

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



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

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AR/LG/013/2005

**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.

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## 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 the Dar es Salaam City Council for the year ended 30<sup>th</sup> June, 2005.

Council means - Dar es Salaam City 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 Dar es Salaam City Council Final Financial Statements for the year ended 30<sup>th</sup> June 2005. Audit findings arising from the examination of accounting records, appraisal of activities as well as an 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 Dar es Salaam City Council was established in February 2000 under Government Notice No.319 B of 1999 issued by the President's Office, Regional Administration and Local Government.

- **Vision**

Dar es Salaam City Council intends to build a city with sustainable development, managed on the principle of good governance, where residents do not live in poverty and have decent standards of living and a city with a competitive environment which attract investors.

- **Mission**

Use all available resources augmented by the participation of stakeholders to provide quality and accessible services by all, reduce poverty, and achieve a high sustainable economic growth and excellent amenities which will attract and retain private and public investments.

### **1.3 Operational objectives**

- To co-ordinate the powers and functions of the Urban Authorities regarding the infrastructure and land use planning.
- To prepare a coherent city-wide frame work for the purpose of enhancing sustainable development.
- To promote co-operation between the City Council and, or amongst Local Government Authorities within the city areas.
- To deal with all matters in which there is inter-dependence among the Urban Authorities?
- To support and facilitate the overall functioning and performance of the Urban Authorities.
- To provide peace and security and emergency services such as fire prevention and control, ambulance and police.
- To perform such other functions as may be agreed upon between the City council and other Urban Authorities; and
- To perform major functions relating to protocol and ceremonies.
- To maintain and facilitate the maintenance of peace, order and good government within its area of jurisdiction.

- To promote the social welfare and economic well-being of all persons within its area of jurisdiction.
- Subject to national policy and plans for rural and Urban Development, to further the Social and Economic Development of its area of jurisdiction.
- To take necessary measures to protect and enhance the environment in order to promote sustainable development.
- To give effect to the meaning decentralization in political, financial and administrative matters relating to the functions, powers, responsibilities and services of all level of local government authorities.
- To promote and ensure democratic participation and control of decision making by people concerned, and,
- To establish and maintain reliable sources of revenue and other resources enabling local government authorities to perform other functions effectively and to enhance financial accountability of local government authorities, their members and employees.

#### **1.4 Financing**

The Council has two sources of funds, which are own sources and external sources. The own sources of funds includes various fees levied for services rendered by the Council and interest and dividends in respect of various Council's investments. External sources include subsidies from the central Government for compensation in respect of Development levy and Government Grants.

During the financial year 2004/05 the Council realised a total income of Shs.4,155,099,363 made up of Shs.3,432,333,328 from own sources and Shs.722,766,034 from Government grants.

#### **1.5 Management structure**

The Dar es Salaam City Council operates under directives of the full Council which is a Supreme body for legislative responsibilities. The Chief Executive for the Council is the City Director who is responsible for the day to day activities and answerable to the Finance and Administration Committee which in turn reports to the full Council.

In order to perform its assigned roles, the Dar es Salaam City Council has four sections which are directly under the City Director and five departments headed by heads of departments as shown below:-

City Director's office

- Planning, Monitoring and Statistics
- City Solicitor's Office and Security
- Public Relations and Protocol
- Internal Auditors Unit

**(i) Finance and Administration Department**

- Finance Section
- Finance and Administration Section

**(ii) Engineering and Fire Department**

- Fire Section
- Estate Section
- Road Works Section

**(iii) Waste Management Department**

- Environmental Planning Management Section
- Dump Section

**(iv) Town Planning, Transport and Environment**

- Town Planning Section
- Transportation Section

**(v) Health Department**

- Curative Section
- Preventive Section

**1.6 Brief description internal control system**

- The Finance Committee shall adopt written procedures such as it may deem necessary for proper control of finances and the Director shall be responsible for their distribution to responsible officers within the authority.
- The Director and the Treasurer shall support the system of internal control outlined in such procedures, through:-
  - (a) Assignment of specific responsibilities to individual officers through the issue of detailed job description for each post in the Finance Department.
  - (b) Production of an organization chart for the Finance Department showing lines of reporting and supervision.
  - (c) Division of responsibility for related operations between several officers.
  - (d) Periodic rotation of duties.

