

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF BAGAMOYO DISTRICT COUNCIL
FOR THE YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
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March, 2006

AR/LG/006/2005

The National Audit Office,
United Republic of Tanzania

(Established under Article 143 of the Constitution of the URT).

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

Our Vision

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

Our Mission

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

Therefore, our Core Values are:-

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

We do this by:-

- contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- helping to improve the quality of public services by supporting innovation on the use of public resources;
- providing technical advice to our clients on operational gaps in their operating systems;
- systematically involve our clients in the audit process and audit cycles; and
- providing audit staff with adequate working tools and facilities that promote independence.

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ABBREVIATIONS

CAG	Controller and Auditor General
CD	Council Director
DED	District Executive Director
DPs	Development Partners
LAAM	Local Authority Accounting Manual
GDP	Gross Domestic Product
LAFM	Local Authority Financial Memorandum
GOT	Government of Tanzania
GAAS	Generally Accepted accounting Standards
IFMS	Integrated Financial Management System
IG	Investment Grant
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
M&E	Monitoring and Evaluation
NGO	Non-governmental Organisation
MoF	Ministry of Finance
OCAG	Office of the Controller and Auditor General
PER	Public Expenditure Review
ISA	International Standard on Auditing
PMO-RALG	Prime Minister's Office - Regional Administration and Local Government
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSRP	Public Service Reform Programme
RAS	Regional Administrative Secretary
RS	Regional Secretariat

Financial Statements means:

The Consolidated Balance Sheet, Consolidated Income and Expenditure Statement, Consolidated Cash-flow Statement, Notes and related schedules of Bagamoyo District Council for the year ended 30th June 2005.

Council means - Bagamoyo District Council, both as Councillors as well as an operating entity.

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction:

I have completed the audit of Bagamoyo District Council for the year ended 30th June 2005. Audit findings arising from examination of accounting records, appraisal of activities and evaluation of the internal control system which require Management attention and action are set out under part three of this report.

1.2 Brief history of client establishment

The Bagamoyo District Council was established in 1984 in terms of the provisions of sections 8 and 9 of the Local Government Act (District Authorities) 1982. Besides the Act, the Council operates within the framework of the following instruments.

- Local Authority Financial Memorandum 1997.
- Public Procurement Act No 21 of 2004.
- Local Government Finances Act No 9 of 1982.

1.3 Operational objectives

According to the Local Government (District Authorities) Act the District Council of Bagamoyo has the following objectives:

- (a) To maintain and facilitate maintenance of peace, order and good governance within its area of jurisdiction.
- (b) To promote the social welfare and economic well being of all persons within its area of jurisdiction.
- (c) Subject to the national policy and plans for Rural and Urban Development, to further the social and economic development of its area of jurisdiction.
- (d) Collection of Public funds through taxes, licenses, fees and charges.
- (e) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.
- (f) To maintain and facilitate maintenance of peace, order and good governance within its area of jurisdiction.
- (g) To promote the social welfare and economic well being of all persons within its area of jurisdiction.
- (h) Subject to the national policy and plans for Rural and Urban Development, to further the social and economic development of its area of jurisdiction.
- (i) Collection of Public funds through taxes, licenses, fees and charges.
- (j) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.

1.4 Financing

The Council has two sources of funds; which are own source and external source. The own source includes collection of Public funds through taxes, fees, licenses and charges. On the other hand, external source includes subsidies from central government as well as grants and loans from donor community. From these sources, total Income during the year was Shs.5,083,835,363 made up of Shs.418,885,436 from own sources and Shs. 4,664,949,927 from government grants.

1.5 Management

The Bagamoyo District Council operates under directives of the full Council, which is a supreme body for legislative responsibilities. Under the Full Council there are three committees which are directly answerable to it. The Chief Executive for the District Council is the District Executive Director (DED) who is responsible for the day-to-day activities. The structure has positions of Internal Auditor and Legal Officer with responsibilities of advising the Director on matters falling under their jurisdiction.

In addition the structure provides for functional departments namely: Administration, Finance, Economic and Trade, Health, Education, Works, Planning & Environment, Agriculture, Livestock & Co-operatives as well as Social Welfare and Community Development.

The pictorial management structure of the District Council is shown as annexure I to this report.

