

**THE UNITED REPUBLIC OF TANZANIA**  
**NATIONAL AUDIT OFFICE (NAO)**



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

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**DAR ES SALAAM.**

March, 2006

AR/LG/009/2005

## 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
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 Kisarawe District Council for the year ended 30<sup>th</sup> June 2005

Council means - Kisarawe 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 Kisarawe 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 Kisarawe 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 Kisarawe 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 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. 3,246,978,561 made

up of Shs.198,365,584 from own sources and Shs.3,048,612,977 from government grants.

### **1.5 Management**

The Kisarawe 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, Health, Education, Works, Planning & Environment, Agriculture, Livestock and Co-operatives as well as Social Welfare and Community Development.

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 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 further 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 Council to establish a Tender Board and Section 34 (1) provides for establishment of Procurement Management Unit.

The Internal Control set up of Kisarawe 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.198,365,584 from own sources against the internal revenue budget of Shs.214,714,000, reflecting under-collection of Shs.16,348,416 or 7.6%. In addition the council received grants amounting to Shs.3,048,612,977 making total revenue of Shs.3,246,978,561 during the year.

## **Expenditure**

The Council spent Shs.3,457,082,628 during the year against total income of shs.3,246,978,561 or 94% of total revenue, resulting into overspent of shs.210,104,067. 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.198,365,584 against expenditure of shs. 3,366,521,278 (net of depreciation) is only 6%, implying that the Kisarawe 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 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 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 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 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,  
Kisarawe District Council.

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF  
KISARAWA 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 Kisarawe District Council shown on pages 11 through 14 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 Kisarawe District 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 Kisarawe 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.

### **Qualification**

Except for the material matters pointed out below, in my opinion the financial statements fairly reflect, in all material respects, the financial position of Kisarawe District Council as at 30<sup>th</sup> 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 requiring rectification**

- (a) The Consolidated Income and expenditure Statement is not presented either in the format prescribed in the Local Government Accounting Manual or International Reporting Standards and it is difficult to follow.
- (b) The financial statements are not fairly presented due to overstatement of current assets is by shs, 49,076,808 and understatement of Creditors by the same figure.
- (c) The assets of the Council are not adequately safeguarded against losses from unauthorized use or disposition because the management does not maintain a Fixed Assets Register.
- (d) The Consolidated Balance Sheet reflected Debtors amounting to Shs. 33,561,300 and Creditors worth Shs. 62,923,819 without age analysis and the policy on Debtors and Creditors was not disclosed
- (e) A test check of expenditure for the year revealed irregular payments adding to shs. 82,611,966
- (f) The Council depends heavily on grants since internal revenue is only 11% of total expenditure.
- (g) Goods worth Shs. 41,499,415 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**

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

31 March 2006.

**CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2005**

6/30/2004				6/30/2005
	<b>FIXED ASSETS</b>	<b>NOTES</b>		
2,909,243,700.00	Buildings	1		2,860,211,879.63
114,907,590.00	Motor vehicles	1		89,372,570.00
11,305,800.00	Furniture & Fittings	1		31,853,287.13
-	Machinery	1		1,575,000.00
-	Office Equipments	1		8,202,559.55
<b>3,035,457,090.00</b>	<b>Net Fixed Assets</b>			<b>2,991,215,296.31</b>
	<b>INVESTMENT</b>	<b>5</b>		
4,110,000.00	Investments (LGLB)			4,110,000.00
	<b>CURRENT ASSETS</b>			
317,488,657.98	Bank	2	160,685,940.39	
18,504,179.65	Debtors	3	33,561,300.42	
<b>335,992,837.63</b>	<b>Total</b>		<b>194,247,240.81</b>	
	<b>LESS: CURRENT LIABILITIES</b>			
5,117,610.00	Computer bills		5,117,610.00	
51,699,726.26	Creditors	4	57,806,209.06	
<b>56,817,336.26</b>	<b>Total current liabilities</b>		<b>62,923,819.06</b>	
<b>279,175,501.37</b>	<b>Net current Assets</b>			<b>131,323,421.75</b>
<b>3,318,742,591.37</b>	<b>NET ASSETS</b>			<b>3,126,648,718.06</b>
	<b>Financed by</b>			
3,078,364,620.00	Capital Grants			3,078,364,620.00
273,239,919.10	Revaluation Reserve			273,239,919.10
75,046,972.78	Accumulated Surplus/Deficit			(14,851,586.86)
(107,908,920.51)	Surplus/Deficit for the year			(210,104,234.18)
<b>3,318,742,591.37</b>				<b>3,126,648,718.06</b>

