

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF KINONDONI MUNICIPAL COUNCIL  
FOR THE FINANCIAL 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, Tanzania

March, 2006

AR/LG/015/2005

**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:**

- 1 contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- 2 helping to improve the quality of public services by supporting innovation on the use of public resources;
- 3 providing technical advice to our clients on operational gaps in their operating systems;
- 4 systematically involve our clients in the audit process and audit cycles; and
- 5 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

	page
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	6
1.5 Management structure	6
1.6 Brief description of internal control system	6-7
1.7 Financial Performance Issues	
1.8 Audit mandate	7
1.9 Audit objectives	7
1.10 Audit scope	8
1.11 Audit Methodology	8
1.12 Presentation of audit findings	9
2.0 Audit report on the financial statements	10-11
3.0 Audit findings and recommendations	12
3.1 Follow up of previous year's Audit findings	12
3.2 Current year's findings	12-22
4.0 Conclusion	23
5.0 Annexures	24

## DEFINITION OF TERMS AND 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 Kinondoni Municipal Council for the year ended 30<sup>th</sup> June, 2005.

Council means - Kinondoni Municipal Council, both as Councilors as well as an operating entity.

## **1.0 BACKGROUND INFORMATION TO THE AUDIT**

### **1.1 Introduction**

I have completed the audit of the Kinondoni Municipal Council accounts 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 Kinondoni Municipal Council was established in February 2000 under Government Notice No. 319A of 1999 issued by the President's Office, Regional Administration and Local Government.

### **1.3 Operational objectives**

According to Section 54 (1) of the Local Government (Urban Authorities) Act, and the Local Authority Financial Memorandum, the Kinondoni Municipal Council has the following operational 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.

In addition to these objectives, the Council has short-term objectives geared towards alleviation of severe malnutrition, food security and poverty alleviation. Other short-term objectives include; improvement of health facilities, clean water supply, improving road sector and reduction of HIV/AIDS prevalence.

#### 1.4 Financing

During the year under review Kinondoni Municipal Council received revenues from various sources as follows: -

As at June 2005	Own sources	Grants
Finance & Adm.	1,754,703,323	465,860,996
Health & Social	47,093,420	1,855,999,569
Trade & Economic Works	552,469,369	-
Urban Planning	419,162,186	681,917,542
Education & Culture	1,005,392,002	-
Agriculture	-	7,896,701,413
Water	-	32,631,900
Development Fund	-	249,218,500
Donor's grants	-	205,934,000
<b>Total</b>	<b>3,778,820,300</b> =====	<b>11,553,443,920</b> =====

#### 1.5 Management structure

The Kinondoni Municipal 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 Council is the Municipal Director 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 and Trade, Health, Education, Works, Town Planning and 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 appendix to this report.

#### 1.6 Brief description of 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 Sect.34 (1) provides for Establishment of Procurement Management Unit.

The Internal Control set up of Kinondoni Municipal Council complies with this order and Procurement Act.

## **1.7 Financial Performance Issues**

### **Revenue**

The Council collected an amount of Shs.3,778,820,300 from own sources against the internal revenue budget of Shs.5,035,092,433 reflecting a collection shortfall of Shs.1,256,272,133 or 25.%. The large difference between the actual revenue collection and estimates was not explained but would appear to be a result of unrealistic revenue targets. In addition, the Council received grants amounting to Shs.11,553,443,920 making total revenue of Shs.15,332,264,220 during the year.

### **Expenditure**

The Council spent Shs.14,016,323,552 during the year against total income of Shs.15,332,264,220 or 91% of total revenue, leaving unspent amount of Shs.1,315,940,668. 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.3,778,820,300 against expenditure of Shs.14,016,323,552 (net of depreciation) is only 27% implying that the Council cannot sustain either its recurrent or development expenditure without depending on grants.