## 1.7 Financial Performance Issues

### Revenue

The City Council collected an amount of Shs.3,432,333,328 from own sources against the internal revenue budget of Shs.3,516,816,150 reflecting a collection shortfall of Shs.84,482,822 or 98.%. The large difference between the actual revenue collection and estimates was not explained but would appear to be a result of unrealistic revenue budget. In addition the Council received grants amounting to Shs.722,766,034 making total revenue of Shs.4,155,099,363 during the year.

### Expenditure

The Council spent Shs.2,507,828,859 during the year against total income of Shs.4,155,099,363 or 60% of total revenue, leaving unspent amount of Shs.1,647,270,504. 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.3,432,333,328 against expenditure of Shs.2,507,828,858.58 (net of depreciation) 73% implying that the Council can at least sustain some of its recurrent expenditures 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 Sections 30 (1) and 37 (1) of the Public Finance Act No.6 of 2001, the Controller and Auditor General is the appointed Auditor of the Government revenue and expenditure, including Dar es salaam City Council.

## 1.9 Audit objectives

The main objective of conducting the audit is to enable me to express a professional opinion on the final financial statements of Dar es Salaam City Council for the period ended 30<sup>th</sup> June, 2005 and in particular.

- To determine whether transactions were executed in accordance with Management authorization and recorded properly in the books of accounts to permit the preparation of the financial statements in accordance with the international accounting principles and requirements of the Public Finance Act. No.6, 2001 and its regulations.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses, as per approved budget and regulations governing government expenditure.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all Dar es Salaam City Council activities.

- To verify whether goods and services were acquired through laid down procurement procedures.
- To perform compliance tests to determine whether the Dar es Salaam City Management complied in all material respects with the public finance regulations and public procurement 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 Dar es Salaam City Council are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the management of the Dar es Salaam City Council has taken corrective action on the previous years audit recommendations.

#### **1.10 Audit scope**

The audit of Dar es Salaam City Council accounts for the year ended 30<sup>th</sup> June 2005 was carried out in accordance with International Organization of Supreme Audit Institutions (INTOSAI). The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Dar es Salaam City Council, such as examination and verification of the accompanying financial statements (Final Financial Statements and Schedules thereto) and other auditing procedures as was considered necessary under the circumstances for the purpose of forming an opinion on the financial statements. The audit was carried out on a test check basis, therefore, the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to us.

As an auditor I am not required to search specifically for frauds, therefore my audit cannot be relied upon to disclose such matters. However, my audit was planned as that I would have a reasonable expectation of detecting material misstatements in the financial statements, including those resulting from fraud or irregularities. The responsibility for detection and prevention of fraud and irregularities rests with the Dar es Salaam City Council management who are responsible for setting up and maintaining adequate systems of internal control.

### **1.11 Audit methodology**

In auditing the financial statements together with the related records and schedules, the following steps were followed:

- Review of legal documents
- Examination of receipts and disbursements and payment records
- A review of the internal control structure.
- Compliance tests.
- Interviews and discussions
- Site visits.

### **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 which is given in pages 14 to 24 comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

## 2.0 AUDIT REPORT ON THE FINANCIAL STATEMENT

To: Hon. Mizengo Pinda (MP)  
Ministrer, PMO-RALG

City Director and Accounting Officer,  
Dar es Salaam City Council,

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF  
DAR ES SALAAM CITY 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 Dar es Salaam City Council attached and marked "Examined" 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 Dar es Salaam City 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 Dar es Salaam City 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 Dar es Salaam City 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.

1. There are significant audit recommendations and audit queries that are still outstanding since previous year's audit.
2. The Council owes Shs.224,207,169 to several sundry depositors which is long overdue.
3. The Council is owed a total of Shs.458,936,311 by debtors which are long outstanding.
4. Significant variance on certain revenue sources resulted in under collection of revenue, which deprive the City Council of much needed liquidity for smooth running of its operations.

Further to my opinion, procurement of services of refuse collection and the Dar es Salaam City solid waste treatment's disposal and street littering by law of 2004, which I have tested as part of the audit, have complied with the requirements of the Public Procurement Act No. 21 of 2004 and the related Regulations.

