

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF NEWALA 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, Tanzania.

March, 2006

AR/LG/077/2005

## 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

	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	7
1.8 Audit mandate	7
1.9 Audit objectives	8
1.10 Audit scope	8
1.11 Audit methodology	9
1.12 Presentation of audit findings	9
2.0 Audit report on the financial statements	10-12
3.0 Audit findings and recommendations	13
3.1 Current year's findings	13-22
4.0 Conclusion	23
5.0 Annexures	24
I. Financial Statements and Notes to the Financial statements	
II. Organisation Structure	

## LIST OF ABBREVIATIONS AND TERMS USED

CAG	Controller and Auditor General
CD	Council Director
DED	District Executive Director
LAAM	Local Authority Accounting Manual
GDP	Gross Domestic Product
LAFM	Local Authority Financial Memorandum
GOT	Government of Tanzania
HIPC	Highly Indebted Poor Countries
IFMS	Integrated Financial Management System
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
M&E	Monitoring and Evaluation
MoF	Ministry of Finance
NSSF	National Social Security Fund
OCAG	Office of the Controller and Auditor General
ISA	International Standards on Auditing
PV	Payment Voucher
PO-RALG	President'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
TIN	Tax-Payer Identification Number

### Financial Statements means:

The Consolidated Balance Sheet, Consolidated Income and expenditure Statement, Consolidated Cash-flow Statement, Notes and related schedules of Newala District Council for the year ended 30<sup>th</sup> June 2005.

Council means - Newala District 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 Newala District Council for the year ended 30<sup>th</sup> June 2005. Audit findings arising from examination of accounting records, appraisal of activities and evaluation of the internal control system which require Management attention and action are set out under part three of this report.

### **1.2 Brief history of client establishment**

The Newala District Council was established in 1984 in terms of the provisions of sections 8 and 9 of the Local Government Act (District Authorities) 1982. Besides the Act, the Council operates within the framework of the following instruments.

- Local Authority Financial Memorandum 1997.
- Public Finance 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 Newala has the following objectives:

- (a) To maintain and facilitate maintenance of peace, order and good governance within its area of jurisdiction.
- (b) To promote the social welfare and economic well being of all persons within its area of jurisdiction.
- (c) Subject to the national policy and plans for Rural and Urban Development, to further the social and economic development of its area of jurisdiction.
- (d) Collection of Public funds through taxes, licenses, fees and charges.
- (e) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.

#### **1.3.1 Short Term Objectives**

In addition to the above objectives, the Council has the following short-term objectives:

- a. Continue with construction of Primary and Secondary School buildings to improve the quality of Education.
- b. Rehabilitate the buildings of dispensaries and Health Centres and provide them with working gears to improve the quality of services delivered.
- c. Improve production in Agriculture, Livestock and Natural Resources sectors and strengthen cooperatives.

- d. Conservation of Forests and Water sources through the Participatory Forest Management program (PFM).
- e. Road maintenance and land survey.
- f. Continue with rehabilitation of Water Infrastructure and expand water service delivery.
- g. The Council expects to start assuming the responsibility of Running and Maintenance of the Makonde Water Project (Mkunya, Chiwambo and Mitema Schemes) after being handed over by the Ministry of Water and Livestock Development.
- h. Establishment of Internet Service for the Council.

#### **1.4 Financing**

The Council has two sources of funds; which are own source and external source. The internal source includes collection of Public funds through taxes, fees, licenses and charges. On the other hand, external source includes subsidies from central government as well as grants and loans from donor community. From these sources, total Income during the year was Shs.4,070,054,760.16 made up of Shs.208,476,066.95 from own sources, Shs.3,771,862,455.76 from government grants and Shs.89,716,237.44 from donors.

#### **1.5 Management**

The Newala District Council operates under directives of the Full Council which is a supreme body for legislative responsibilities. Under the Full Council there are three Committees which are directly answerable to it. The Chief Executive for the District Council is the District Executive Director (DED), who is responsible for the day-to-day activities. The structure has positions of Internal Auditor and Legal Officer with responsibilities of advising the Director on matters falling under their jurisdiction. However, for the time being both posts are vacant.

In addition the structure provides for functional departments namely: Administration, Finance and Trade, Health, Education, Works, District 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 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 Newala District Council abides by this order and Procurement Act, but is lacking an internal auditor and Legal officer. Weaknesses arising from review of internal control system are included under part 3 of this report.