## **1.8 Audit Mandate**

By virtue of the provisions 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 expenditures, including the revenues and expenditures of this Town 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 Town 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 Town 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 Town 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: Hon. Mizengo Pinda (MP)  
Minister, PMO-RALG

Municipal Director and Accounting Officer  
Kinondoni Municipal Council.

### **RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF KINONDONI MUNICIPAL 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 Kinondoni Municipal Council attached as annexure to 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 Kinondoni Municipal Council.

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

#### **Responsibility of the Controller and Auditor General**

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

#### **Basis of opinion**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the preparation

of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Kinondoni Municipal 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.

### **Qualification**

In my opinion, except for the material matters pointed out below, the financial statements fairly reflect, in all material respects, the financial position of Kinondoni Municipal 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**

1. Debtors amounting to Shs.854,614,593 require urgent attention for their recovery.
2. A significant amount of stale cheques is still outstanding since the previous financial year.

The details of these matters and others are given in part 3 of this report.

### **Further to my opinion:**

Except for the matters specified below, the procurement and goods and services which I have tested as part of the audit has generally complied with the Public Procurement Act No. 21 of 2004 and the related Regulations.

1. A Contract entered with M/S Sunshine General Security Service for rendering security services does not specify the number of guards required for each guard, agreed time scales or intervals by which such guards are to be deployed and specified dates as well as mode of payment.
2. In two incidences, motor vehicles, which were hired for various activities of the council apparently their registration numbers were not disclosed and the relevant document in respect of hire service not availed to audit.

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

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Follow up of previous year's findings

During the course of the current year's audit we reviewed implementation of the previous year's report recommendations. We have noted with satisfaction that the Council Management made progress in implementing audit recommendations in which out of 18 directives 14 were implemented leaving 4 unimplemented.

Unimplemented directives include:-

Reference para.	Description of audit recommendations	Status to date
	1. Efforts to recover loans granted to women and youth groups amounting to Shs.26,544,750 should be taken	Not implemented
1	The Council should ensure recovery of shs.68,924,957 from City Council	Not implemented

#### Management Response

- Efforts to recover Shs.45,748,528.00 have been taken through a task force whereby the current status of the sum due is Shs.26,544,750.00.
- The Council wrote a letter Ref. KMC/M/13/146 of 22<sup>nd</sup> December 2004 reminding the City Director to pay the outstanding amount of Shs.58,924,957.00,

#### Audit Comment

- The stated current status was verified as correct; However the council is advised to clear the outstanding balances of Shs.26,544,750 and Shs.58,924,957 respectively.

#### 3.2 Current audit Findings

#### 3.3 Position of Audit Queries

A test check of accounts and related records for the year under review resulted in 20 audit queries. As at this reporting date (February, 2006); 14 queries had been replied satisfactorily and closed. In addition 30 queries relating to the period summary - June, 2004 are still outstanding as follows:-

Financial year	Queries issued	Queries Closed	Outstanding Queries
2004	30	-	30
2004/2005	20	14	6

### 3.4 Sundry Creditors Shs.8,131,797

Creditors worth Shs.8,131,797 as at 30<sup>th</sup> June 2004 are not reflected in the final accounts for the year ended 30<sup>th</sup> June 2005 indicating that they have since not been cleared as follows:

Supplier	Amount as at 30 <sup>th</sup> June,2004	Verified payments up to June 2005	Amount Outstanding
F.K. Motors	5,059,017	3,427,644	1,631,373
Jiefang	1,182,000	0	1,182,000
Jiefang	675,600	0	675,600
C.M. C. Automobile	7,459,024	5,086,418	2,372,606
Diamond Motors	37,958	0	37,958
A.K. Printer	474,000	0	474,000
Peki Traders	498,600	200,640	297,960
Architectural Ltd.	196,500	0	196,500
Nafka G Traders	807,800	0	807,800
Auto River	456,000	0	456,000
<b>Total</b>			<b>8,131,797</b> =====

#### Implication

The Sundry creditors account had been understated by Shs.8,131,797.

#### Audit Recommendation

The Council should prepare a revised statement to portray the actual value of creditors.