Dr.Frank Mosses Hiza Mhilu  
**Ag. Controller and Auditor General**

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

31 March, 2006

## 3 0 AUDIT FINDINGS AND RECOMMENDATIONS

### 3.1 Status of the previous audit recommendations

During the previous year's audit recommendations were made on some of the key issues, which required necessary action for improvement. However, up to the time of writing this report (January, 2006) the position of observations and recommendations relating to matters pointed out in the previous year's report is as follows: -

#### Year 2003

S/NO.	para	Recommendation	Status
9.2	4.3	Payment of non existing creditors of Shs.30,073,195	Not implemented
2.	6.1.2	Missing quotation and contract were 1,716,780	Not implemented
3.	4.4.1	Questionable acting allowance of Shs.1,089,408	Not implemented
4.	3.2..1	Parking fees of Shs.518,526,074 not collected	Not implemented
5.	3.2.2	Shs.61,262,708.74 Questionable 15 years lease agreement for letting of a piece of land	Not implemented
6.	3.3.2	Outstanding amount of Sshs.118,064,000 for refuse collection fees	Not implemented
1.	1.2.2	Action taken to collect the outstanding bills amounting to Shs.48,188,000 is called for.	DCC has engaged M/S Debit collection and commercial investment as an agent to deal with contractors owing the debts for refuse collection fees.
2.	2.0	Unvouched expenditure Shs.26,194,135	Amount of Shs. 2,823,485 not supported by proper documentation.
3.	2.3	Purchased motor vehicle not delivered Shs.14,949,827	Civil suit has been filed for recovery of Shs. 14, 949,827 at kisutu Resident Magistrate Court. The matter has been scheduled for mention on 16 <sup>th</sup> January, 2006
4.	3.1.1	Measures to clear the outstanding Debtors totaling Shs.583,630,087 is called for.	Debtors totaling Shs.472,463,083 are still outstanding
5.	3.1.2	No reasons have been given for non-clearance of long outstanding Creditors amounting to Shs.221.127,905	Not yet cleared
6.	3.1.3	The management should confirm proper resolution reached on the Outstanding sundry depositors of Shs.200,757,278	Outstanding amount is Shs.133,966,925

## 3.2 Current year's Audit findings

### 3.2.1 Position of Audit Queries

A test check of the City Council accounts statements and related records for the year under review resulted in the issuance of 57 Queries, the more significant matters of which are referred to in the succeeding paragraphs. At the time of writing this report (January, 2006) 61 audit queries relating to the previous years were still outstanding as follows:-

Financial year	Queries raised	Queries closed	Outstanding Queries	Remarks.
2002	69	55	14	Improving
2003	54	39	15	Improving
2004	38	20	18	Improving
2005	57	43	14	Improving
Total	218	157	61	

### 3.2.2 Revenue not accounted for Shs. 2,244,000

We noted that plying fees collected by revenue collectors was partly or not fully accounted for as follows: -

Type of Book	Receipt Number	Amount Collected (shs)	Amount Accounted (shs)	Difference (shs)
Plying fees	39383-400	107,000	-	107,000
Plying fees	23401-450	231,000	-	231,000
Plying fees	22751-800	289,000	228,000	61,000
Plying fees	56743	1,150,000	310,000	841,000
Cash bail	1621089-122	1,004,000	-	1,004,000
<b>Total</b>				<b>2,244,000</b> =====

#### Implication

The unreceipted money could have been diverted to the pockets of collectors, causing misappropriation, thus rendering loss to the Council.

#### Audit Recommendation

The City Council management should take appropriate measures to have the sum involved accounted for in order to avoid possibility of the same to be misappropriated.

#### Management response

Shs.2,244,000 regarding plying fees and cash bail will be recovered from the collectors' terminal benefits due for payment from LAPF.

**Audit Comment**

To keep in view the recovery of the sum involved for audit verification.

**3.2.3 Development programme activities not executed Shs.168,600,000**

Development programme activities were not executed during this year despite the fact that funds Shs.168,000,000 were allocated.

**Implication**

There is laxity in soliciting budgetary allocation in time.

**Audit Recommendation**

Management should ensure that, development activities are implemented as planned.

**Management response**

The development expenditure funds amounting to Tshs. 168,600,000 were left unspent at the end of the financial year 2004/05 for the reason that Dar es Salaam City Council received the funds at the end of the financial year.

However, all those activities have already been executed and can be verified by auditors.

**Audit comment**

The management is requested to arrange for documents related to the projects including approved action plans, progress report, and bills of quantities so that we can be in a position to verify the relevant projects.