.....  
**R. T MFUGALE**  
 DISTRICT TREASURER

.....  
**O. M . DIBIBI**  
 CHAIRMAN

.....  
**KALINJUNA**  
 DISTRICT EXEC.  
 DIRECTOR

**CONSOLIDATED INCOME AND EXPENDITURE STATEMENT AS AT 30<sup>TH</sup> JUNE 2005**

PARTICULARS	GROSS EXPENDITURE 30.6.2005	TOTAL	INCOME 30.6.2005	TOTAL	NET EXPENDITURE 30.6.2005	BALANCE
FINANCE AND ADMINISTRATION		<b>549,151,184</b>		<b>235,377,106</b>		<b>313,774,077</b>
ADMINISTRATION	244,199,007					
504 ABOVE GS.2	210,313,182		235,377,106		(25,063,924)	
TRADE BUILDINGS	150,000				150,000	
MITAMBO	941,781				941,781	
UPIMAJI RAMANI	-				-	
ARDHI-UTAWALA	-				-	
WANYAMAPORI	870,002				870,002	
MALIASILI MISITU	2,115,862				2,115,862	
CO-OPERATIVES	-				-	
COMMUNITY DEVELOPMENT	-				-	
DEPRECIATION EXPENSES	90,561,350				90,561,350	
WORKS AND ECONOMIC ACTIVITIES		<b>707,203,869</b>		<b>673,331,884</b>		<b>33,871,986</b>
DEVELOPMENT PROJECTS	61,609,319		45,892,435		15,716,884	
UJENZI BARABARA	20,502,639		20,525,050		(22,411)	
DONORS (UNICEF)	184,379,450		200,707,417		(16,327,967)	
ROAD TOLL	166,124,903		137,130,644		28,994,258	
NAEP	10903871		11,010,482		(106,611)	
DRDP	250,020,162		233,572,566		16,447,596	
DADPS	13,663525		24,493,289		(10,829,764)	
HEALTH AND SOCIAL WELFARE		<b>2,200,727,575</b>		<b>2,139,903,987</b>		<b>60,823,588</b>
EDUCATION	1,451,642,137		1,446,041,052		5,601,086	
HEALTH	485,647,626		450,217,349		35,430,278	
WATER	114,828,753		116,066,358		(1,237,605)	
WDF	107,500		1,796,700		(1,689,200)	
REHABILITATION	72,000		-		72,000	
UCHAGUZI	68,975,970		69,105,000		(129,030)	
URBAN WATER SUPPLY	79,453,588		56,677,529		22,776,060	
GENERAL INCOMES						<b>(198,365,416)</b>
RECEIPTS FROM SPECIFIC SERVICES	94,510,832					
RECEIPTS FROM BUSINESS PROFESSIONAL LICENSES	398,000					
RECEIPTS FROM OTHER TAXES	-					
GRANT FROM OTHER LEVELS OF GOVERNMENT	83,785,595					
RECEIPTS FROM NON GOVERNMENTAL ENTERPRISES	25,000					
MISCELLANEOUS REVENUES	19,645,989					
<b>TOTAL</b>	<b>198,365,416</b>					
SURPLUS/DEFICIT						<b>210,104,234</b>

.....  
**R.T. MFUGALE**  
 DISTRICT TREASURER

.....  
**O.M. DIBIBI**  
 CHAIRMAN

.....  
**L. KALINJUNA**  
 DISTRICT EXEC. DIRECTOR

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2005**

<b>Cash-flow from operating activities</b>		(201,104,234.18)
Excess of income over expenditure		
Adjustments for non- cash items	<u>90,561,349.52</u>	
• Depreciation		
Surplus/deficit before working capital		(119,542,884.66)
Increase in debtors	(15,057,120.77)	
Increase in creditors	<u>6,106,482.80</u>	( 8,950,637.97)
<b>Cash generated from operating activities</b>		128,493,522.63)
<b>Cash-flow from investing activities</b>		
• Investment with LGLB	4,110,000.00	
• Capital expenditure	<u>46,319,555.82</u>	<u>50,429,555.82</u>
<b>Cash used in investing activities</b>		(78,063,966.79)
<b>Cash-flow from financing activities</b>		<u>234,866,684.38</u>
<b>Net Cash Inflow for the year</b>		<u><u>156,802,717.59</u></u>
<b>Net cash increase / decrease</b>		
Bank balance as at 30 <sup>th</sup> June 2004		317,488,657.98
Bank balance as at 30 <sup>th</sup> June 2005		<u>160,685,940.39</u>
		<u><u>156,802,717.59</u></u>

