

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



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

The Controller and Auditor General  
National Audit Office  
Samora Avenue / Ohio Street  
P. O. Box 9080  
Tel: 255 (022) 2115157/8  
Fax: 255 (022) 2117527/2255333  
E-mail [ocag@nao.or.tz](mailto:ocag@nao.or.tz)  
**DAR ES SALAAM.**

**March, 2006**

**AR/LG/012/2005**

## 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.

© This audit report is intended for use by government authorities. However, upon receipt of the General Report of the CAG by the Speaker, this report is a matter of Public record and its distribution may not be limited.

## Table of Contents

	<b>Page</b>
1.0 Background information to the audit	5
1.1 Introduction	5
1.2 Brief history of the client establishment	5
1.3 Operational objectives	5
1.4 Financing	5
1.5 Management structure	6
1.6 Brief description of internal control system	6
1.7 Financial Performance Issues	6-7
1.8 Audit mandate	7
1.9 Audit objectives	7
1.10 Audit scope	7-8
1.11 Audit methodology	8
1.12 Presentation of audit findings	8
2.0 Audit report on the financial statements	9-10
3.0 Audit findings and recommendations	16
3.1 Follow up of previous year's Audit findings	16
3.2 Current year's findings	16-17
4.0 Conclusion	18
5.0 Organisation Structure	19

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

Council means - Rufiji 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 Rufiji District Council for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, 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 Rufiji 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 Rufiji 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 fund have achieved the maximum benefits through second 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. 6,476,923,973 made up of Shs.832,375,872 from own sources and Shs. 5,644,548,101 from government grants.

## **1.5 Management**

The Rufiji 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 departments who are sub-accounting officers and one legal advisor.

The pictorial management structure of the District Council is shown as appendix 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 Rufiji 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.832,375,872 from own sources against a revenue budget of Shs.642,200,000 reflecting surplus of Shs.190,175,872 or 30% of the internal revenue budget. In addition the council received grants amounting to Shs.5,644,548,101 making total revenue of Shs.6,476,923,973 during the year.

### **Expenditure Performance**

The Council spent Shs. 6,594,210,581.00 during the year against total approved budget of Shs.5,980,249,802 or 110 %. However, the Council closed its accounts with a deficit of Shs.117,286,608.66 or 1.8% of total revenue. A comparison of the internal revenue of Shs.832,375,872

against total expenditure of shs.6,337,361,196 (net of depreciation) is only 13% 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 account for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget and governing regulations.
- To ascertain whether all supporting documents, records and accounts have been kept in respect of all District Council activities.
- To verify whether goods and services bought were acquired through laid down procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management, for implementing and monitoring activities and that the assets of the authority are adequately safeguarded against losses from unauthorized use or disposition.
- To verify whether the Council has implemented audit recommendations made in previous audits.

#### **1.10 Audit Scope**

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

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

#### **1.11 Audit Methodology**

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

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

#### **1.12 Presentation of audit findings**

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

## **2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS**

**To:** The Regional Commissioner,  
Coast-Region.

District Executive Director and Accounting Officer,  
Rufiji District Council.

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF RUFJI  
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 Rufiji District Council shown on pages 11 through 14 of this report for the financial year ended on 30<sup>th</sup> June 2005.

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

These financial statements are the responsibility of the management of Rufiji 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 Rufiji 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 Rufiji 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 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 a Fixed Assets Register.
- (b) The Council did not disclose its policy on debtors and creditors
- (c) The Council has not established an audit committee pursuant best practice of good governance.
- (d) Supervision, management and execution of public works contracts worth shs. 122,731,400; did not abide by the terms of the contracts as works were partially done and there were substantial delays contrary to the agreed programme
- (e) The Council depends heavily on grants since internal revenue is only 13% of total expenditure. In addition, during the year under review the council exceeded the approved expenditure budget by 1.8%.
- (f) Documents worth shs. 7,993,850 were not submitted for audit examination.

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.