#### Management response

Some payments made to the suppliers but were not posted to the appropriate register. Currently the register has been introduced as well as good coordination between cash office and stores/procurement section on the movement of payments.

#### Audit comment

The reply is generally accepted; however the management is advised to prepare the revised statements.

### 3.5 Outstanding imprests - Shs.10, 845,168

The final accounts for the year under review reflected outstanding imprests totaling Shs.10,848,168. Audit scrutiny of the outstanding imprests disclosed that a sum of Shs.27,490,400 appearing in the imprest register was not reflected in the Final Accounts, where-as imprests totaling Shs.4,095,218 appearing in the Final Accounts were apparently not recorded in the imprest register respectively.

#### Implication

Outstanding imprests appearing in the financial statements might have been misstated.

**Audit Recommendation**

The Council should prepare a revised statement to portray the correct values of imprests.

**Management response**

Outstanding imprests have been recorded, and then next financial year they will be taken care of into financial Statements.

**Audit comment**

The imprests have not fairly been presented in the financial statements.

**3.6 Debtors - Shs.854, 614,593**

The Consolidated Balance sheet disclosed outstanding debtors as at 30<sup>th</sup> June, 2005 as follows:-

Category	Amount (Shs)
Sundry Debtors	541,624,058
Staff Advances	2,368,500
Imprests	10,845,168
Dishonoured Cheques	21,012,971
Soft - loans - Women & Youth	<u>278,763,896</u>
<b>Total</b>	<b>854,614,593</b> =====

The aging analysis of debtors was not prepared and no action has been taken to recover amounts from these debtors.

**Implication**

The huge amounts of debtors indicate revenues not collected, hence depriving the Council in meeting its desired work plans and operations.

**Audit Recommendation**

The Council should take efforts to collect the money from debtors or recover from the imprests holders.

**Management response**

Management of the Municipal Council has taken several measures to ensure that the money is collected from the debtors such as follow up to their office/businesses, using court brokers for external debtors; and salaries deductions for staff.

Soft Loans to Women and Youth has some difficulties due to political influences but a task force has been formed to come up with strategies on how to collect back the money.

**Audit comment**

The reply was generally accepted, however the management is advised to clear the outstanding amounts stated above.

### 3.7 Stale Cheques Accounts Shs.72,552,185

The Final Accounts for the year under review disclosed stale cheques worth Shs.72,553,185 not presented to the Bank for encashment. Further, additional stale cheque worth Shs.22,310,195 were found lying idle in the cash office and stale cheque worth Shs.11,694,376 were transferred from the previous year's account. No accounting action has been taken to alleviate the anomaly.

#### Implication

The amount of stale cheques is significant and the possibility of teeming and lading may occur. In addition, the non disclosure of stale cheques worth Shs.22,310,195 casts doubts of cash safety.

#### Audit Recommendation

The Council should ensure an effective regular check in the cash office and regularize the anomalies.

#### Management response

The accounting action has been taken by adding back the cheques, which are stale to the cashbooks in order to adjust through receipts and journal vouchers accordingly. The physical cheques could not be seen because they are in the hands of payees/customers but efforts are put on getting them back.

#### Audit comment

More action is required to strengthen controls over stale cheques.

### 3.8 Fixed assets Shs.21,437,559,219

The value of fixed assets totaling Shs.21,437,559,219 shown in the Consolidated Balance sheet for the year under review comprised of the following:-

	Shs.
Land and buildings	18,171,667,653
Vehicles and Plants	979,450,185
Furniture, Fittings and Equipments	2,286,441,381
<b>Total</b>	<b>21,437,559,218</b> =====

Scrutiny and verification of the fixed assets disclosed the following shortcomings:-

- (i) Register of plants and motor vehicles worth Shs.58,812,012 as reflected in the final accounts could not be traced and the physical location of vehicles not established.
- (ii) 3 plants, 15 motor vehicles of unknown value and one vehicle valued Shs.25,072,363 although could physically be verified but not shown in the final accounts.

