

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF KIBAHA DISTRICT COUNCIL  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005**

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**DAR ES SALAAM.**

**March, 2006**

**AR/LG/007/2005**

## Office of the Controller and Auditor General

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
HIPC	Highly Indebted Poor Countries
IFMS	Integrated Financial Management System
IG	Investment Grant
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
NGO	Non-governmental Organisation
MoF	Ministry of Finance
OCAG	Office of the Controller and Auditor General
PER	Public Expenditure Review
ISA	International Standard of auditing
PO-RALG	President'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 Kibaha District Council for the year ended 30<sup>th</sup> June, 2005.

Council means - Kibaha 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 Kibaha District Council for the year ended 30<sup>th</sup> 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 Kibaha District Council was established in 1984 in terms of the provisions of section 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 Kibaha 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.

### **1.4 Financing**

The Council has two sources of funds; which are own source and external source. The own source included collection of Public funds through, taxes, fees, License and charges. On the other hand external source include subsidies from central government, grant and loans donor community. Total Income during the year was Shs.2,205,703,719 made up of Shs.171,463,288 from own sources and Shs.2,034,240,431 from government grants.

## **1.5 Management**

The Kibaha 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. Under the DED there are ten heads of department who are sub-accounting officers and one legal advisor.

The pictorial management structure of the District Council is shown as appendix 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 Treasure 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 mandatory. The Council is also required to employ its own Internal Auditor who report directly to the director. Similarly, the Public Procurement Act No.21 of 2004 Section 28 (1) requires the Council to establish a Tender Board and Sect.34 (1) provides for establishment of Procurement Management Unit.

The Internal Control set up of Kibaha District Council complies with the statutory requirements, but is lacking an Audit Committee which is part of transparency and good governance, Nevertheless weakness arises 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. 71,587,037 from own sources against the internal revenue budget of Shs.89,903,416, reflecting a deficit of Shs. 18,316,379 or 20% . In addition the council received grants amounting to Shs. 2,321,460,993 making total revenue of Shs. 2,393,048,030 during the year. The internal revenue comprises only 3% of the total funds collected.

### **• Expenditure**

The Council spent Shs.1,995,238,396.59 during the year against total approved budget of Shs.2,778,304,649.56 or 72% less. However, the Council closed its accounts with a saving of shs.423,902,108 or 18% of total revenue. A comparison of, the internal revenue of shs.71,587,037 against total expenditure of shs. 1,916,825,453.59 (net of depreciation) is only 4%, 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 expenditures 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 30<sup>th</sup> June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with the financial regulations, and recorded properly in the books of accounts 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 governing regulations.
- To ascertain whether all supporting documents, records and accounts have been properly 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 us.

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 Municipal management who are responsible for setting up and maintaining an adequate and effective system of internal control.

### **1.11 Audit Methodology**

In auditing the financial statements together with their underlying records, the following principal 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: Hon. Mizengo Pinda (MP)  
Minister, PMO-RALG.

The Regional Commissioner,  
Coast-Region.

District Executive Director and Accounting Officer,  
Kibaha District Council.

**Re: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF  
KIBAHA DISTRICT COUNCIL FOR THE YEAR ENDED ON 30<sup>TH</sup> 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 Kibaha District Council shown on pages 11 through 17 of this report for the financial year ended on 30 June 2005.

### **Responsibility of Council Management on the financial statements**

These financial statements are the responsibility of the management of Kibaha District Council.

Order Nos. 9 through 16 of the LAFM requires the Council to establish and support a sound system of Internal Control within the Council. Order No. 53 places responsibility on the Council Management to prepare the financial statements based on generally accepted accounting standards. 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 attention 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 Kibaha 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.

### **Opinion**

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

Further to my opinion, the procurement of works, goods, and consultancy and non-consultancy services was generally done in accordance with the Public Procurement Act. No. 21 of 2004.

### **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 Council did not disclose its policy on debtors and creditors
- (c) The Council has not established an audit committee pursuant to best practices of good governance.
- (d) Revenue collectors at different centers did not remit to the to the Head Office revenue amounting to shs.2,488,450. In addition, 17 revenue receipt books (open books) were not produced for audit verification.
- (e) The Council depends heavily on grants since own source revenue is only 4% of the total expenditure.
- (f) Documents worth shs. 15,589,792 were not submitted for audit examination.