**3.2.4 Non-collection of revenue accruing from services rendered by the City Council of Dar es Salaam Shs.190,573,618**

The Local Authority Financial Memorandum (1997) para 121 stipulate that as far as possible all income due to the council shall be collected in advance of the service provided, or at the time of rendering the services. Contrary to this, verification exercise of various collection records of Mtoni dumps, Mwananyamala Depot, Ubungo Bus Terminal, stalls surrounding Benjamini Mkapa Secondary School and City Hall Restaurant has revealed that revenue accruing from refuse collection were not collected in advance of service as a result a sum of Shs.190,573,618 remained outstanding as follows: -

S/NO.	Details	Amount (Shs)
1.	• Mtoni Dump	32,039,798
2.	• Mwananyamala Depot	45,482,632
3.	• Ubungo Bus Terminal	44,786,320
4.	• Stall surrounding Benjamin Mkapa High School	5,820,000
5.	• City Hall Restaurant	4,900,000
<b>Grand Total</b>		<b>190,573,618</b> =====

### Implication

- Non- collection of revenue due, the City Council of Dar es Salaam may not implement desired work plan.

### Audit recommendation

- Management should ensure that all income due is collected in advance of the service provided or at the time of rendering the services.

### Management response

- The outstanding refuse collection fees at Mtoni Dump site amounting to Shs.44,499,500 out of shs.76,539,498 have been recovered leaving amount of Shs.32,039,798 outstanding.
- Recoveries in respect of the outstanding revenue from maintenance of Motor vehicles at Mwananyamala depot has been recovered to the tune of Shs.58,527,800 leaving an outstanding amount of Shs.45,482,632.
- The outstanding Rent/electricity at Ubungo Bus Terminal is Shs.44,786,320. The Council management is making close follow-up including court action towards the recoveries of the outstanding rent.
- Shs.750,000 has been recovered through revenue collected from the stalls surrounding Benjamin William Mkapa High School out of the outstanding bills of Shs.5, 820,000 leaving an outstanding amount of Shs.5,070,000.
- Shs.4,900,000 due from Tenant Vision Hotel for City Hall canteen is still outstanding.

### Audit comment

Management should take serious measures to collect the outstanding amounts.

### 3.2.5 Creditors Inherited from the Dar es Salaam City Commission, missing proper evidence Shs.20,022,463

A sum of Shs.20,022,463 was observed to have been made during the year in respect creditors inherited from the Dar es Salaam City Commission apparently without proper supporting documentation as follows:

- An amount of Shs.14,437,963 paid to M/S Al-Hilal General Traders, being supply of Amphisil from Caporal Paints-Ex-Germany (AQ.N0.25 of 2004/05/refers.)
- An amount of Shs.1,068,500 paid to M/S Msafiri General Traders in respect of various Hardware supplied to the City Commission (AQ. N0.6 of 2004/05 refers.)
- An amount of Shs.4,116,000 paid to M/s Zein Enterprises Company Ltd being cost of hiring bulldozer from 27/8/2001-4/9/2001 (AQ M0. 13 of 2004/05.

#### Implication

- The payments may lead to double payment and subsequently representation.

#### Management Response

- The certificate for Assets and Debts distribution issued by the commission regarding the payment of Shs.14,837,963 made to M/s Al-Hilal General Traders has been submitted for audit scrutiny.
- The list of creditors evidencing the payments regarding the payment of Shs.1,068,500 made to M/s Msafiri General Traders has been submitted for audit scrutiny.
- The documentary evidence, authority for payment and the Creditor's register regarding the payment of Shs.4,116,000 made in the financial year 2004/05 to the creditors existed in the year 2001 (i.e M/s Zein Enterprises Co. Ltd) has been submitted to the Auditor for verification.

#### Audit Comment

The management is requested to confirm that the debts in question whether they are among the debts inherited from the Dar es Salaam City Commission.

#### 3.2.6 Unvouched and Improperly Vouched Expenditure

We noted that payments totaling Shs 5,233,008 were incurred without sufficient supporting documentation as follows:-

S.NO.	Audit Query	Category	Amount (Shs)
1.	RT.27&46	Unvouched expenditure	2,484,743
2.	30	Acknowledgement receipts missing	2,748,265
<b>Grand Total</b>			<b>5,233,008</b> =====

### Implication

- Laxity in control over accounting/supporting records
- Revenue collected without issuance of acknowledgment of receipt may end up being mis-appropriated by recipient.

