

**68. ILEJE DISTRICT COUNCIL FOR THE SIX MONTHS
PERIOD ENDED 30TH JUNE, 2004**

1. EXPENDITURE

1.1 Lack of Internal Control on payments

The internal control system for payments put in place was weak as evidenced when examining and posting the payment vouchers in cash books that in most cases one cheque was issued in respect of various payees including staff and suppliers. Further examination disclosed that the cheques were thereafter encashed by the main cashier and pay the payees by cash. This situation implies the following:-

- It allows tax evasion to suppliers
- Risks of traveling with hard cash when proceeding to different places for acquisition of goods.
- Offers chances for dubious payments
- It is contrary to financial regulations
- Difficult to make follow – up when needed on individual payments made.
- Weak internal control system.

1.2 Improperly vouched expenditure Shs.15,240,720

Expenditure amounting to shs.15,240,720 was incurred without proper documentation during the period under review.

**1.3 Questionable purchase and delivery of building materials
Shs.6,032,000**

A total amount of Shs.6,032,000 was paid to M/S NYITICO General Enterprises P.O. Box 304 Tukuyu for the supply of various building materials to Kayuki Girl's Secondary School being part of the council contribution as agreed between three District Council's i.e. Rungwe, Kyela and Ileje. However, the following anomalies were noted:-

- In all three payments made, the invoices and delivery notes were raised before the LPOS.
- There was no evidences of delivery of the materials to the site since neither ledger folios were quoted nor issue vouchers furnished for audit verification.

1.4 Loan issued from development account Shs.2,473,324

A total amount of Shs.2,473,324 was transferred from Development Account to Education Account being a loan in order to pay salaries for the month of April, 2004. It was not known why the amount was drawn from Development Account while at that date there was a balance of shs.210,330,418 in Education Account. Also as at the time of audit (December, 2004) no refund had been made.

2. Final Financial Statements

2.1 Revenue collection performance

During the period under review the council collected a total of Shs.48,447,996 from own sources including Shs.27,780,810 received from the central Government in lieu of the abolished revenue sources. The budgeted income was Shs.69,408,003. The short fall amounted to Shs.20,960,007 or 30% of the budget.

2.2 Out –turn

The six months accounts closed with a surplus of shs.62,866,970 arising from total expenditure of shs.1,095,424,072 (audit figure) against total income of Shs.1,158,291,042 (Audit figure) received during the period under review.

2.3 Missing Explanatory Notes.

Contrary to regulation number 85 of the Local Authority Financial Memorandum (1997), the Consolidated Income and Expenditure Statement for the period under review was not supported by explanatory notes in respect of each summary item of the accounts reflected therein. This depicts departure from the annual accounts disclosure requirements and best accounting practice.

2.4 Errors in the Consolidated Statements of Income and Expenditure.

2.4.1 Income

The total Income collected/received by the Council during the period under review should read shs.1,158,291,042 (audit figure) against shs.941,242,256 shown in the statement. A sum of Shs.217,048,786 was therefore understated.

2.4.2 Expenditure

The total expenditure incurred during the period under review before depreciation expenses should read Shs.1,044,323,027 (audit figure) and not Shs.891,264,595 as shown in the statement. A sum of Shs.153,058,432 was therefore understated.

2.4.3 Depreciation of fixed assets Shs.48,732,269

The schedule of fixed assets submitted together with the final accounts disclosed a total of shs.48,732,269 being depreciation on fixed assets during the period under review but the figure transferred to the consolidated income and expenditure statement was Shs.50,727,157. However, both figures were different from that of Shs.51,101,045 established in audit.

2.5. Consolidated balance sheet as at 30th June, 2004

2.5.1 Fixed Assts Shs.823,154,686

The Balance sheet as at 30th June, 2004 showed fixed assets valued at Shs.823,154,686 which were not confirmed during audit due to the following reasons:-

- Accumulated depreciation was understated by Shs.1,864,868 and hence overstated the fixed assets figure by the same amount.
- Furniture and fittings were totally not shown together with other assets.
- School buildings were not analysed and their values were not reflected in the Balance Sheet.

2.5.2 Cash balance Shs.275,180,067

The cash balance as at 30th June, 2004 should read Shs.293,545,505 (audit figure) against shs.275,180,067 appearing in the balance sheet.

2.5.3 Outstanding Imprests and Advances Shs.5,177,740

The Balance Sheet as at 30th June, 2004 disclosed outstanding imprests Shs.4,384,040) and advances Shs.793,700.

The schedules produced in support of the outstanding balance were for Shs.4,997,740 only (i.e. advances Shs.583,700 and imprests Shs.4,414,040) resulting in a difference of Shs.180,000.

2.5.4 Outstanding debtors shs.29,710,674

The balance sheet as at 30th June, 2004 showed outstanding debtors of shs.29,710,674 which were not confirmed due to the absence of the schedule in support of the figure.

2.5.5 Liabilities shs.47,421,949

The current liabilities reflected in the Balance sheet as at 30th June, 2004 amounted to shs.47,421,949 consisting of the following:-

Category	Amount (Shs.)
Deposits	11,212,738
Stale cheques	351,660
Statutory deduction	19,598,803
LGLB	3,700,000
Unclaimed salaries	12,558,748
Total	47,421,949

However, there were no schedules submitted to support, deposits and statutory deduction balances.

2.6 Capital Expenditure Statement and its Financing

The Statement prepared indicated that capital receipts of Shs.780,689,141 had been received during the period under review and the total expenditure incurred stood at Shs.461,736,962 thus resulting in unspent funds of Shs.318,952,179 (audit figure) against Shs.320,952,179 shown in the statement. The situation indicates that the Council management failed to fully execute implementation of the development projects during the period under review.

3. AUDIT CERTIFICATE

In my opinion, due to the significance of the matters specified in paragraphs 1 and 2 above and the fundamental errors in the final accounts, the consolidated balance sheet and summary statement of Income and Expenditure do not present fairly the financial position of Ileje District Council as at 30th June, 2004.