### **Implication**

This implies that the Council's register of fixed assets is not properly recorded to give a true picture of fixed assets.

### **Audit Recommendation**

The Council management should ensure that the short-comings pointed out above are rectified and a revised statements prepared to reflect a true picture of the balance sheet.

### **Management response**

- (i) These plants and vehicles belong to the section which were involved in the collection of waste disposals/refusal so most of the time are in the streets collecting wastes ready to be carried to the dumping areas. Mtambo wa Matofali 'Hydro-form Machine' is hired by Kinondoni Municipal Council dwellers to build cheaper and modern houses, in this case most of the time is at the site. All of these plants and vehicles have been brought in the Kinondoni Municipal Head office for physical verification.
- (ii) These plants and vehicles were not included in the schedule of Fixed Assets due to the model and means of their acquisitions whereby some of them were received as grants from the Ministry of Agriculture and Food Security and some of these plants and vehicles have been acquired through hire purchase in which the ownership of the assets remain to the seller until last installment is made then title is passed to the buyer.
- (iii) The fixed assets registers are currently maintained in a proper manner on both manually as well as computer system package.

### **Audit comments**

The register was not produced to audit for verification.

## **3.9 Formation and Management of Contracts**

The Local Authority Financial Memorandum (1997) Orders 278-281 stipulate that all agreements shall be in the form of a legally binding contract setting out: -

- (i) The detailed specification of the goods, services or works to be executed, the agreed time scales or intervals by which such goods, services or works are to be executed, the specified cost of such goods, services or works specified dates of payment.
- (ii) The procedure to be adopted if either party feels the other to have been in breach of contract including the use of arbitration, and the procedure for discharge of the contract.
- (iii) The damages that will arise to either party through specified breaches of contract including termination.
- (iv) The general conditions of contract.

We observed that the council entered into contract with M/s Sunshine General security services, and clause 19 of the contract stipulate that the council shall pay Shs.80,000 for 12 hours per day per guard per month, apparently without specifying the number of guards needed for each guard; agreed time scales or intervals by which such guards are to be executed and specified dates and mode of payment.

#### **Implication**

This implies that the Municipal Council's contract awarding system attracts loopholes for the contractor to take advantage and engage many guards unnecessarily in order to realize more profit.

#### **Audit Recommendation**

Council Management should specify the number of guards required for each guard.

#### **Management response**

The Municipal Council and M/S Sunshine General Security Services made a contract for outsourcing of security services. The distribution of guards into various guard points is done internally depending on the specific requirement of each guard. However the recommendation has been complied and is accommodated in the contract for provision of security services for the year 2005/2006.

#### **Audit comment**

We are waiting for the rectification as stated on the reply.

### **3.10 Hire of Vehicles Shs.2,340,000**

The Local Authority Financial Memorandum (1997) Order 348 stipulates that the transport officer shall ensure that all private hire charges are billed in accordance with council approved rates and shall liaise with the council treasurer over the collection of any outstanding charges.

We observed that in two incidences, motor vehicles were hired for various activities of the Council. However, registration numbers of motor vehicles hired were not disclosed and the relevant documents in respect of hire not availed to audit. In the absence of relevant supporting documentation we could not confirm whether bills were in accordance with council approved rates.

#### **Implication**

Lack of control over hire of vehicles through violation of procedures.

#### **Audit Recommendation**

Council management should ensure that procedures are followed and payments are supported by genuine supporting documentation.

**Management response**

The system of controlling payments in the Municipal Council has been improved whereby every receipt and any other supporting documents bear adequate information and genuine for what has been paid. The receipts in question have been fully analyzed and verified.

**Audit comment**

Management is advised to adhere to the regulations and procedures.

**3.11 Improper maintenance of motor vehicles - Shs.30,930,886**

A total sum of Shs.30,930,886 was paid to various garages for maintenance of motor vehicles without the authority of the Municipal Council's Mechanical Engineer.

