

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



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

The Controller and Auditor General
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March, 2006

AR/LG/011/2005

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
HIPC	Highly Indebted Poor Countries
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 Mkuranga District Council for the year ended 30th June 2005.

Council means - Mkuranga 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 Mkuranga 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 Mkuranga 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 Mkuranga 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 internal 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.3,522,862,278 made up of Shs.370,721,056 from own sources and Shs.3,152,141,222 from government grants.

1.5 Management

The Mkuranga 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 and Agriculture & Livestock and 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 Council to establish a Tender Board and Section 34 (1) provides for establishment of Procurement Management Unit.

The Internal Control set up of Mkuranga 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.370,721,056 from own sources against a revenue budget of Shs.398,501,000, reflecting under-collection of Shs.27,779,944 or 7% of the internal revenue budget. In addition the council received grants amounting to Shs.3,152,141,222 making total revenue of Shs.3,522,862,278 during the year. The internal revenue comprises only 10.5% of the total funds collected.

Expenditure

The Council spent Shs. 3,494,050,659 during the year against total income of Shs. 3,522,862,278 or 99% of total revenue, leaving unspent amount of shs.28,811,619. 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.370,721,056 against total expenditure of shs.3,387,170,778 (net of depreciation) is only 11%, 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 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 properly kept in respect of all Mkuranga 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 the 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,
Mkuranga District Council.

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF
MKURANGA 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 Mkuranga District Council shown on pages 12 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 Mkuranga 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 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 Mkuranga District Council, consistently applied and adequately disclosed, evaluating the overall financial statement 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 Mkuranga 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. 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 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 assets of the Council are not adequately safeguarded against losses from unauthorized use or disposition because the management does not maintain an Assets Register.
- (c) The accounts included irregular payments of Shs. 104,357,679
- (d) The council did not disclose its policy on debtors and creditors
- (e) The Council depends heavily on grants since internal revenue is only 11% of total expenditure.
- (f) Goods worth Shs. 6,073,724 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 AS AT 30TH JUNE 2005.

30 TH JUNE 2004	NOTE	30 TH JUNE 2005
<u>FIXED ASSETS</u>		
1,306,407,921	BUILDINGS 1	1,526,945,174
36,756,425	PLANT VEHICLE & CRAFTS 2	9,053,216
<u>52,228,051.42</u>	FURNITURE, FITTINGS & EQUIPMENTS 3	<u>42,920,322</u>
1,395,392,397	TOTAL FIXED ASSETS	<u>1,578,918,712</u>
<u>CURRENT ASSETS</u>		
295,336,201	CASH/BANK 4	344,777,171
14,158,969	DEBTORS 5	37,072,265
309,495,170	TOTAL CURRENT ASSETS	<u>381,849,436</u>
1,704,887,567	TOTAL FIXED & CURRENT ASSETS	<u>1,960,768,147</u>
<u>LESS: CURRENT LIABILITIES</u>		
1,249,646	CREDITORS 6	
89,300,071	NET DEPOSITS 7	27,593,011
<u>90,549,717</u>	TOTAL CURRENT LIABILITIES	<u>27,593,011</u>
<u>1,614,337,850</u>	NET ASSETS	<u>1,933,175,136</u>
FINANCE BY		
1,539,210,793	CAPITAL GRANTS APPLIED 8	1,951,391,287
<u>4,350,000</u>	REVENUE CONTRIBUTION TO CAPITAL OUTLAY 9	<u>4,350,000</u>
1,543,560,793	TOTAL CAPITAL	<u>1,955,741,287</u>
<u>RESERVES</u>		
70,777,057	ACCUMULATED SURPLUS & DEFICIT 10	(22,566,151) (22,566,151)
<u>1,614,337,850</u>	TOTAL CAPITAL AND RESERVES	<u>1,933,175,136</u>

MARY FRANCIS MASANJA
AG. DISTRICT TREASURER
MKURANGA

GODFREY AMON CHAMBO
AG. DISTRICT EXECUTIVE DIRECTOR
MKURANGA

JUMA JUMANNE KISIGALILE
DISTRICT COUNCIL CHAIRMAN
MKURANGA

DATE:.....