**RUFIJI DISTRICT COUNCIL  
CONSOLIDATED BALANCE SHEET**

**AS AT 30<sup>th</sup> JUNE 2005**

	Notes	30.6.2004	30.6.2005
<b>A. FIXED ASSETS:</b>			
Land & Buildings	(4)	4,406,016,861.03	4,679,582,827.78
Plant , Machinery & Motor vehicles	(4)	395,673,920.00	394,798,746.00
Other Capital & Services	(6)	59,262,191.67	299,177,099.91
Long term Capita outlay	(5)	358,427,260.92	1,002,293,124.60
Furniture, Fixtures & Fittings	(4)	<u>11,791,470.70</u>	<u>51,272,621.86</u>
<b>TOTAL FIXED ASSETS</b>		<b>5,231,171,704.32</b>	<b>6,427,124,420.15</b>
<b>B. INVESTMENTS – LGLB</b>	(13)	-	<b>7,129,500.00</b>
<b>C. CURRENT ASSETS:</b>			
Cash at Bank	(1)	414,587,234.65	304,223,305.53
Debtors	(2)	<u>644,100.00</u>	<u>1,536,500.00</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>415,231,334.65</u></b>	<b><u>305,759,805.53</u></b>
<b>D. CURRENT LIABILITIES:</b>			
Creditors	(3)	<u>14,962,341.15</u>	<u>14,787,455.77</u>
<b>TOTAL CURRENT LIABILITIES:</b>		<b>14,962,341.15</b>	<b>14,787,455.77</b>
<b>E.WORKING CAPITAL (C-D)</b>		<b><u>400,268,993.50</u></b>	<b><u>290,972,349.76</u></b>
<b>F. NET ASSETS (A+B+E)</b>		<b>5,631,440,697.82</b>	<b>6,725,226,269.91</b>
<b>G. FINANCED/ PRESENTED BY:</b>			
Capital Grants applied	(7)	542,594,730.75	1,650,388,898.24
Revenue Contribution to Capital	(8)	21,152,033.10	59,340,111.89
Revaluation Reserves	(9)	4,357,552,251.73	4,124,833,309.44
Capital Reserves	(10)	455,930,000.00	1,007,950,559.00
Capital Grants Un applied	(11)	316,686,921.32	190,532,033.52
Surplus & Deficit A/C	(12)	<u>(62,495,239.08)</u>	<u>(307,818,642.18)</u>
<b>TOTAL</b>		<b><u>5,631,420,697.82</u></b>	<b><u>6,725,226,269.91</u></b>

.....  
DISTRICT TREASURER RUFIJI  
DISTRICT COUNCIL

.....  
DISTRICT EXECUTIVE DIRECTOR  
RUFIJI DISTRICT COUNCIL

.....  
COUNCIL CHAIRMAN  
RUFIJI DISTRICT COUNCIL

DATE:.....

**RUFIJI DISTRICT COUNCIL**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2005.**

	<u>30.6.2004</u>	<u>30.6.2005</u>
<b>A. INCOME:</b>		
i) Finance, Planning & Administration	309,634,351.24	958,084,236.90
ii) Economic works & Environment	22,915,712.75	41,262,804.97
iii) Education, Health and Water	5,807,750.00	9,864,032.00
iv) Government Grants- recurrent	<u>1,440,516,197.97</u>	<u>3,626,791,967.06</u>
<b>SUB TOTAL</b>	<b><u>1,778,874,011.96</u></b>	<b><u>4,636,003,040.93</u></b>
v) Government Grants- capital grants	<u>859,281,657.07</u>	<u>1,840,920,931.76</u>
<b>TOTAL INCOME</b>	<b>2,638,155,669.03</b>	<b>6,476,923,972.69</b>
<b>B. EXPENDITURE:</b>		
i) Finance, Planning & Administration	360,598,829.14	1,080,667,070.08
ii) Economic works & Environment	42,352,285.11	104,902,341.29
iii) Education, Health and Water	<u>1,308,513,731.96</u>	<u>3,501,402,886.66</u>
<b>SUB TOTAL</b>	<b><u>1,711,464,846.21</u></b>	<b><u>4,686,972,298.03</u></b>
iv) Capital grants Applied	<u>542,594,730.75</u>	<u>1,650,388,898.24</u>
<b>TOTAL EXPENDITURE</b>	<b>2,254,059,576.96</b>	<b>6,337,361,196.27</b>
<b>SURPLUS AND DEFICIT A(i-iv)-B(i-iii)</b>	67,409,165.75	(50,969,257.10)
<b>DEPRECIATIONS</b>	(130,549,685.80)	(256,849,385.08)
<b>PRIOR YEAR ADJUSTMENT</b>	<u>-</u>	<u>-</u>
<b>SURPLUS &amp; DEFICIT</b>	<b>(63,140,520.05)</b>	<b>(307,818,642.18)</b>
<b>Capital grants unapplied A(V) -B(IV)</b>	<b>316,686,926.32</b>	<b>190,532,033.52</b>