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

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

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

31 March 2006.

**KIBAHA DISTRICT COUNCIL  
CONSOLIDATED BALANCE SHEET AS AT 30<sup>TH</sup> JUNE 2005**

<b>A.</b>	<b><u>FIXED ASSETS:</u></b>	<b>30/6/2004</b>	<b>30/6/2005</b>
	Land and Building	926,254,840.00	1,205,546,340.15
	Plant and Motor vehicles	74,472,033.74	67,019,733.77
	Other Capital Reserve	665,427,207.00	665,427,207.00
	Tools and Equipment	20,033,853.09	46,202,667.47
	Long Term Capital dutely	166,202,532.10	353,324,283.21
	Furniture and fitting	109,460,625.00	95,778,046.90
	<b>TOTAL FIXED ASSETS</b>	<b>1,961,851,090.93</b>	<b>2,433,298,278.50</b>
<b>B.</b>	<b><u>CURRENT ASSETS:</u></b>		
	Cash at Bank (Note 1)	264,294,847.77	143,034,441.28
	Debtors (Note. 2)	59,461,962.80	20,013,912.29
	<b>TOTAL CURRENT ASSETS</b>	<b>323,756,810.57</b>	<b>163,048,353.57</b>
<b>C.</b>	<b><u>CURRENT LIABILITIES:</u></b>		
	Creditors (Note. 3)	111,388,077.76	38,661,565.45
	Deposits	11,027,223.11	11,299,890.63
	<b>TOTAL CURRENT LIABILITIES</b>	<b>122,415,300.87</b>	<b>49,961,426.08</b>
<b>D.</b>	<b>TOTAL ASSEST (A + B - C)</b>	<b>2,163,192,600.63</b>	<b>2,667,618,441.99</b>
<b>E</b>	<b><u>PRESENTED BY:</u></b>		
	Capital Grant applied	697,491,558.01	829,674,923.57
	Donations	261,010,347.00	261,010,347.00
	Revenue contribution to Capital	72,948,248.00	62,391,809.77
	Revaluation reserve	316,651,248.00	316,651,248.00
	Capital Reserve	291,561,281.88	291,561,281.88
	Capital Grant unapplied	7,277,765.60	1,069,850.00
	Basket Fund	36,693,666.47	-
	<b>Replacement Cost Reserve:</b>		
	Land and Building	260,972,394.05	260,972,394.05
	Furniture and fittings	99,151,244.00	99,151,244.00
	Depreciation expenses Cost reserve	12,068,702.27	-
	Surplus and Deficit	107,366,145.35	545,135,343.72
	<b>TOTAL</b>	<b>2,163,192,600.63</b>	<b>2,667,618,441.99</b>

.....  
(Jane Machicho)  
DISTRICT TREASURER  
KIBAHA DISTRICT COUNCIL

.....  
(Col (rtd) B.H. Nkweji)  
COUNCIL CHAIRMAN  
KIBAHA DISTRICT COUNCIL

.....  
(Matern M.N. Shirima)  
DISTRICT EXECUTIVE DIRECTOR  
KIBAHA DISTRICT COUNCIL

**CASHFLOW STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2005**

<b>1</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
	Excess of Income over Expenditure		519,042,869.49
	Adjustments not Involving cash Movement:		
	Depreciation 30/6/2005	(78,412,943.18)	
	Prior year Adjustments	(194,,679,346.30)	(273,092,289.48)
			<b>245,950,580.01</b>
<b>2</b>	<b>CASH FLOW OPERATING ACTIVITIES:</b>		
	Decrease in Debtors	39,448,050.41	
	Decrease in Creditors	72,726,512.31	
	Increase in Deposits	272,667.52	112,447,230.34
			<b>358,397,810.35</b>
<b>3</b>	<b>CASH FLOW FROM INVESTMENTS:</b>		
	Plant and Motor vehicle	7,452,299.97	
	Land and Building	(400,524,736.15)	
	Tools and Equipments	(26,168,814.38)	
	Long term capital outlay	(187,121,751.11)	
	Furniture and fittings	13,682,578.10	(592,680,423.57)
			(234,282,613.22)
	Capital Grant Applied	132,183,365.56	
	Revenue contribution to capital	(10,556,438.23)	
	Capital Reserve	-	
	Basket Fund	(2,396,805.00)	
	Donations	-	
	Capital grant un Applied	(6,207,915.00)	113,022,206.73
	Net cash increase		(121,260,406.49)
	Bank Balance 30th June 2004		264,294,847.77
	Bank Balance 30th June 2005		143,034,441.29