## **1.7 Out Turn**

### **Revenue**

The District Council collected an amount of Shs.204,476,076.41 from own sources, against the internal revenue budget of Shs.396,300,000.00 reflecting a collection shortfall of Shs.191,823,923.59 or 48%. 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.3,865,578,693.20 making total revenue of Shs. 4,070,054,769.61 during the year.

### **Expenditure**

The Council spent Shs.3,895,616,606.07 during the year against total income of Shs.4,070,054,769.61 or 95% of total revenue, leaving unspent amount of shs. Shs.174,438,163.54. 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.204,476,076.41 against expenditure of shs.3,895,616,606.07(net of depreciation) is only 5%, 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 Finances Act No.9 of 1982, (revised, 2000); the Controller and Auditor General is the auditor of all government revenues and expenditure, including the revenues and expenditure 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.

### **1.10 Audit Scope**

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

As an auditor, I am not required to search specifically for fraud; therefore my audit cannot be relied upon to disclose all such matters. However, my audit was planned so that we 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,  
Mtwara Region.

Council Director and Accounting Officer,  
Newala District Council.

### RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF NEWALA 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 Newala District Council shown as annexure I of this report for the financial year ended on 30 June 2005.

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

These financial statements are the responsibility of the management of Newala District Council.

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

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

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

#### **Basis of opinion**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Newala District Council, consistently applied and adequately disclosed, evaluating the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements. I believe the audit provides a reasonable basis for my opinion.

The financial statements have been prepared and presented based on the accrual principle of accounting pursuant to Order Nos. 56 through 58 of the LAFM. Under the accrual basis, all revenues and all the related costs are matched with the period in which they were earned and incurred.

### **Opinion**

In my opinion the financial statements fairly reflect, in all material respects, the financial position of Newala 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.

Further to my opinion, the transactions of procurement of: service and repair of health centres, vehicle maintenance, fuel, road-works, and consultancy services, for Newala District Council which I have tested as part of the audit, have generally complied with the requirements of the Public Procurement Act No.21 of 2004.

### **Matters of emphasis**

Without qualifying my opinion, I wish to point out the following matters for the attention of the full Council:

- (a) Examination of payment vouchers and cash book observed that payment vouchers amounting to Shs 18,090,900.00 were not produced for audit verification.
- (b) Payment vouchers disclosed that a total amount of Shs.15,989,210.00 was paid without supporting documents.
- (c) Stores worth Shs.13,305,800.00 ordered and paid for were not delivered to the Council Hospital - Newala; contrary to Order Nos. 223 and 224 of the LAFM, 19997
- (d) Stores worth Shs. 5,061,000.00 were purchased and paid for but not taken on ledger charge.
- (e) There exists irregular payments totalling Shs.5,071,500.00 due to hire of a grader.

- (f) Fifty-six revenue receipt books (open books) were not produced for audit examination when called for.
- (g) Goods worth Shs. 22,693,793.00 ordered and paid for during the year under review were not confirmed to have been delivered, recorded and used.

The details of these matters are given in Part 3 of this report.

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

---

Office of the Controller and Auditor General  
The National Audit Office  
**DAR ES SALAAM.**

31 March 2006.

### 3.0 AUDIT FINDINGS AND RECOMMENDATIONS

#### 3.1 Current Audit Findings

##### 3.1.2 Unvouched Expenditure Shs.18,090,900

Examination of payment vouchers and cash book observed that payment vouchers amounting to Shs.18,090,900.00 were not produced for audit verification.

#### UNVOUCHED EXPENDITURE SHS 18,090,900.00

A/C	Pv No	Amount	Name of Payee	Cheque No	Date
General Fund	219/11	7,296,900.00	DED - Newala	018932	23.11.04
	<b>SUB Total</b>	<b>7,296,900.00</b>			
Health	25/2	455,000.00	DED - Newala	023322	
	<b>Sub Total</b>	<b>455,000.00</b>			
Deposit	3/9	3,671,000.00	DED - Newala A/c	020432	
	53/9	4,119,000.00	No 1 DED - Newala		
	63/9	2,576,000.00	A/c No 1	020487	
			DED - Newala A/c		
			No 1	020498	
	<b>Sub Total</b>	<b>10,366,000.00</b>			
	<b>Total</b>	<b>18,090,900.00</b>			

#### Implication

Failure to trace the original payment vouchers implies poor control over accountable documents contrary to Orders Nos. 96 through 102 of the LAFM 1997.

