Local Authority Financial Memorandum (1997), the consolidated balance sheet and consolidated income and Expenditure statement submitted did not disclose notes to the accounts.

6.3 Consolidated Income and Expenditure statement for the six months period ended 30th June, 2004

The statement reflected total income and total expenditure of Shs.1,729,593,132 and Shs.2,541,649,010 respectively. However, these figures differed from those appearing in the summary statements as follows:-

- Income

Committee	Balance as per consolidated statement (Shs.)	Income as per summary statement (Shs.)
Administration Finance and Planning	449,057,917	466,038,235
Education, Health and water	1,017,294,001	1,193,337,200

- **Expenditure**

Committee	Balance as per consolidated statement (Shs.)	Income as per summary statement (Shs.)
Administration, Finance and Planning	1,250,231,390	1,267,211,708
Education, Health and water	998,050,403	1,174,093,602

The differences have not been explained.

6.4 Consolidated Balance Sheet as at 30th June, 2004

The balance sheet reflected the following uncleared debtors and creditors.

Category	Amount (Shs.)	
Debtors		
▪ Outstanding Imprest	87,866,476	
▪ Outstanding advances	12,426,574	
▪ Other advances & Loans	76,052,000	
▪ Revenue Debtors	<u>11,306,500</u>	<u>187,651,550</u>
Creditors		
▪ Depositors	29,079,558	
▪ Bills payables (creditors from supply of goods and services)	<u>12,583,454</u>	<u>41,663,012</u>

Action taken to clear the outstanding amounts is called for.

7. BANK RECONCILIATION STATEMENTS

The following items appearing in the consolidated bank reconciliation statements had not been cleared.

Category	No. of accounts	Amount (Shs.)
▪ Receipts in bank statements not in cash book	1	22,224,175
▪ Payments in bank statements not in cash books	7	18,442,255
▪ Receipts in cash books not in bank statements	7	19,531,228

8. AUDIT CERTIFICATE

In my opinion, due to the significance of the matters specified in paragraphs 1 through 7 above the Balance Sheet and the Summary Statement of Income and expenditure do not present fairly the financial position of the Tandahimba District Council as at 30th June, 2004.