DATE:.....

DATE:.....

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

2004		2005		
1	2	3	4	5
		GROSS EXPENDITURE	INCOME T.SHS.	NET EXPENDITURE T.SHS.
299,704,371.01	UTAWALA	342,234,245.39		342,234,245.39
1,116,000.00	BIASHARA	3,499,358.35		3,499,358.35
423,490.00	KILIMO	4,957,300.00		4,957,300.00
25,000.00	UTAMADUNI	109,000.00		109,000.00
609,600.00	MAJENGO	1,318,938.00		1,318,938.00
4,606,600.00	UPIMAJI NA RAMANI	3,669,000.00		4,606,600.00
-	MAENDELEO YA ARDHI	998,,359.90		998,359.90
1,685,000.00	MALIASILI WANYAMAPORI	1,244,488.60		1,244,488.60
997,000.00	MALIASILI UVUVI	5,313,900.37		5,313,900.37
5,093,650.00	MALIASILI MISITU	-		-
300,000.00	USHIRIKA	-		-
590,000.00	MAENDELEO YA JAMII	1,382,000.00		1,382,000.00
5,372,386.16	RUZUKU WALIOZIDI GS2	256,503,732.37	271,674,216.02	+15,170,483.65
42,342,195.62	ELIMU	1,998,723,474.87	1,992,597,931.62	6,125,543.25
+21,508,949.32	AFYA	512,172,668.20	585,587,711.75	+73,415,043.55
5,769,441.08	MAJI	42,182,193.01	39,082,288.80	3,099,904.21
337,524.15	UJENZI BARABARA	13,443,006.48	11,219,130.89	2,223,875.59
+11,325,393.98	MIRADI	48,766,364.85	45,856,353.90	2,910,010.95
+577,500.00	C.S.P.D	31,642,620.00	30,931,520.00	711,100.00
9,691,915.43	ROAD TOLL	199,685,568.02	135,256,998.23	64,428,569.80
310,000.00	YOUTH DEVELOPMENT FUND	71,500.00	50,000.00	21,500.00
+3,986,567.50	WOMAN DEVELOPMENT FUND	5,088,488.00	2,433,289.00	2,655,199.00
31,000.00	D.B.S.P.E	141,500.00	-	141,500.00
+277,150.00	NAEP II	15,367,641.00	15,516,200.00	+148,559.00
1,240,411.73	JAPANESE	1,240,411.73	-	1,240,411.73
+25,249,500.00	DADPS	4,294,900.00	21,935,582.00	+17,640,682.00
		3,494,050,659.15	3,152,141,222.21	341,909,436.94
	GENERAL INCOME			
11,657,986.00	KODI MBALIMBALI		220,400.00	
161,137,215.00	USHURU WA MAZAO YA KILIMO		246,884,088.44	
20,771,460.00	USHURU WA MAZAO YA MISITU		56,814,344.76	
-	FIDIA YA KODI ZILIZOFUTWA		41,479,139.60	
1,891,950.00	LESENI ZA BIASHARA		619,000.00	
830,650.00	LESENI ZA VILEO		170,000.00	
9,229,060.00	ADA MBALIMBALI		8,470,925.00	
-	MAPATO YATOKANAYO NA AMANA		-	
720,750.00	MAPATO MENGINEYO		16,063,157.98	
				+370,721,055.78
(111,327,220.03)	SURPLUS/DEFICITY			28,811,618.84

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MARY FRANCIS MASANJA
 AG. DISTRICT TREASURER
 MKURANGA
 DATE:.....

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GODFREY AMON CHAMBO
 AG. DISTRICT EXECUTIVE DIRECTOR
 MKURANGA
 DATE:.....