1.6 Internal Control System

A System of internal control that should be adopted by councils is given under order 9 through 11 of the Local Authority Financial Memorandum; 1997. The Order requires the Finance Committee to adopt written procedures for proper control of finances. In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers, an organization chart of the Finance Department, division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is also mandatory. The Council is also required to employ its own Internal Auditor who reports directly to the Director. Similarly, the Public Procurement Act No.21 of 2004 Section 28 (1) requires the District Council to establish a Tender Board and Section 34 (1) provides for establishment of Procurement Management Unit.

The Internal Control set up of Bagamoyo District Council complies with the statutory requirements, but is lacking an Audit Committee. Weaknesses arising from review of internal control system are included under part 3 of this report.

1.7 Financial Performance Issues

Revenue

The District Council collected an amount of Shs.418,885,436 from own sources against the internal revenue budget of Shs.613,910,700, reflecting a collection shortfall of Shs.195,025,264 or 32%. The large difference between the actual revenue collection and estimates was not explained but would appear to be a result of unrealistic revenue budget. In addition the council received grants amounting to Shs.4,664,949,927 making total revenue of Shs.5,083,835,363 during the year.

Expenditure

The Council spent Shs.4,234,810,208 during the year against total income of Shs.5,303,835,363 or 80% of total revenue, leaving unspent amount of Shs.1,069,025,155. However performance against budget could not be assessed since budget figures were not disclosed in the financial statements.

A comparison of, the internal revenue of shs.418,885,436 against expenditure of Shs.4,133,336,621 (net of depreciation) is only 10%, implying that the District council cannot sustain either its recurrent or development expenditure without depending on grants.

1.8 Audit Mandate:

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania, and Section 45 of the Local Government Public Finance Act No.9 of 1982, (revised, 2000) the Controller and Auditor General is the appointed auditor of all government revenues and expenditure, including the revenues and expenditure of this District Council.

1.9 Audit objectives.

The main objective of carrying out the audit is to enable me to express an independent opinion on the financial statements of the District Council for the year ended 30th June 2005 and in particular:-

- To determine whether transactions were executed in accordance with the financial regulations, and recorded properly in the books of account for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget and governing regulations.
- To ascertain whether all supporting documents, records and accounts have been kept in respect of all District Council activities.
- To verify whether goods and services bought were acquired through laid down procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.

- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management, for implementing and monitoring activities and that the assets of the authority are adequately safeguarded against losses from unauthorized use or disposition.
- To verify whether the Council has implemented audit recommendations made in previous audits.

1.10 Audit Scope

The audit was carried out in accordance with the International Standards on Auditing. The audit covered the evaluation of effectiveness of the financial accounting system and Internal Control over the activities of the District Council, examination and verification of the accompanying financial statements and other auditing procedures as was considered necessary for the purpose of forming an opinion on the financial statements. The audit was conducted on a test check basis; therefore the findings are confined to the extent that records and information requested for the purpose of the audit were made available to me.

As an auditor I am not required to search specifically for fraud; therefore my audit cannot be relied upon to disclose all such matters. However, my audit was planned so that I would have a reasonable expectation of detecting material misstatement in the financial statements resulting from irregularities or fraud. The responsibility for detection and prevention of irregularities and fraud, rests with the Council management who are responsible for setting up and maintaining an adequate and effective system of Internal Control.

1.11 Audit Methodology

In examining the financial statements together with the underlying records the following audit steps were followed;

- A review of the council's regulations, guidelines and other Authority's documents as was deemed necessary under the circumstances.
- Examination of receipts and payments to confirm compliance with existing legislation, financial regulations and other instructions or directives.
- A review of the internal control structure by assessing significant policies and procedures and establish its adequacy.
- Review of financial statements, progress reports, various implementation reports and other associated information.
- Conduct compliance tests on the system of awarding contracts and their execution.
- Interview and discussion with some of the staff and other key stakeholders in the implementation of various activities.
- Conduct local inspection to verify physical implementation of planned activities as well as assessing the progress made.

- Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit, respectively.

1.12 Presentation of audit findings

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation. The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation. The second part comprises the detailed findings on the gaps and shortfalls in the internal control system and compliance which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The Regional Commissioner,
Coast-Region.

District Executive Director and Accounting Officer,
Bagamoyo District Council.

RE: **INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF
BAGAMOYO DISTRICT COUNCIL FOR THE YEAR ENDED ON 30TH JUNE 2005**

I have audited the Consolidated Balance Sheet, Consolidated Statement of Income and Expenditure, Consolidated Cash-flow Statement and the related notes and schedules of the Bagamoyo District Council shown on pages 13 through 16 of this report for the financial year ended on 30 June 2005.