#### Recommendation

We recommend that the missing payment vouchers should be traced and submitted for audit verification.

#### Management Response

The management agreed to the recommendations.

#### Audit Comment

It is advised that the Management should implement the recommendations above.

##### 3.1.3 Improperly Vouched Expenditure Shs.15,989,210.00

Scrutiny of payment vouchers disclosed total amount of Shs.15,989,210.00 paid without supporting documents.

Details are shown on the following table:

ACCOUNT	Pv No	Amount	Name of Payee	Cheque #	Date	Missing Documents
General Fund	51/8	660,000.00	DED - Newala	018613	26.8.04	Dully signed pay sheet
	163/12	1,535,000.00	DED - Newala	018084	31.12.04	Dully signed pay sheet
	<b>Sub Total</b>	<b>2,195,000.00</b>				
Women \$ Youth	1/3	3,500,000.00	Permanent Secretary "Maeneleo ya Jamii Jinsia na Watoto	000389	12.5.05	ERV (Exchequer receipt voucher)
	<b>Sub Total</b>	<b>3,500,000.00</b>				
Development	10/11	3,000,000.00	Manager TANROAD	020178		Acknowledgement receipt
	<b>Sub Total</b>	<b>3,000,000.00</b>				
Health	1/7	2,790,000.00	DED - Newala	023022		Attendance Register
	<b>Sub Total</b>	<b>2,790,000.00</b>				
Elimu	3/8	1,250,000.00	DED-Newala	015069		Acknowledgement receipt Shs. 1,100,000.00 from Butimba and Bagamoyo college. Receipted payroll missing
	31/3	3,254,210.00	DED-Newala	022036		
	<b>Sub Total</b>	<b>4,504,210.00</b>				
	<b>Total</b>	<b>15,989,210.00</b>				

### Implication

In the absence of supporting documents, there is a possibility of misappropriation of the Council's money.

### Recommendation

We recommend that all supporting documents should be produced for audit.

### Management Response

The management agreed to the recommendations.

### Audit Comment

It is advised that the Management should implement the recommendations above.

#### 3.1.4 Purchase Made Without Quotations Shs.3,162,000.00

A payment of Shs.3,162,000.00 was made to purchase various items of stores without inviting competitive quotations as required by regulations as follows:-

A/C	PV#	AMOUNT	NAME OF PAYEE	CHEQUE	DATE	PARTICULARS
General fund	76/11	3,162,000.00	Arif.A. Abulaziz	018813	8/11/04	Material for House maintenance. P/I no.574-576 of 26/4/04
	<b>Total</b>	<b>3,162,000.00</b>				

**Implication**

Failure to use quotations denies the Council to purchase at right prices and get the quality intended.

**Recommendation**

It is recommended that all purchases should be made by using quotations to obtain reasonable price and quality goods supplied.

**Management Response**

The management agreed to the recommendations.

**Audit Comment**

The management is advised to implement the above recommendations and submit the same for audit verification.

**3.1.5 Doubtful and Questionable Purchase of Generator Shs.3,850,000.00**

Payment was made to C.H. Enterprises - Mtwara to purchase a generator for power supply in the Education Department office vide Pv. 38/9 cheque No. 015095, Education account.

However, the following anomalies were noted.

- (i) The Generator was a technical item but the management did not seek technical advice before purchase of such item.
- (ii) The specifications of the generator to be purchased were not made on the LPO No. 57437 dated 4/9/04.
- (iii) Despite the type of the generator order by LPO No. 57437 that was also confirmed to have been received vide delivery note No. 0577 to be Honda; physical survey revealed the generator was Robin of 4.2kw, 19.1A serial No. G 0403124 powered by Diesel Engine.

**Implications**

- a. Failure to seek technical advice may lead to the purchase of unintended and poor quality items.
- b. Failure to receive a specific item as ordered implies weak control over stores and breach of Order Nos. 223 and 224 of the LAFM (1997).
- c. Failure to specify the type and model of the generator to be purchased implies the payment to be nugatory.