## NOTES TO THE FINAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 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.

### NOTE NO. 2 Cash and Bank Balances

The Cash / Bank Balance as at 30<sup>th</sup> June 2005 Consist of the following

Account name	Account No.	Amount shs.
General Fund A/C	No. 244	38,064.43
Development Project A/C	No. 245	683,008.05
Miscellanies 1 Deposit A/C	No. 246	41,883,835.93
Ujenzi A/C	Na. 247	89,346.03
C.S.P.D A/C	No. 248	21,601,119.09
Education special A/C	No. 250	3,657,525.72
Water service A/C	No. 251	3,079,990.34
Health Services A/C	No. 267	7,505,885.69
DADPs	No. 268	8,718,028.00
Road Toll A/C	No. 1365	45,109,356.44
MMEM A/C	No. 1659	753,537.58
NAEP A/C	No. 1705	6,068,329.14
Kilimo	No. 1709	3,846,414.84
<b>TOTAL</b>		<b>143,034,441.28</b>

**NOTE: 3 Debtors**

particulars	Amount shs.
Salary Advance	4,189,070.29
Imprest	10,824,842.00
Transfers	5,000,000.00
<b>TOTAL</b>	<b>20,013,912.29</b>

**NOTE : 3 Creditors**

Particulars	Amount shs.
Advance control	5,000,000.00
Unclaimed salary	3,042,207.10
G. SES	105,000.00
Uchaguzi Serikali za Mitaa	46,000.00
Mikopo ya Vijana	180,000.00
Michango Taasisi ya Nyerere	64,620.00
Purchase of Teaching material	5,330,278.00
LAPF	8,916,891.05
Ujenzi wa Sekondari ya Kwala	1,000,000.00
Mfuko wa Maendeleo Msangeni	3,000,000.00
Mishahara ya Watendaji	6,107,675.00
Maboresho	47,850.00
Mfuko wa Wanawake na Vijana	1,929,302.65
Mfuko wa Bima ya Afya	3,891,841.65
Deposit	11,299,860.63
<b>Total</b>	<b>49,961,426.08</b>

**NOTE : 4 Income and Expenditure details**

		INCOME	EXPENDITURE
1	Finance & Administration		
	(1) General Fund A/C		
	(a) Own source	71,587,036.96	72,537,233.68
	(b) Grants GS 2 & above	102,553,357.69	102,553,357.69
	<i>Sub Total</i>	<b>174,140,394.65</b>	<b>175,090,591.37</b>
2	Economic works & Environment		
	(a) Road toll A/C	142,764,182.86	5,423,540.00
	(b) Development A/C	19,659,750.00	27,085,910.00
	(C) Kilimo A/C	189,229,630.42	200,874,061.97
	(d) NAEP A/C	-	62,000.00
	(e) DADP A/C	19,652,895.00	41,135,867.00