Responsibility of the Council Management on the financial statements

These financial statements are the responsibility of the management of Bagamoyo Town Council.

Order Nos. 9 through 16 of the LAFM requires the Council Management to establish and support a sound system of Internal Control within the Council. Order No. 53 places responsibility on the Council to prepare and present the financial statements based on GAAS. Further, Section 40 of the Act requires the Accounting Officer to keep and maintain accounts and prepare financial statements in respect of the Council operations in a manner that promotes transparency, accountability and comparability.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion based on the audit. I am also required to satisfy myself whether the funds contributed to the Council were used exclusively and judiciously to meet eligible expenditures with due regard to economy and efficiency, whether the accounts have been kept in accordance with generally accepted accounting standards, and whether they do comply with the requirements of the Local Government Finances Act No. 9 of 1982 and the Local Authorities Financial Memorandum of 1997.

Basis of opinion

The audit was conducted in accordance with International Standards on Auditing and included such other audit procedures I considered necessary in the circumstances. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Bagamoyo District Council, consistently applied and adequately disclosed, evaluating the overall financial

statements presentation, and assessing the extent of compliance with the statutory requirements. I believe the audit provides a reasonable basis for my opinion.

The financial statements have been prepared and presented based on the accrual principle of accounting pursuant to Order Nos. 56 through 58 of the LAFM. Under the accrual basis, all revenues and all the related costs are matched with the period in which they were earned and incurred.

Opinion

In my opinion the financial statements fairly reflect, in all material respects, the financial position of Bagamoyo District Council as at 30th June 2005 and the results of the operations and cash-flows for the year then ended, in accordance with Part IV of the Local Government Finances Act No. 9 of 1982.

Matters of emphasis

Without qualifying my opinion, I wish to point out the following matters for the attention of the full Council:

- (a) The assets of the Council are not adequately safeguarded against losses from unauthorized use or disposition because the management does not maintain an Assets Register.
- (b) The management has not yet established an Audit Committee.
- (c) The Consolidated Balance Sheet reflected Debtors amounting to Shs. 177,754,654 and creditors worth Shs. 136,981,734 without age analysis and the policy on Debtors and Creditors was not disclosed.
- (d) The Council depends heavily on grants since internal revenue is only 8% of total expenditure. In addition, during the year under review the council exceeded the approved expenditure budget by 60%.
- (e) A test check of expenditure for the year revealed irregular payments adding to shs. 83,694,316.
- (f) Payments adding to Shs. 75,222,170 are lacking necessary supporting documents.
- (g) Fifty six revenue receipt books (open books) were not produced for audit examination when called for.
- (h) Goods worth Shs. 22,693,793 ordered and paid for during the year under review were not confirmed to have been delivered, recorded and used.

The details of these matters are given in Part 3 of this report.

Dr. Frank Mosses Hiza Mhilu
Ag. CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General
The National Audit Office
Dar es Salaam