**Recommendation**

The Management should strengthen controls over delivery procedures and abide by the Public Procurement Act No. 21 of 2004 and why the generator received was Robin and not Honda as per the order.

**Management response**

The management agreed to the recommendations.

**Comment**

The management is advised to implement the above recommendations and submit the same for audit verification.

**3.1.6 Nugatory Expenditure Shs.826,650.00**

A sum of Shs.826,650.00 was paid to NSSF being penalty for late payment of contribution vide Pv. 20/11/04, Cheque No 023179, from Health account.

It is evident that the penalty arose due to negligence that led to late payment of the contribution.

**Implication**

Failure to abide by the conditions leads to loss to the Council.

**Recommendation**

It is recommended that the contribution from statutory deductions should be remitted on time to avoid unnecessary penalties and improve efficiency over the activity.

**Management Response**

The management agreed to the recommendations.

**Audit Comment**

The management is advised to implement the above recommendations and submit the same for audit verification.

**3.1.7 Questionable and Doubtful Hire of Grader Shs.5,071,500.00**

Pv 66/10 Shs 1,800,000.00 Chq No 018748 - 22/10/04 General Fund

Pv 41/11 Shs 2,400,000.00 Chq No 018783 - 3/11/04 General Fund

4,200,000.00

Payment made to DED - Newala and TEPU - Mtwara being for hiring charge of a grader for grading Mapila - Chihanga - Mkunza road 15km, Newala - Magumuchila road 13km and Majembe Juu - Mpalu road 13km.

The following irregularities were noted:

- (i) The same work was contracted twice that is contract No. NDC/RM/2004/1 signed on 25/10/04 with a contract sum of Shs.3,634,000.00 (1,800,000 cost of grading and 1,834,000.00 fuel and allowances) and contract No. NDC/RM/2004/2 signed on 1/11/04 with a contract sum of Shs.4,444,000.00 (2,400,000.00 cost of grading and Shs.1,964,000.00 fuel and allowances).

- (ii) The payments were supported by copies of contract agreements, which were incomplete in the sense that the District Executive Director and the Chairman of the Council were not involved in signing the contract. I.e. the contracts were only signed by District Works Engineer and one witness.
- (iii) It was further noted that the a sum of Shs.1,800,000.00 was paid by cash to TANROADS and not acknowledged.
- (iv) The sum of Shs.2, 400,000.00 which was also paid to TANROADS was not acknowledged.

#### **Implication**

In the absence of acknowledgement, the sum paid might have gone to an inappropriate payee.

#### **Recommendation**

We recommend that proper acknowledgement receipts should be obtained to acknowledge the paid sum and explanation on double payments given.

#### **Management Response**

The management agreed to the recommendations.

#### **Audit Comment**

The management is advised to implement the recommendations given above and submit all necessary information for audit verification.

### **3.1.8 Doubtful and Questionable Payment of Printing Costs**

#### **Shs.5,071,500.00**

The above payment was in respect of scanning and printing costs of 3381 pictures of standards seven pupils.

The following anomalies were noted.

- (i) The quotations (in the form of proforma invoices) were obtained from the suppliers before the requisition No. 1451 dated 13/10/2004 had been prepared. This indicated that the purchasing process had started before the need to purchase as the quotations had already been obtained.

The quotations were obtained on proforma invoice No.00405 dated 9/2/2004 from Computer Ltd, Dol/0023/2004 of 23/2/2004 from Dolphin Stationers and from Pekee H.Pekee dated 6/2/2004.

- (ii) The payment was made to Shabani Napunda instead of the supplier i.e. Dolphin Stationers contrary to Regulations.
- (iii) A distribution list to show how the scanned pictures were received by the pupils/teachers was not produced.
- (iv) The service provider appears to have no TIN number as it was not identified.

**Implication**

Tax evasion is implied as the payees differ from business names of the suppliers.

**Recommendation**

We recommend that all payments be made to the business names of relevant suppliers and the purchases should follow procurement regulations. Further, suppliers without TIN numbers should not be engaged.

**Management Response**

The management agreed to the recommendations.

**Audit Comment**

The management is advised to implement the recommendations given above and submit all necessary information for audit verification.