**Implication**

Laxity in control over maintenance of motor vehicles.

**Audit Recommendation**

It is recommended that the Council Management should ensure that motor vehicles are inspected before and after maintenance and certified by the Mechanical engineer before effecting payments.

**Management response**

When the payments in question were made the Municipal Council had no Mechanical engineer to inspect the vehicles and authorize the payments on the work done. On the other hand, reforms in the Local Government Programme leads the Municipal Council to endorse the usage of Transport Management Information System which involves; the Transport Officer, the Treasurer and the Director.(Replies to Audit Queries 7 and 9). The Municipal Council has employed a Municipal Engineer who is responsible for the inspection of all vehicles and plants for the Council.

**Audit comment**

The reply is generally accepted; however the management is advised to adhere to the financial regulations.

**3.12 Improperly vouched expenditure - Shs.36,054,292**

Various payments worth Shs.36,054,292 were made during the year for various activities. However, payments worth shs.16,235,650 were not certified by supervising officers, whereas, other payments totaling Shs.19, 818,642 were not supported by receipted pay list, duly signed by bonafide payees.

**Implication**

Payments not receipted by bonafide payees may result in burgs employees.

**Audit Recommendation**

Council management should ensure that payments are properly signed by bonafide payees to authenticate expenditure incurred.

**Management response**

The Municipal Council has the system of supervising all activities throughout their implementation whereby the responsible person authorize all payments under his/her control. Also documents involved are thoroughly scrutinized and organized.

**Audit Comment**

Management is advised to strictly adhere to the financial regulations.

**3.13 Missing payment vouchers worth Shs.517,766,756**

Paid payment vouchers amounting to Shs.517,766,756 were missing from the folders or batches, hence not made available for audit purpose therefore the nature and validity of these payments could not be established.

The list of missing payment vouchers is made up as follows:

Payee	Amount (Shs)
Municipal Director	508,141,615
City Director	9,125,645
Kibamba Executive Officer	499,496
<b>Total</b>	<b>517,766,756</b> =====

**Implication**

Laxity in control over accounting records.

**Audit Recommendation**

Council Management should establish efficient and effective modality of filing payment vouchers to avoid the alarming situation of missing paid payment vouchers.

**Management response**

Payment vouchers amounting to Shs.517,766,756.00 have been obtained and verified. The nature of these vouchers were:- vouchers paid to Municipal Director of Shs.508,141,615.00 were transfer of grants, salaries to respective paying accounts, voucher paid to City Director of Shs.9,125,645.00 was payment in respect of damping fees, and voucher paid to Kibamba Executive Officer of Shs.499,496.00 was payment in respect of revenue collection commission/fees.

Assigning person responsible and answerable in missing vouchers and supporting documents under his custody has improved the situations.

**Audit comment**

The missing payment vouchers were produced and verified, however the management should ensure that all supporting documents are attached to the relevant payment vouchers.

**3.14 Stores purchases and paid for not accounted for- Shs.13,409,916**

Stores worth Shs.13,409,916 ordered and paid for were not ascertained to have been received and accounted for.

**Implication**

Laxity in control over accounting records.

**Audit Recommendation**

Council Management should ensure that stores purchased should be taken on ledger charge after being received for effective and proper accountability.

**Management response**

The Municipal Council has improved control over accounting for stores where every stocked item that has been purchased on cash or credit is recorded in the ledger charge and assigned folio number. The stores queried have been taken into ledger charge and verified.

**Audit comment**

The stores ledgers were not produced for verification

**3.16 Missing acknowledgement receipts - Shs.116, 821,256**

A test check of the accounts for the year under review revealed various payments relating to statutory deductions, which were not supported by relevant acknowledgement receipts. The audit could not ascertain whether the money was actually received by the payees.

**Implication**

Non acknowledgement of receipts may result in mis-appropriation of cash.

**Audit Recommendation**

Council management should ensure that all statutory deductions are supported by their relevant acknowledgement receipts to justify actual receipt of cash.