31 March 2006.

**CONSOLIDATED BALANCE SHEET FOR THE YEAR
ENDED 30TH JUNE, 2005**

PARTICULAR'S	JAN- JUNE 2004		JULY- JUNE 2005
	WN		
LAND AND BUILDING	1	1,828,927,063.20	2,492,814,005.08
PLANT AND VEHICLE	2	121,834,075.17	174,915,255.56
MOTOR CYCLE	3	5,940,000.00	5,940,000.00
FURNITURE AND FITTINGS & OFFICE EQUIPMENT	4	62,591,177.80	67,058,639.50
LESS: DEPRECIATION ON MOTOR VEHICLE			
PLANT AND VEHICLE		26,878,965.47	27,375,313.89
MOTOR CYCLES		5,064,553.27	1,485,000.00
LAND AND BUILDING		77,535,855.53	70,754,318.71
FURNITURE AND FITTINGS & OFFICE EQUIPMENT		16,451,553.50	6,372,062.43
INVESTMENTS:			
LOCAL GOVT LOANS BOARD	5	1,773,950.00	1,773,950.00
ADD INTEREST 2005			
LOCAL GOVT LOANS BOARD (LIABILITY)		(125,930,927.77)	
TOTAL FIXED ASSETS		1,767,430,460.63	2,636,551,155.11
CURRENT ASSETS:			
BANK	6	376,707,412.91	457,869,582.86
CASH	7	2,313,671.00	2,313,671.00
TRANSIT CASH ACCOUNT 887 TO 376	8	9,295,509.78	(13,108,505.20)
DEBTORS:			
STOCK	9	516,000.00	516,000.00
SUNDRY DEBTORS	10	24,680,277.00	30,611,411.00
ADVANCES	11	153,599,679.35	22,793,276.25
IMPRESTS	12	128,562.50	124,349,967.00
TOTAL CURRENT ASSETS		695,675,008.54	625,345,402.91
TOTAL ASSETS		1,702,869,138.27	1,714,487,252.35
CURRENT LIABILITIES:			
CREDITORS	13	205,246,033.27	(86,399,950.97)
DEPARTMENTAL CREDITORS	14	326,787,731.89	223,381,243.34
TOTAL CURRENT LIABILITIES		532,033,765.07	136,981,734.37
NET ASSETS (A + B - C)		3,110,754,532.07	3,124,914,823.65
FINANCED BY:			
CAPITAL DISCHARGED			
GENERAL DEPOSITS	15	88,737,204.85	(3,816,950.00)
CAPITAL FUND UNAPPLIED	16	269,199,946.30	249,597,559.00
RESERVES	17	1,189,446,732.92	1,810,109,060.12
SURPLUS & DEFICITY FOR THE YEAR	18	511,391,697.71	1,069,025,154.53
TOTAL RESIDUE & CAPITAL DISCHARGED		3,110,754,532.07	3,124,914,823.65

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P. Kamtunda
DISTRICT EXECUTIVE DIRECTOR
BAGAMOYO DISTRICT COUNCIL

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B. S. Bandawe
DISTRICT TREASURER
BAGAMOYO DISTRICT COUNCIL

CONSOLIDATED INCOME AND EXPENDITURE FOR THE PERIOD ENDED 30TH JUNE 2005

Particular's	WN	Jan - Jun 2004	July - June 2005
FINANCE AND ADMINISTRATION COMMITTEE			
OWN SOURCE:			
SALT LEVY			32,640,028.21
FORESTRY CHARGES		17,652,050.00	56,000,000.00
AGGREGATES CHARGES		4,198,670.00	48,185,182.00
HOTEL AND SERVICE LEVIES			12,726,517.75
GOVERNMENT GRANT ON COUNCIL ELIMINATED REVENUES		107,360,327.16	227,259,000.00
OTHER LEVIES		52,368,688.36	42,074,208.17
YEAR END ADJUSTMENT	1	782,510,851.36	2,375,852.54
TOTAL OWN SOURCE REVENUE	2	964,090,586.88	418,885,436.13
GOVERNMENT GRANTS SALARIES	3		376,823,879.63
			-
SOCIAL SERVICE COMMITTEE			
GOVERNMENT GRANTS	4	148,825,699.07	60,806,914.20
SIDA GRANT REVENUE			-
TANZANIA COTTON SEED BOARD GRANT REVENUE			100,000.00
DED BAGAMOYO GRANT REVENUE			560,433.75
			-
SOCIAL SERVICE COMMITTEE			
GOVERNMENT GRANTS	5	1,445,050,686.87	3,318,538,327.36
NATIONAL AIDS CONTROL PROGRAMME			6,664,000.00
GOVT GRANT OTHER CHARGES			207,138,800.00
GOVT GRANT FOR BUILDING AND CAPTION			883,631,819.00
DED BAGAMOYO GRANT REVENUE			2,960,000.00
OTHER			25,349,900.00
TOTAL OWN SOURCE REVENUE	6	181,579,735.52	418,885,436.13
TOTAL OTHER REVENUE	7	782,510,851.36	2,375,852.54
TOTAL GOV'T GRANT & DONOR GRANT REVENUE		1,593,876,385.94	4,882,574,073.94
TOTAL REVENUE	8	2,557,966,972.82	5,303,835,362.61
			-
EXPENDITURE:			
			-
FINANCE AND ADMINISTRATION COMMITTEE			
SALARIES			430,334,665.93
OTHER CHARGES	9	141,107,279.90	321,456,821.20
YEAR END ADJUSTMENT			-
SOCIAL ECONOMIC COMMITTEE			
SALARIES	10	29,426,385.73	453,132,728.69
OTHER CHARGES		10,475,864.22	282,183,196.86
BASKET FUND			158,106,370.38
			-
SOCIAL SERVICE COMMITTEE			
SALARIES	11	1,743,395,094.84	1,681,308,811.54
OTHER CHARGES		2,257,200.00	806,814,026.46
TOTAL EXPENDITURE BEFORE DEPRECIATION	12	1,926,661,824.69	
SURPLUS AND ADEFICIT BEFORE DEPRECIATION	13	631,305,148.13	
LESS DEPRECIATION:			
LAND AND BUILDING	14	77,535,855.53	71,413,257.84
MOTRO VEHICHLE'S	15	24,441,041.39	22,203,266.76
MOTOR CYCLE'S	16		1,485,000.00
OFFICE FURNITURE FITTINGS & EQUIPMENT	17		6,372,062.43
SURPLUS/DEFICIT AFTER DEPRECIATION	18	553,769,292.60	1,069,025,154.52
TOTAL EXPENDITURE	19	2,004,197,680.22	4,234,810,208.09
GRAND TOTAL		2,557,966,972.832	5,303,835,362.61