### Audit Recommendation

Management should ensure that all payments are dully supported by proper documentation.

### Management response

- Missing vouchers totaling Shs.65, 097,471 out of Shs.67, 582,214 have been recovered leaving an outstanding amount of Shs.2, 484,743.
- Statutory deduction recoveries of Shs.1,505,261 out of the outstanding amount of Shs.4,253,526 have been made, leaving amounts totaling Shs.2,748,265 outstanding.

### Audit comment

Management is required to make close follow up on the outstanding amounts of Shs.5,233,008.

### 3.2.7 Deposit account Shs.453,473,123

A review of the Council's deposit account balances revealed that all balances were considerably overdue, they include balances relating to Institutions and individuals as follows: -

Details	Amount (Shs)
Unclaimed Salary	873,871.00
LAPF	33,677,188.00
Grants	11,053,048.25
Ilala Municipal Council	28,259,156.42
Grown Agency	426,000.00
Peter K	3,000.00
UDA	4,379.00
Ngombale Mwiru	7,500
Temeke Municipal Council	23,172,672.41
Dar es Salaam City Council	20,514,824.90
Dar es Salaam Sewerage	28,133,590.00
Other compensation	53,945,325.00
Kinondoni Municipal Council	28,517,176.00
OC - Health	30,370,400.00
Donation	200,000.00
High Court	98,100.00
Local Government Reform	23,552,000.00
OC - Ration	20,111,511.85
OC- Road Fund	146,524,983.80
JADCC	92,696.00
IFM	1,602,500.00
Kariakoo MRK	823,200.00
Ofisi ya Makamu wa Rais	1,515,000.00
G/Total	453,478,123 =====

### Implication

Balances staying idle for longer times could easily be spent for unintended purposes i.e Unbudgeted Expenditure.

### Recommendation

The management should ensure that all overdue balances refunded back to owners or cleared in the books of accounts.

### Management response

A sum totaling Shs.229,270,953.77 has been paid out from the outstanding amount of Shs.453,478,123, remaining with outstanding sundry depositors totaling Shs.224,207,169.

#### 3.2.8 Creditors account Shs.731,128,610

A review of the Balance sheet as at 30<sup>th</sup> June, 2005 revealed that outstanding creditor's account closed with a balance of Shs.731,128,610 made up as follows:-

	Shs.
Sundry Depositors	487,077,954
Sundry creditors	244,050,656
<b>Total</b>	<b>731,128,160</b> =====

We have observed that the City management does not take the initiative of repaying its creditors on time.

### Implication

The inability to clear its creditors, this may lead to the council lose its credit worthiness'.

### Audit Recommendation

City management should ensure that all outstanding creditors are cleared.

#### 3.2.9 Debtors account Shs.533,324,788

Contrary to the collection procedures contained in the Local Authority Financial Memorandum para 121 accounts receivables (debtors) indicated below have not been collected as at 30<sup>th</sup> June, 2005

	Shs.
Revenue trade debtors	477,722,301
Imprests	9,837,350
Salary Advances prepayment	30,815,310
Prepayments	<u>14,949,827</u>
<b>Total debtors</b>	<b><u>533,324,788</u></b>

Further, we observed that no action or effort has been taken to clear or collect long outstanding accounts receivables.

**Implication**

The Council is deprived of the much needed liquidity for smooth running of operations.

**Audit recommendation**

City management should rigorously pursue the long overdue accounts receivables (debtors) with a view of recovering amounts outstanding.

**Management response**

An amount of Shs.74,388,379 has been recovered leaving an outstanding amount of Shs.458,936,411.

**Audit comment**

Measures to recover the remaining outstanding debtors should be made.

**4.0 CONCLUSION**

The observations raised in this report were discussed with the City Council Management and were generally agreed upon. Management of the City Council has agreed to take appropriate action in my audit recommendations.

Lastly, I would like to thank the City Council management and staff involved in the audit exercise for the cooperation rendered to the audit team during the course of the audit.

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## 5.0 ANNEXURES

- Financial Statements and notes to the financial statements - annexure I
- Organization structure of Dar es Salaam City Council - annexure II

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Halmashauri ya Jiji La Dar es Salaam - Muundo Ulioidhinishwa