## **NOTES TO THE 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

### 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
2002	4.3.1	Unvouched and Improperly Vouched	1,698,279,285	497,203,303	The management should make efforts to clear the matter.
2003		Unvouched and Improperly Vouched	268,302,942	63,430,452	The management should take over documents from PCB.

#### 3.2 Current Audit Findings

##### 3.2.1 Unvouched and improperly vouched expenditure-shs.65,088,637

An examination of payment vouchers revealed missing payment vouchers amounting to Shs 6,273,310. In addition, payments adding to Shs. 58,815,327 lacked necessary supporting documents such as original pay-lists, acknowledgement receipts, delivery notes, final invoices and receipted payrolls. 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 find proper ways of safeguarding accounting records. In addition, the questioned expenditure of Shs.65,088,637 should be regularized by submitting the missing vouchers and supporting documents.

##### 3.2.2 Stores not accounted for shs. 41,499,415

An examination of stores records revealed that, goods worth Shs. 41,499,415 ordered and paid for during the year under review 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.

### 3.2.3 Irregular and questionable payments shs. 82,611,966

I have noted several irregularities relating to payments of Shs. 82,611,966 made during the year. The irregularities involved maintenance of vehicles by unapproved dealers, works not certified, Payments to individuals instead of companies, fictitious payments of night out allowances and double payments of refreshment costs.

#### Implication

The irregularities imply that the internal control system over payments is weak.

#### Recommendation

The internal check system should be improved to avoid recurrence of the irregularities. In addition, the questioned expenditure should be regularized by submitting the missing information.

### 3.2.4 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 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.

### 3.2.5 Overdrawn bank accounts - shs. 49,076,808

The financial statements reflected cash and bank balances amounting to shs. 160,685,940. However an examination of bank reconciliation statements dated 30<sup>th</sup> June 2005 revealed that six bank accounts had been overdrawn by shs 49,076,808; since there was unpresented cheques adding to the same amount. Details of the overdrawn accounts are shown below:-

Account Name	Amount overdrawn Shs.
General fund	34,245,375
Misc. deposit	5,671,603
Road maintenance	1,233,949
Education fund	5,427,521
Rural water supply	2,423,132
NAEP	75,228
<b>Total</b>	<b>49,076,808</b>

### **Implication**

The amount of current assets is overstated by shs, 49,076,808 and Creditors understated by the same figure.

### **Recommendation**

The Council Management is advised to make adjustments in the financial statements.

### **3.2.6 Debtors and Creditors**

The Consolidated Balance Sheet reflected Debtors amounting to Shs. 33,561,300 comprising Funds transfers, Loans, Salary Advances and Imprests. On the other hand, the Statement reflected Creditors worth Shs.62,923,819 comprising computer bills and statutory deductions. 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. In addition, there has been unauthorized use of statutory deductions.

### **Recommendation**

The management is advised to come up with debts collection policy as well as creditor's policy and ensure the outstanding amounts are cleared.

### **3.2.7 Outstanding items of Bank Reconciliation Statements - Shs.34,779,949,778**

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

<u>Details</u>	<u>Amount</u> <u>Shs</u>
Receipts in cash book not in Bank Statement	15,044,153
Unpresented cheques	34,598,625
Payments in the bank not in the cash book	308,332
<b>Total</b>	<b><u><u>347,799,497</u></u></b>

### **Implication**

There is high 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 Kisarawe District Council during exit meeting. The Management of Kisarawe District Council has promised to take appropriate action with a view to rectify the situation. I shall appreciate e 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.

Dr. F. M. H. Mhilu  
**Ag. CONTROLLER AND AUDITOR GENERAL**

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**DODOMA**

The Permanent Secretary and Paymaster General  
Ministry of Finance  
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**DAR ES SALAAM**

ORGANIZATION STRUCTURE OF KISARAWA DISTRICT COUNCIL