.....
JUMA JUMANNE KISIGALILE
 DISTRICT COUNCIL CHAIRMAN
 MKURANGA
 DATE:.....

**CASH FLOW STATEMENT FOR THE PERIOD
ENDED 30TH JUNE, 2005**

30TH JUNE 2004

30TH JUNE 2005

**CASH FLOW FROM
OPERATING ACTIVITIES**

(111,327,220.03)	Net Surplus	28,811,618.84
101,682,025.06	Add: adjustment of non cash item	106,879,181.06
	Less: Revenue contribution to capital outlay	-

CASH FLOW BEFORE

(9,645,194.97)	<u>WORKING CAPITAL CHANGES</u>	135,690,799.90
	- Decrease/Increase in Debtors	(22,913,296.15)
	- Decrease/Increase in Stock	-
<u>(5,761,874.55)</u>	Decrease/Increase in Creditors	(1,249,645.90)
	Decrease/Increase in Net Deposit	(61,707,060.26)
	- Net Cash Flow from operation	<u>49,820,797.59</u>

**(15,407,069.52) CASH FLOW FROM INVESTMENT
ACTIVITIES**

	- Government grants	303,400,000.00
	Donors grants	303,400,000.00
-		
<u>42,915,963.08</u>	Cash Flow from Financing activities	(379,827.25)
14,250,513.81	Net Cash flow for the year	49,440,970.34
<u>281,085,686.91</u>	Add: Cash/Bank Balance as at 1.7.2004	<u>295,336,200.72</u>
<u>295,336,200.72</u>	Cash/Bank balance as at 30.06.2005	<u>344,777,171.06</u>

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MARY FRANCIS MASANJA
AG. DISTRICT TREASURER
MKURANGA
DATE:.....

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MKURANGA
DATE:.....

.....
JUMA JUMANNE KISIGALILE
DISTRICT COUNCIL CHAIRMAN
MKURANGA
DATE:.....

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 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.

NOTE 2

CASH/BANK BALANCES AS AT 30TH JUNE 2005

S/N	ACCOUNT	AMOUNT
1	GENERAL FUND	1,220,235.37
2	DEVELOPMENT FUND	9,833,058.66
3	MISCELLANEOUS DEPOSIT	7,178,327.65
4	ROAD FUND	(2,050,092.65)
5	EDUCATION FUND	92,082,311.91
6	HEALTH FUND	138,544,052.60
7	ROAD TOLL	27,138,186.51
8	C.S.P.D	2,013,300.00
9	WATER FUND	673,104.31
10	YOUTH DEVELOPMENT	2,187,791.00
11	WOMEN DEVELOPMENT FUND	2,536,180.50

12	D.B.S.P.E	26,500.00
13	NAEP II A/C	89,350.00
14	M.C.H. A/C	20,414,683.20
15	DADP	42,890,182.00
	TOTAL	344,777,171.06

NOTE 3
SUNDRY DEBTORS AS AT 30TH JUNE, 2005

S/N	ACCOUNT	AMOUNT
1.	GENERAL FUND	37,072,265.00
		37,072,265.00

NOTE 4
NET DEPOSITS AS AT 30TH JUNE 2005

S/N	ACCOUNT	AMOUNT
1.	M.C.H A/C	20,414,683.20
2.	MISCELLANEOUS DEPOSIT A/C	<u>7,178,327.65</u>
	TOTAL	<u>27,593,010.85</u>

NOTE 5
CAPITAL GRANTS APPLIED AS AT 30TH JUNE 2005

S/N	ACCOUNT	AMOUNT
1.	GENERAL FUND	22,922,000.00
2.	EDUCATION	1,599,182,763.88
3.	MEDICAL	201,905,229.75
4.	WATER FUND	37,671,000.00
5.	ROAD TOLL	58,700,000.00
6.	JAPANESE	<u>31,010,293.25</u>
	TOTAL	<u>1,951,391,286.88</u>