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P. Kamtunda
 DISTRICT EXECUTIVE DIRECTOR
 BAGAMOYO DISTRICT COUNCIL

.....
B. S. Bandawe
 DISTRICT TREASURER
 BAGAMOYO DISTRICT COUNCIL

CASHFLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2005

	Cash-flow from financing activities	
	Net Profit for the year	1,069,025,154.53
	Add: Depreciation	105,986,695.03
		1,175,011,849.56
	ADD	
	Salary Advances	
	Decreased Imprest	4,212,491.50
	Decreased Advances	130,806,403.10
	Increase Sundry Debtors	(5,931,134.00)
	Increased Misc. Deposits debtors	
	Decreased salary Creditors	(291,645,542.24)
	Increased other Creditors	
	Decreased Department creditors	(103,406,488.55)
		909,047,579.37
	LESS:	
	Cash flow from investment	
	Government grant	721,471,583.97
	Local Government Loans Board (LIABILITY)	125,930,927.77
	Donors	100,145,372.76
	Net cash out flow from financing activities	(947,547,884.50)
	ADD:	
	Cash flows from financing activities	
	Government grants	
	Capital Unapplied	(19,602,387.30)
	General deposits	(92,554,154.85)
	Reserve	
		835,391,342.35
	LESS:	
	Opening Cash Bank Balance	388,316,593.69
	Closing Cash/Bank Balance	447,074,748.66

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE, 2005

NOTE No. 1

ACCOUNTING POLICIES

The Councils Final Financial statements have been prepared in accordance the International Financial Reporting Standards (IFRS), the requirements of the local Authority Financial Memorandum of 1997 and per Local Authority Accounting Manual (LAAM) formats.

Basis of accounting

The Financial statements have been prepared on accrual basis. However, no provision was made for inflation as well as outstanding debts, imprest and advances.

Revenue and Expenditure

The council's revenue comprise revenue from own sources and grants from central government in particular Ministry of Finance, PO-RALG, RAS-Coast Ministry of Education and Culture, Ministry of Health and other donors to Council. Revenue is recognised when it is earned and expenditure when is incurred.

Fixed assets

The Fixed Assets are depreciated using straight-line method and depreciation is charged in the year of purchase. Land and buildings are depreciated at 4%, plants and motor vehicles at 25% per annual, tools and equipments at 20% and furniture and fittings at 12.5% per annual.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow - up of previous audit findings

Financial year	Para	Audit observation	Amount queried Shs.	Amount outstanding Shs.	Comments
2001	4.1(ii)	Debtors outstanding	68,243,017	8,428,579	The Council should expedite the clearance of the outstanding debtors
2002	2.2.1	Revenue collections not accounted for	1,502,100	894,400	The Council should make follow-up on the accountability of the outstanding amount
2002	2.2.3	Missing receipt books	51 open receipt books	7 books	The Council should trace the missing receipt books
2002	3.2	Improperly vouched expenditure	479,433,999	287,707,900	The matter is pending PCB investigation.
2002	5.0	Irregular & questionable payments	19,120,413	13,495,613	The matter is pending PCB investigation.
2003	2.4.1	Unclaimed salaries not accounted for.	3,538,000	825,800	The council should make follow up to clear the matter

3.2 Current Audit Findings

3.2.1 Missing revenue receipt books

Fifty-six revenue receipt books (open books) issued to Revenue Collectors during the year were not produced for audit verification when called for. In the event, any funds collected using those receipts were not on record and could not be ascertained.