	(F) Works A/C	40,970,979.08	41,204,085.60
	<i>Sub - Total</i>	<b>412,277,437.36</b>	<b>315,785,464.57</b>
3	Education, Health, Water		
	(a) Education A/C	1,195,153,677.60	754,664,115.04
	(b) MEM A/C	3,497,000.00	8,494,240.00
	(C) Health A/C	243,885,772.64	242,159,512.00
	(d) Water Service	80,381,923.62	80,744,668.85
	<i>Sub - Total</i>	<b>1,522,918,373.86</b>	<b>1,086,062,535.89</b>
4	Other Grants		
	(a) CSPD A/C	208,440,199.21	226,787,863.76
	(b) Basket Fund	75,271,625.00	70,278,705.00
	<i>Sub - Total</i>	<b>283,711,824.21</b>	<b>297,066,568.76</b>
5	Depreciation A/C		
	(a) Land & Building		37,050,193.60
	(b) Motor vehicles & plant		17,025,299.97
	(c ) Tools & Equipment		4,006,770.62
	(d) Long Term Capital Outlay		6,648,100.89
	(e) Furniture & Fitting		13,682,578.10
	<i>Sub - Total</i>		<b>78,412,943.18</b>

**KIBAHA DISTRICT COUNCIL**  
**CONSOLIDATED BANK RECONCILIATION STATEMENT AS AT 30<sup>TH</sup> JUNE, 2005**

Balance as per Bank statement:	30/6/2005	253,982,491.88
Add: Cash on Transit		7,409,636.30
Sub Total		261,392,128.18
Less: Un presented cheque		118,357,686.90
Balance as per cashbook:	30/6/2005	143,034,441.28

**CASH BOOK**

Balance on.	1/6/2005	237,556,094.54
Add: Receipts with adjustments.		267,615,901.23
Fund Available		505,171,995.77
Less: payments with Adjustments		362,137,554.49
Balance	30/6/2005	143,034,441.28

.....  
 JANE MACHICHO  
 DISTRICT TREASURE  
 KIBAHA DISTRICT COUNCIL  
 DATE .....

.....  
 MATERN M.N. SHIRIMA  
 DISTRICT EXECUTIVE DIRECTOR  
 KIBAHA DISTRICT COUNCIL  
 DATE .....

### **3.0 AUDIT FINDINGS AND RECOMMENDATIONS**

#### **3.1 Follow - up of previous audit findings**

**3.1.1** All matters raised in the previous year's management letter were dealt with satisfactorily and have been closed.

#### **3.2 Current Audit Findings**

##### **3.2.1 Improperly vouched expenditure-Shs.15,589,792**

An examination of payment, payments adding to Shs.15,589,792; lacking necessary supporting documents such as original pay-lists, acknowledgement receipts and Invoices. In the event, the authenticity and regularity of the expenditure incurred could not be established.

##### **Implication**

Existence of weak control over custody of accounting records.

##### **Recommendation**

The Council management is advised to re-structure the system of payment and custody of accounting records. In addition, the questioned expenditure of Shs.15,589,792 should be regularized by submitting the missing supporting documents.

##### **3.2.2 Revenue not remitted to the Cashier- shs2,488,450**

Revenue collectors at different centers did not remit to the Cashier revenue adding to Shs.2,488,450. In addition, 17 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**

The council does not make regular checks and there is possible misuse of revenue receipts.

##### **Recommendation**

The Council management is advised to recover the outstanding revenue and in future, regular checks should be conducted to ensure revenue is remitted intact and promptly.

##### **3.2.3 Fixed assets registers**

We have noted that the Council management does not maintain an 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 schedule of Council's 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 assets register that would 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 Debtors and Creditors**

The Consolidated Balance Sheet reflected Debtors amounting to Shs.20,013,912 comprising Salary Advances, Imprests and Transfers. On the other hand, the Statement reflected creditors worth Shs.38,661,56. 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 provision for bad and doubtful debts was made.

### **Implication**

Lack of age analysis limits assessment of bad and doubtful debts and implementation of Creditors policy.

### **Recommendation**

The management is advised to improve debts collection efforts.

### **3.2.5 Outstanding items of Bank Reconciliation Statements**

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

<b>Details</b>	<b>Amount Shs.</b>
Receipts in cash book not in Bank Statement	7,409,636
Unpresented cheques	<u>118,357,687</u>
<b>Total</b>	<b><u>125,767,323</u></b>

### **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 Kibaha District Council during exit meeting. The Management of Kibaha 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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**Ag. CONTROLLER AND AUDITOR GENERAL**

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ORGANIZATION STRUCTURE OF KIBAHA DISTRICT COUNCIL