NOTE 6
REVENUE CONTRIBUTION TO CAPITAL OUTLAY AS AT 30TH JUNE 2005

S/N	ACCOUNT	AMOUNT
1.	GENERAL FUND	4,350,000.00
	TOTAL	<u>27,593,010.85</u>

NOTE 7**SURPLUS/DEFICIT AS AT 30/06/2005**

S/N	NAME OF ACCOUNT	LEDGER BALANCE	SURPLUS FOR THE PERIOD 205	TOTAL
1	GENERAL FUND	2,354,792.55	21,164,948.82	23,519,741.37
2	DEVELOPMENT	12,743,069.61	(2,910,10.95)	9,833,058.66
3	ROAD FUND	173,782.94	(2,223,875.59)	(2,050,092.65)
4	EDUCATION FUND	(125,430,015.92)	(6,125,543.25)	(131,555,559.17)
5	MEDICAL FUND	5,790,656.59	73,415,043.55	79,205,700.14
6	ROAD TOLL FUND	32,866,758.31	(64,428,569.80)	(31,561,811.49)
7	C.S.P.D. FUND	2,724,400.00	(711,100.00)	2,013,300.00
8	WATER FUND	(12,879,351.48)	(3,099,904.21)	(15,979,255.69)
9	YOUTH DEVELOPMENT FUND	2,209,291.00	(21,500.00)	2,187,791.00
10	D.B.S.P.E. FUND A/C	168,000.00	(141,500.00)	26,500.00
11	NAEP II	(59,209.00)	(148,559.00)	89,350.00
12	WOMEN DEVELOPMENT FUND	5,191,379.50	(2,655,199.00)	2,536,180.50
13	JAPANES	(2,480,823.46)	(1,240,411.73)	(3,721,235.19)
14	DADPS	25,249,500.00)	17,640,682.00)	42,890,182.00
	TOTAL	(51,377,769.36)	28,811,618.84	(22,566,150.52)

NOTE 8**COMPARATIVE FIGURES.**

Comparative figures for the year ended 30th June 2004 have been included in the Balance Sheet and the Income and Expenditure Statement.

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
2002/03	2.2.7	Revenue not Banked	12,609,357	12,609,357	The amount is not banked to-date

Recommendation

We recommend that all the outstanding items should be attended promptly.

3.2 Current Audit Findings

3.2.1 Missing revenue receipts books

Four 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 Unvouched and improperly vouched expenditure- Shs.170,486,905

An examination of payment vouchers revealed missing payment vouchers amounting to Shs 12,988,740. In addition, payments adding to Shs. 157,498,165 lacked necessary supporting documents such as original pay-lists, acknowledgement receipts, Invoices, etc. 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 strengthen the internal check system and improve custody of accounting records. In addition, the questioned expenditure of Shs. 170,486,905 should be regularized by submitting the missing vouchers and supporting documents.

3.2.3 Stores not accounted for- Shs.6,073,724

An examination of stores records revealed that, goods worth Shs. 6,073,724 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 controls to avoid possible losses.

3.2.4 Irregular and questionable payments shs. 104,357,679

I have noted several irregularities relating to payments of Shs.104,357,679 made during the year. The irregularities involved allowances paid but recipients did not sign, non-recovered loans, inter-account transfers not acknowledged and compensations for building plots not receipted.

Implication

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

Recommendation

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

3.2.5 Fixed assets registers.

I 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.

3.2.6 Outstanding Debtors

The Consolidated Balance Sheet reflected Debtors amounting to Shs.37,072,265 relating to advance payments. It was further noted that, did not state its policy on debtors and creditors.

Implication

Lack of clear policy limits assessment and recoverability of debts.

Recommendation

The management is advised to come up with debts collection policy and ensure that the outstanding amount is cleared.

3.2.7 Outstanding items of Bank Reconciliation Statements -shs. 89,593,551

A review of the Bank Reconciliation Statements for the period ended 30th 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	2,290,172
Unpresented cheques	86,480,441
Receipts in bank statement not in cash book	132,938
Payments in bank statement not in cash book	690,000
Total	<u>89,593,551</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 Mkuranga District Council during exit meeting. The Management of Mkuranga 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.