**3.1.9 Questionable Purchase of Stickers Shs. 720,000.00**

A sum of Shs. 720,000.00 was used to purchase stickers for the financial year under review vide Pv 189/11, cheque No. 018907, from General Fund Account.

It was noted that; despite the fact that the stickers purchased were to be used to collect revenue for the financial period in question, up to the time of audit no single sticker was sold meaning that they were useless. Hence the expenditure of Shs.720,000.00 became nugatory.

Furthermore, stickers printed had no serial numbers despite the fact that they are countable documents.

The details of stickers are as follows: -

100	Lorry Stickers @ 40,000.00	Shs 4,000,000.00
100	Pick-up Stickers @ 30,000.00	Shs 3,000,000.00
100	Bus Stickers @ 80,000.00	Shs 8,000,000.00
100	Minibus Stickers @ 50,000.00	Shs 5,000,000.00
100	Motorcycle Stickers @15,000.00	Shs 1,500,000.00
100	Saloon Car Stickers @ 20,000.00	Shs 2,000,000.00
		<b><u>23,500,000.00</u></b>

**Implication**

Lack of adequate planning in financial decision making is implied.

### Recommendation

It is recommended that; before any decision to introduce new sources of revenue is made, a study should be done to substantiate the viability.

### Management Response

The management agreed to the recommendation.

### Audit Comment

The management should work on how to recover the money spent on the purchase of stickers.

### 3.1.10 Items of Stores Under-delivered Shs.5,285,500.00

Items of stores for Hospital use, worth Shs 5,285,500.00 ordered and paid for, were under-delivered.

More details are as on the table below:-

A/c	PV	LPO & DATE	ITEMS	QTY PAID FOR	QUATY RECEIVED	DIFFERENCE	RATE	VALUE
AFYA	10/7	466147 of 12.7.04	Blankets Mattress Foam	50EA 35EA	45EA 20EA	5EA 15EA	7,800.00 30,000.00	39,000.00 450,000.00
		466147 of 12.7.04	Cloth cotton Visc white	6 Roll	5 Roll	1Roll	40,500.00	40,500.00
	19/12	Various	Screen	12EA	2EA	10EA	100,000.00	1,000,000.00
			Sphygmomanometer	42EA	2 EA	30EA	25,000.00	750,000.00
			Macintosh	47EA	5 EA	42EA	43,000.00	1,806,000.00
			Bed side locker (Wooden)	12EA 6 EA	2 EA 2 Roll	10EA 4Roll	100,000.00 50,000.00	1,000,000.00 200,000.00
			Screen foulding with curtain					
			Sheeting rubber					
			Macintosh 25mtr					
								<b>5,285,500.00</b>

### Implication on Findings

Substantial weakness in the failure to receive stores paid for may amount to loss of public funds.

### Recommendation

Management should confirm the delivery of items to the store.

### Management Response

The management agreed to the recommendation.

### 3.1.11 Hospital Equipment Not Delivered Shs.13,305,800.00

Stores valued Shs.13,305,800.00 ordered and paid for were not delivered to the Council Hospital - Newala; contrary to Order Nos. 223 and 224 of the LAFM, 19997.