.....  
DISTRICT TREASURER  
RUFIFI DISTRICT COUNCIL

.....  
DISTRICT EXECUTIVE  
DIRECTOR  
RUFIFI DISTRICT COUNCIL

DATE:.....

.....  
**COUNCIL CHAIRMAN**

RUFIJI DISTRICT COUNCIL

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

Cash-flow from operating activities		(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>	<u>( 8,950,637.97)</u>
<b>Cash generated from operating activities</b>		<b>128,493,522.63</b>
<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>		<b>(78,063,966.79)</b>
<b>Cash-flow from financing activities</b>		<b><u>234,866,684.38</u></b>
<b>Net Cash Inflow for the year</b>		<b><u>156,802,717.59</u></b>
<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>
		<b><u>156,802,717.59</u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

### NOTE 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
1999	2.1	Mising receipt books	2 books	1 book	The Council should trace the remaining receipt books
2000	3.2	Missing receipt books	300,000	300,000	The Council should follow-up and account for the outstanding amount
2001	3.2	Missing receipt books	8 books	7 books	The Council should trace the remaining receipt books
2003	4.1.5	Outstanding Creditors	19,563,241	6,047,790	Efforts should be made to clear the balance
-do-	2.1.2	Mising receipt books	43 books	1 book	The Council should trace the remaining receipt books

#### 3.2 Current Audit Findings

##### 3.2.1 Unvouched and improperly vouched expenditure; shs.7,993,850

An examination of payment vouchers revealed missing payment vouchers amounting to Shs 3,759,500. In addition, payments adding to Shs. 4,234,350 lacked 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.7,993,850 should be regularized by submitting the missing vouchers and supporting documents.

##### 3.2.2 Stores not accounted for shs. 2,060,000

An examination of stores records revealed that, goods worth Shs. 2,060,000 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 Fixed assets register.**

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

**3.2.4 Debtors and Creditors**

The Consolidated Balance Sheet reflected Debtors amounting to Shs. 1,536,500 comprising Advances and Imprests. On the other hand, the Statement reflected creditors worth Shs.14,787,456 comprising THB (NHC) debts and statutory deductions. Nevertheless, the accounts did not include details of all individual Creditors and debtors with age analysis. Moreover, the Council did not state its policy on debtors and creditors

**Implication**

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

**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.

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

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	25,711,530
Unpresented cheques	47,953,336
Receipts in bank not in cash book	4,467,946
<b>Total</b>	<b><u>78,132,812</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.

### 3.2.6 Outstanding contracted works of shs. 122,731,400

The council made payments amounting to Shs.88,855,849 to M/s Karumba Drilling Engineering and Transport Ltd. being part payment for construction of dams and boreholes drilling in Muhoro and Ruaruke villages. During audit inspection, November 2005, I have noted that the contract had had expired before completion of the works. The outstanding works included installation of water pipes and hand pumps. I have also noted that the council management did not invoke the relevant contract clauses such as charging liquidated damages at a rate of 0.05% per day.

#### **Implication**

The Council and the earmarked users have not realized the expected benefits.

#### **Recommendation**

The Management should require the contractor to complete the works by applying the relevant clauses of the contract. In addition, future projects should be well planned and supervised in order to maximize value for money.

#### 4.0 CONCLUSION

The detailed audit findings presented above have been communicated to the management of the Rufiji District Council during exit meeting. The Management of Rufiji 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. Frank M. H. Mhilu  
**Ag. CONTROLLER AND AUDITOR GENERAL**

CC: The Permanent Secretary,  
Prime Minister's Office,  
Regional Administration and Local Government,  
Box 1923,  
**DODOMA.**

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

5.0 ANNEXURE

Annexure I

ORGANIZATION STRUCTURE OF RUFUJI DISTRICT COUNCIL