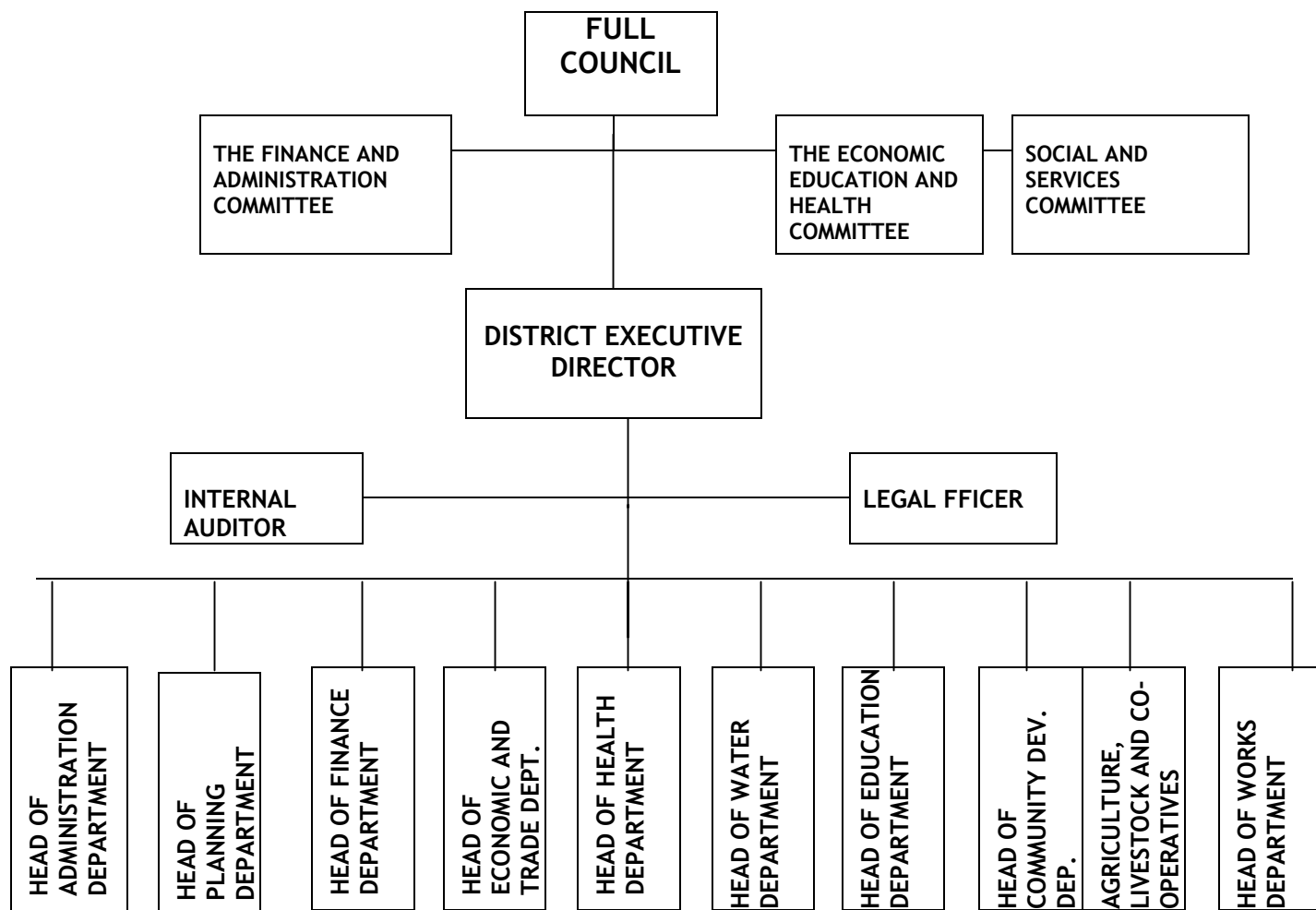
Lastly, I would like to express my appreciation for the co-operation given to the audit team. It is my hope that such good working relationship will be extended during future audits.

