

## 112. NZEGA DISTRICT COUNCIL FOR THE SIX MONTHS PERIOD ENDED 30TH JUNE, 2004

### 1. REVENUE

#### 1.1 Revenue budget performance

The council planned to collect a total of Shs.287, 608,268 as revenues from own source. However, Shs. 257,270,657 was collected, then recording a deficit budget of Shs 30,337,611 or 10.5% of the total budget. The collection included grants of Shs 193,788,944 received in lieu of the abolished revenue source.

### 2. EXPENDITURE

Examination of payment vouchers and the related records for the six months period ended 30<sup>th</sup> June 2004 disclosed the following irregularities:-

2.1	Payments made without supporting documents	104,402,432
2.2	Payments partly supported by statements of expenditure	8,507,600
2.3	Funds Transferred from one Account to another without being supported by acknowledgement receipts	326,561,868
2.4	Paylist/sheets not receipted	2,288,000
2.5	Missing salaries payrolls	5,238,226
2.6	Stores not taken on ledger charge	2,515,000
2.7	Purchase of motor vehicle spare parts and services overcharged	<u>2,700,000</u>
	<b>Total</b>	<b><u>452,213,126</u></b>

The above irregularities disclose the following weaknesses.

- I. Weakness in security of documents.
- II. Weakness in stores management.
- III. Weakness in accounting for funds transferred from one account to another.
- IV. Weakness in paying correct charges, resulting in overpayments.

Unless these weaknesses are cleared the above total expenditure incurred cannot be accepted as a proper charge to the public funds.

### 3. FINAL FINANCIAL STATEMENTS

#### 3.1 Grants for other charges received

Examination of the accounts disclosed that funds received as grants for other charges in respect of the Education and Health Departments amounts to Shs. 135,261,850 and Shs.92,989,700 respectively. However, total income in respect of the same grants were Shs.224,089,639 for Education Department and Shs.95,692,700 for Health Department according to the statement of income and expenditure, then recording differences of Shs.88,827,789 and Shs 2,703,000 overstated in the statement. Without reconciliation of these differences the statement of income and expenditure cannot be accepted as correctly presented.

#### 3.2 Outstanding Debtors and Creditors

The position of balances of Debtors and Creditors as at 30/06/2004 was as follows:-

<b>(i) Debtors</b>	<b>Amount (Shs)</b>
- Imprests	6,188,600
- Salary Advances	1,002,819
- Loans	<u>652,400</u>
<b>Total</b>	<b><u>7,843,819</u></b>
<b>(ii) Creditors</b>	<b>Amount (Shs)</b>
- Trade Creditors	19,257,965
- Internal Transfers	15,961,760
- Other Charges	80,870,625
- LAPT	86,033
- Unclaimed salaries	<u>28,021,717</u>
<b>Total</b>	<b><u>144,198,100</u></b>

We advise for early clearance of the balances.

#### 3.3 Cash flow statement

Examination of the cashflow statement as at 30/06/2004 disclosed the following anomalies:-

- I. Shs.49,569,900 being depreciation value was wrongly reflected in the statement as Shs.234 hence a difference of Shs.49,569,666
- II. Shs.127, 695,664 being fund utilized for development activities was omitted from the statement.

In the circumstance the statement cannot be accepted as correctly presented.

### 3.4 Capital expenditure and its financing statement

#### 3.4.1 Expenditure not including Shs. 129,897,506

Various expenditure amounting to Sh.129,897,506 were omitted in the statement as follows:-

<b>Development Account</b>			
<b>PV. No</b>	<b>Cheque No</b>	<b>Amount (Shs)</b>	<b>Details</b>
11/1/04	005545	2,500,000	Renovation of Iboko Dam
8/1/02	005553	2,325,000	Survey of Wells Sites
11/2/04	005572	384,000	Secondary School Construction
25/2/04	005584	5,000,000	Renovation of Iboko Dam
7/5/04	005615	1,000,000	Renovation of Iboko Dam
8/5/04	005625	1,300,000	Renovation of Iboko Dam
3/6/04	005625	377,900	Finishing of Teacher's house 1 Yomo
12/6/04	005634	4,000,000	Construction of 3 class room Mambali
<b>Total</b>		<b>16,886,900</b>	
<b>Elimu Account</b>			
2/2/04	011034	1,610,606	Completion of classroom Mwanhala
34/1/04	011022	<u>111,400,000</u>	MMEM Dev. for classrooms
<b>Sub – Total</b>		<b>113,010,606</b>	
<b>Grand Total</b>		<b>129,897,506</b>	

#### 3.4.2 Expenditure not analysed Shs.45, 499,300

The statement of capital expenditure included Shs.43, 906,400 being expenditure on other charge and Shs.1, 592,900 being imprests paid. However, the two transactions were not analysed. So the correctness of the amounts could not be confirmed and the activities for which the funds were utilized could not be determined. In addition, imprests are ledger payments, hence wrongly included in the statement as capital expenditure. Unless the two amounts are analysed and the imprest figure omitted (if not retired) from the statement, it cannot be confirmed that the amounts are correct, and that the statement was correctly presented.

#### **4. AUDIT CERTIFICATE**

In my opinion, except for the matters specified in paragraphs 1 through 3 above, the balance sheet and the statement of income and expenditure present fairly the finance position of Nzega District Council as at 30<sup>th</sup> June, 2004.