More details are as per table below:-

PV	LPO	AMOUNT	DESCRIPTION
53/5	0669-16.5.05	2,568,000.00	2Roll – Cloth cotton/visc orange 25 m Shs @ Shs 40,000.00 2Roll – Cloth cotton 100%Green for theatre @ Shs 61,300.00 20 EA Bowl wash 35cm S.S @ Shs 10,500.00 2 EA delivery kit @ Shs 169,700.00 1 EA suction pump electric 1000 cap @ Shs 468,000.00 9 Ea Screen folding with curtain @ Shs 100,000.00 16 EA Theatre boots s.z. 9 @ Shs 28,000.00 M/s MSD
4/6	0668-16.5.05	2,566,800.00	2 EA stove kerosene burner roarer pressure @ Shs 95,000.00 4 EA Stretcher foulding @ Shs 94,200.00 8 EA screen foulding with curtain @ Shs 100,000.00 40 EA Mattress foam 195 x 90 x 10cm (with water proof cover) @ Shs 30,000.00 M/s MSD
109/6	0852-24.6.05	2,997,500.00	5 EA stretcher folding @ Shs 94,200.00 8 EA screen foulding with curtain @ Shs 100,000.00 3 EA stove kerosene 4 burner roader pressure @ Shs 95,000.00 40 EA mattress foam 195 x 90cm @ Shs 30,000.00 23 EA bowl wash S.S. @ Shs 10,500.00 M/s MSD
10/7	466147-12.7.05	139,800.00	2 Roll sheeting rubber macintosh 25mtr @ Shs 49,900.00 16 EA Forceps Artery 12.5cm @ Shs 2,500.00 M/s MSD
19/12	0083 of 13.12.04 0084 of 13.12.04 0085 of 13.12.05	2,037,700.00	5 Set delivery kit Shs 2 169,700.00 48 EA forceps artery halisted mosquito curve 12.5m@ Shs 2, 300 48 EA Forceps Artery @ Shs 2,300.00 2 EA Adult weighing scale @ Shs 390,000.00 4 EA delivery kit @ Shs 169,700.00 2 EA stretcher foulding @ Shs 94,200.00 M/s MSD
110/6	0851 of 24.6.05	2,996,000.00	4 EA delivery kit @ Shs 169,700.00 16 pair theatre boots s.s. 9 @ Shs 28,000.00 3 Roll cloth cotton/visc orange @ Shs 40,000.00 4 Roll cloth cotton 100% green @ 61,300.00 1 EA suction pump electric 1,000 cap @ Shs 468,000.00 9 EA Screen foulding with curtain @ Shs 100,000.00 12 EA Apron theatre plastic @ Shs Shs 3,000.00 4 EA sphygmomanometer Aneroid @ Shs 25,000.00 M/s MSD
	<b>Total</b>	<b>13,305,800.00</b>	

### Implication

Failure to receive stores paid for may amount to loss to the Council.

### Recommendation

Management should confirm receipt of the items by submitting relevant supporting documents.

### Management Response

The management agreed to the recommendation.

### Audit Comment

It is advised that the recommendation above should be complied with.

### **3.1.12 Stores Not Taken on Ledger Charge Shs.5,061,000.00**

Stores worth Shs. 5,061,000.00 were purchased and paid for but not taken on ledger charge and there was no particulars to substantiate utilisation of the same.

#### **Implication**

Failure to take into ledger charge of the stores procured implies misappropriation and or loss of the stores.

#### **Recommendation**

It is recommended that, purchased items should be taken on ledger charge after receiving and accounted for when allocated for use. In addition, all particulars relating to the stores should be produced for audit when required.

#### **Management Response**

The management agreed to the recommendations.

#### **Audit Comment**

It is advised that the recommendation above be implemented and communicated to us for audit verification.

### **3.1.13 Stores Ledger Not Up-dated**

Examination made on the stores ledger revealed that the balances of old ledger were not carried forward to new ledgers and the latter were not updated daily to reflect true balances.

#### **Implication**

In the absence of reliable stores records for the goods paid for and received, it implies that the financial statements are misstated.

#### **Recommendation**

It is recommended that the management should make efforts to ensure that stores procedures and regulations have been followed, ascertain actual balances in the stores ledgers and make adjustments to the financial statements as appropriate.

#### **Management Response**

The management agreed to the recommendations.

#### **Audit Comment**

It is advised that the management should make efforts to update the records and submit for audit verification.

### **3.1.14 Outstanding Advances and imprests Shs 48,010,074.00**

The balance sheet as at 30<sup>th</sup> June, 2005 disclosed outstanding advances and imprests overdue as follows: -

Imprests	43,525,338.00
Advances	<u>4,484,736.00</u>
	<b><u>48,010,074.00</u></b>

However, analysed schedules submitted did not indicate clearance action taken or intended to be taken.

### **Implication**

- (i) There is laxity in recovering outstanding imprests and advances.
- (ii) The Council's working capital is tied up in the form of outstanding imprests and advances.

### **Recommendation**

Immediate follow-up is necessary to clear the outstanding items.

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

#### 4.0 CONCLUSION

The detailed audit findings presented above have been communicated to the management of the Newala District Council during exit meeting.

The Management of Newala District 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.

During the course of audit, the audit team faced difficulties including delay in obtaining some documents and information requested within a reasonable period of time leading to delay in audit completion.

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

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

## 5.0 ANNEXURES

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

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF NEWALA DISTRICT COUNCIL