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

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Prime Minister's Office,
Regional Administration and Local Government
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DODOMA.

The Permanent Secretary and Paymaster General
Ministry of Finance
Box 9111,
DAR ES SALAAM.

ORGANIZATION STRUCTURE OF MKURANGA DISTRICT COUNCIL



SCHEDULE OF FIXED ASSETS AS AT 30TH JUNE 2005

S/N	PARTICULARS	COST			WRITTEN OFF VALUE			NET BOOK VALUE AS AT 30 TH JUNE 2005
		OPENING BALANCE 1/7/2004	ADDITIONS DURING THE PERIOD	CLOSING BAL. 30 TH JUNE 2005	OPENING BAL. 1/7/2004	CHARGE DURING THE PERIOD	CLOSING BAL. 30 TH JUNE 2005	
1.	<u>BUILDING</u>							
	ADMINISTRATION	11,220,000.00	-	11,220,000.00	448,880.00	448,880.00	897,760.00	10,324,240.00
	JAPANESE	31,010,293.25	-	31,010,293.25	2,480,823.46	1,240,144.73	3,721,235.19	27,289,058.06
	EDUCATION	1,253,247,900.00	303,400,000.00	1,556,647,900.00	131,823,628.00	62,265,916.00	194,089,544.00	1,362,558,356.00
	MEDICAL	144,349,00.00		144,349,000.00	17,195,160.00	5,773,960.00	22,969,120.00	121,379,880.00
	WATER	<u>6,421,000.00</u>		<u>6,421,000.00</u>	<u>770,520.00</u>	<u>256,840.00</u>	<u>1,027,360.00</u>	<u>5,393,640.00</u>
	SUBTOTAL	<u>1,446,248,193.25</u>	<u>303,400,000.00</u>	<u>1,749,648,193.25</u>	<u>152,719,011.46</u>	<u>69,985,740.73</u>	<u>222,705,019.19</u>	<u>1,526,949,174.06</u>
2.	<u>VEHICLE, PLANTS & CRAFTS</u>							
	ADMINISTRATION- GF	11,700,000.00	-	11,700,000.00	8,775,000.00	2,924,999.00	11,699,999.00	1.00
	EDUCATION	26,331,300.00	-	26,331,300.00	26,331,299.00	-	20,331,299.00	1.00
	MEDICAL	40,412,850.00	-	40,412,850.00	21,256,425.00	10,103,212.50	31,359,637.50	9,953,212.50
	ROAD TOLL	58,700,000.00	-	58,700,000.00	44,025,000.00	14,674,999.00	58,699,999.00	1.00
	SUBTOTAL	137,144,150.00	-	137,144,150.00	100,387,724.00	27,703,210.50	122,090,934.50	9,053,215.50
3.	<u>FURNITURE, FITTINGS & EQUIP.</u>							
	GENERAL FUND	4,350,000.00	-	4,350,000.00	1,631,250.00	543,750.00	2,175,000.00	2,175,000.00
	EDUCATION	20,778,458.88	-	20,778,458.88	5,194,614.72	2,597,307.36	7,791,922.08	12,986,536.80
	MEDICAL	17,143,379.75	-	17,143,379.75	2,866,672.49	2,142,922.47	5,009,594.96	12,133,784.79
	WATER	31,250,000.00	-	31,250,000.00	11,718,750.00	3,806,250.00	15,625,000.00	15,625,000.00
	SUBTOTAL	73,521,838.63	-	73,521,838.63	21,411,287.21	9,190,229.83	30,601,517.04	42,920,321.59
	GRAND TOTAL	1,656,914,181.88	303,400,000.00	1,960,314,181.88	274,518,022.67	106,879,181.06	375,397,470.73	1,578,918,711.15