Implication

There is possibility of misuse of revenue receipts

Recommendation

Management should make follow-up and account for the receipts. In case of confirmation of loss, appropriate action should be taken including preparation of a loss report in accordance with order No. 102 of Local Authority Financial Memorandum 1997.

3.2.2 Improperly vouched expenditure Shs.75,222,170

An examination of payment vouchers revealed payments adding to Shs.75,222,170 which are lacking necessary supporting documents including bills, original pay-lists, and acknowledgement receipts. In the

event, the authenticity and regularity of the expenditure incurred could not be established.

Implication

There is weak control over custody of accounting records.

Recommendation

The Council management is advised to find proper ways of safeguarding accounting records. In addition, the questioned expenditure of Shs.75,222,170 should be regularized by submitting the missing supporting documents.

3.2.3 Fixed assets register

I have noted that the Council management does not maintain a Fixed Assets Register contrary to Order No. 60(d) of the Local Authority Financial Memorandum 1997. As a result, the financial statements did not include a detailed schedule of Council's Fixed Assets to support the submitted schedule of depreciation. In the circumstances it was not possible to verify the accuracy of the figure of Fixed Assets stated in the Balance Sheet.

Implication

Control over assets management is weak in that the assets of the Council are not adequately safeguarded against losses from unauthorized use or disposition.

Recommendation

The Council management should introduce a permanent Fixed Assets Register that will indicate location of each asset, value, date of acquisition, disposal etc. The registers should be kept up-to-date and inspected by the council's internal auditor on a regular basis.

3.2.4 Stores not accounted for- Shs. 22,693,793

A test examination of stores records revealed seven instances whereby goods worth Shs.22,693,793 were ordered and paid for but were not taken on Ledger charge. It was further noted that the council had no utilization particulars to confirm actual delivery and disposal of the items.

Implication

There is a possibility of misuse or non-delivery of the goods paid for without management detection.

Recommendation

The council management should streamline stores management and controls to avoid possible losses

3.2.5 Irregular and questionable payments shs. 83,694,316

I have noted that the Council purchased various goods worth Shs.83,694,316 but the regularity of the expenditure made could not be ascertained due to various irregularities. The irregularities involved biased purchases, lack of engineer's inspection certificate, payments of salaries to deceased employees and unauthorized purchase of cellular recharge cards.

Implication

The irregularities imply that there is no proper authorization of payments.

Recommendation

The authorization mandate for all transactions should be observed and the internal check system needs to be improved as well.

3.2.6 Debtors and Creditors

The Consolidated Balance Sheet reflected Debtors amounting to Shs.177,754,654 comprising Salary Advances, Imprests and Sundry debtors. On the other hand, the Statement reflected creditors worth Shs.136,981,734 comprising departmental and sundry creditors. Nevertheless, the accounts did not include details of the individual Debtors and Creditors with age analysis. Moreover, the Council did not state its policy on debtors and creditors and no provisions for doubtful or bad debts were made.

Implication

Lack of age analysis limits assessment of recoverability of debts and implementation of Creditors policy if any.

Recommendation

The management is advised to improve debts collection efforts

3.2.7 Outstanding items of Bank Reconciliation Statements -shs. 78,132,812

A review of the Bank Reconciliation Statement for the period ended 30th June 2005 disclosed the following outstanding items which had not been cleared by the time of audit.

Details	Amount Shs
Debits in the Bank Statements not in the Cash books	391,159,131
Unpresented cheques	198,784,525
Credit in the cash book not in the bank	293,680
Credit in the bank not in the cash book	25,428,547
Total	<u>615,665,883</u>

Implication

There is a risk of loss of funds as well as possibility of overstating receipts.

Recommendation

Immediate follow-up is necessary to clear the outstanding items.

4.0 CONCLUSION

The detailed audit findings presented above have been communicated to the management of the Bagamoyo District Council during exit meeting. The Management of Bagamoyo District Council has promised to take appropriate action with a view to rectify the situation. I shall appreciate to receive formally the action taken in this respect.

Lastly, I would like to express my appreciation for the Co-operation given to the audit team. It is my hope that such good working relationship will be extended during future audits.

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ORGANIZATION STRUCTURE OF BAGAMOYO DISTRICT COUNCIL