**Management response**

The receipts in question which are related to statutory deductions have been traced and obtained out of shs.116,821,256.00, receipts totaling Shs.98,339,999.55 have been attached on payment voucher concerned and follow up is being made to trace the remaining receipts of Shs.18,481,256.45

**Audit comment**

We are waiting for the remaining acknowledgement receipts worth Shs.18,481,256.45.

**3.17 Achievements of the council objectives/goals**

During the year under review, the Municipal Council targeted to accomplish various development programmes worth Shs.1,096,522.90. However, these programmes were not implemented during the year despite availability of budgetary allocation.

**Implication**

The situation implies that the Municipal Council's planned activities were not clearly analyzed to their accomplishment.

**Recommendation**

It is recommended that the Municipal Council Management should properly plan activities which will be implemented during the envisaged period.

**Management response**

The implementation of 6 projects out of 18 projects indicated were extended after 30<sup>th</sup> June 2005 while the implementation of 12 projects was postponed because of unavailability of funds. as at 31<sup>st</sup> December 2005 the status of the projects was as follows: -

- (i) Funds received in the year 2004/2005 were for 120 classrooms only and not for 298 Classrooms as estimated. 24 classrooms are completed construction for total of Shs.74,400,000/=, 96 classrooms are at different stages of construction.
- (ii) 3 teachers' houses were completed at a total cost of Shs.10,800,000/=, 45 were under construction at different stages and 26 were not yet started.
- (iii) 33 Classrooms have been rehabilitated in 7 Primary schools; Turiani, Mwl. Nyerere, Karume, Mwongozo, Mapambano, Mbuyuni and Mashujaa.
- (iv) The project was postponed, funds not available
- (v) 43 pit latrines out of 121 were completed for the total cost of Shs.7,740,000/=, 78 pit latrines were under construction at different stages.

The project was not completed due to non availability of funds.

**Audit comment**

Verification for the implemented projects not done

### 3.18 Bank Reconciliation Statements

Bank Reconciliation Statements as at 30<sup>th</sup> June, 2005 reflected a number of uncleared items as follows:-

Item	No. of accounts	Amount (shs)
Uncredited Cheques	14	398,917,852
Cash in transit	1	47,708,199
Dishonored cheques	1	21,012,971
Unpresented cheques	14	746,653,753
Receipts in c/b not in b/s	1	11,362,400
Debit in b/s not in c/b	9	141,053,586
Credits in b/s not in c/b	9	794,830,067

#### Management response

- Uncredited cheques are still outstanding waiting for clearance of the Banks.
- Cash in Transit figure is the collection of City Service Levy on 30/06/2005, which was not easy to Bank intact on the same date due to working hours in the Banks.
- Dishonored cheques in question are being followed up to ensure that the money is obtained from the cheques writers.
- Most of unpresented cheques are on the hands of payees from outside the Municipal Council but not presented to the Council's banks accounts. If they stay for more than 6 months and become stale accounting action will take place to adjust our records (Books of accounts).
- Receipts in cash books not in bank statement occurred due to interchanging of accounts numbers which are CIUP Municipal Council A/C and that of CIUP Manzese A/C. The process to communicate with the Bank Manager to rectify the interchanging is being made.
- Some of these entries had been erroneously debited by the banks. The process to communicate with the Bank Manager to rectify these is being made Ref. No.CF/F.1/5 of 26<sup>th</sup> July 2005 stated; "KUSAHIHISHA ERRONEOUS DEBITS" has been attached for audit verification.
- Credits in bank statements not in cash books have come up due to timing factors where money are transferred direct to the Council's banks while credit notes are produced after a month. So the recordings in the cashbooks was late.

#### Audit comment

The management is strongly advised to investigate the un-cleared items.

#### 4.0 CONCLUSION

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

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

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

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

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

## 5.0 ANNEXURES

- Financial Statements and notes to the financial statements - annexure I
- Organization structure of Kinondoni Municipal Council - annexure II

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS