

**THE UNITED REPUBLIC OF TANZANIA**

**NATIONAL AUDIT OFFICE (NAO)**



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

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**DAR ES SALAAM.**

March, 2006

AR/LG/078/2005

## 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.

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## ABBREVIATIONS

CAG	Controller and Auditor General
CD	Council Director
DED	District Executive Director
DPs	Development Partners
LAAM	Local Authority Accounting Manual
GDP	Gross Domestic Product
LAFM	Local Authority Financial Memorandum
GOT	Government of Tanzania
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 Standards 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 attached schedules Tandahimba District Council for the year ended 30<sup>th</sup> June 2005.

Council means-Tandahimba District Council, both as Councillors as well as an operating entity.

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

### **1.1 Introduction:**

I have completed the audit of Tandahimba 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 Tandahimba District Council was established on 7<sup>th</sup> July 2000 through Government Notice No 260; 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.
- Procurement Act No 21 of 2004.
- Local Government Finances Act No 9 of 1982.

### **1.3 Operational objectives**

According to the Local Government (District Authorities) Act, the District Council of Tandahimba 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.

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

#### **1.4 Financing**

The Council has two sources of funds; which are own source and external source. The internal source includes collection of Public funds through taxes, fees, licenses and charges. On the other hand, external source includes subsidies from central government as well as grants and loans from donor community. From these sources, total Income during the year was Shs.3,836,908,077 made up of Shs.349,862,934 from own sources, Shs.3,380,522,244 from government grants and unidentified Other Income of shs.106,522,899.

#### **1.5 Management**

The Tandahimba 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. Also, 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, these two posts are vacant

In addition, the structure provides for functional departments namely: Administration, Finance and Trade, Health, Education, Works, Water, Planning Natural Recourses & Environment. Others are social welfare & Community Development, Economic & Trade and Agriculture Livestock & Co-operatives

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 Tandahimba District Council complies with the statutory requirements, but is lacking an Audit Committee which is

part of transparency and good governance. Nevertheless 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. 349,862,934 from own sources and received total grants of Shs.3,380,522,244 from the central government. Also, the Council received unidentified Other Income of Shs.106,522,899. Comparatively, the internal sources represented only 9% of total funds of Shs.3,836,908,077 collected during the year.

- **Expenditure**

The Council spent Shs. 3,718,238,287 during the year against total income of Shs. 3,836,908,077 or 97% of total revenue, leaving unspent amount of Shs.118,669,790. 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.349,862,934 against expenditure of Shs.3,718,238,287 (net of depreciation) is only 9%, implying that the District council's internal sources 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 expenditures of this District Council.

## **1.9 Audit objectives.**

The main objective of carrying out the audit is to enable me to express an independent opinion on the financial statements of the District Council for the year ended 30<sup>th</sup> June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with the financial regulations, and recorded properly in the books of account for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget and governing regulations.
- To ascertain whether all supporting documents, records and accounts have been properly kept in respect of all District Council activities.

- To verify whether goods and services bought were acquired through laid down procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the management, for implementing and monitoring activities and that the assets of the authority are adequately safeguarded against losses from unauthorized use or disposition.
- To verify whether the Council has implemented audit recommendations made in previous audits.

### **1.10 Audit Scope**

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

As auditors we are not required to search specifically for fraud; therefore our audit cannot be relied upon to disclose all such matters. However, our 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.

District Executive Director and Accounting Officer,  
Tandahimba District Council.

**Re:** Independent audit report on the financial statements of Tandahimba  
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 Tandahimba District Council for the financial year ended on 30 June 2005; attached to this report as appendix No.6

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

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

Order Nos 9 through 16 of the LAFM requires 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. Those 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 Tandahimba District Council, consistently applied and adequately disclosed, evaluating the overall financial statement presentation, and assessing the extent of compliance with the statutory requirements. I believe the audit provides a reasonable basis for my opinion.

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.

### **Qualification**

Except for the material matters pointed out below, in my opinion the financial statements fairly reflect, in all material respects, the financial position of Tandahimba District Council as at 30th. June 2005 and the results of the operations and cash-flows for the year then ended, in accordance with Part IV of the Local Government Finances Act No. 9 of 1982.

### **Material disagreement in best practice and non-compliance with the Law**

1. The Consolidated Income and expenditure Statement is not presented in accordance with International Reporting Standards. Moreover, the accounting policies stated as Note 2 & 3 contradicts with the Accrual Basis of accounting since expenditure and revenue were recognised using cash basis and modified cash basis respectively.
2. The Consolidated Balance Sheet reflected Debtors amounting to Shs. 71,989,432.78 and Creditors worth Shs.16,291,225.25 without age analysis and the policy on Debtors and Creditors was not disclosed.
3. Pesticides worth Shs.44,122,140 ordered and paid for during the year under review were not delivered
4. Inter-account transfers amounting to shs.4,046,011.42 were made during the year but recording of the transactions was incomplete. In addition, advances totalling shs.5,788,997 issued between different departments were not recovered.
5. Three bank accounts were overdrawn by shs.2,994,314 without prior approval of the Minister as required by the Law.
6. Previous year's queries worth shs.902,406,093 and missing open revenue receipts are still outstanding.

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

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 Follow - up of previous audit findings

Financial year	Para	Audit observation	Amount queried Shs.	Amount outstanding Shs.	Comments
2003/04	3.1.1	Missing receipt books	53EA	13EA	Thirteen open receipts books are still outstanding
	3.1.2	Revenue collections not accounted for.	1,371,616	1,371,616	No reply has been received
	3.1.3	Under banked revenue	5,921,137	2,156,746	Further investigation and recovery of the balance is necessary.
	3.1.5	Missing original receipts from unused receipts books			No reply has been received
	3.2.2	Improperly voucher expenditure	126,124,892	47,445,962	More efforts are needed to trace the missing documents
	3.2.3	Payments based on proforma invoice	53,994,669	53,994,669	No reply has been received
	3.2.4	Missing acknowledgement receipts	32,113,920	19,997,320	More efforts are needed to trace the missing receipts
	3.2.5	Purchase made without competitive quotations	16,168,500	16,168,500	No reply has been received
	3.2.7	Questionable service of motor vehicles	15,940,600	15,940,600	Not attended
	3.2.9	Questionable payment of acting allowances	2,740,972	2,740,972	Not attended
	3.2.10	Questionable purchase of sulphur	286,882,600	286,882,600	Not attended
	3.2.11	Irregular transfer of funds	50,000,000	50,000,000	Not attended
	3.2.12	Purchases above approved powers	22,174,760	22,174,760	Not attended
	3.2.13	Questionable payment of loan	6,000,000	6,000,000	Not attended
	3.2.14	Irregular and questionable payment of casual labourers	2,045,355	2,045,355	Not attended
	3.2.15	Questionable loan to TDTF	3,704,475	3,704,475	Not attended
	3.2.16	Loss of motorcycle			Not attended
	3.2.17	Irregular purchase of Hospital equipment	22,680,000	22,680,000	Not attended
	3.2.18	Irregular Contraction construction of Residential house	34,382,118	34,382,118	Not attended
	3.3.7	Stores not taken on ledger charge	64,661,600	28,137,800	The outstanding balance should be regularised.
	3.3.8	Stores issued in Bulk	286,582,600	286,582,600	Not attended

#### Recommendation

The management is advised to make serious efforts to clear the outstanding items as some of these findings affect accounts of the subsequent financial years.

## **3.2 Current Audit Findings**

### **3.2.1 Missing Revenue Receipts Books**

Four fixed revenue receipt books worth shs. 150,000 and two open books were not produced for audit verification when called for. In the circumstances, any funds collected using those receipts were not on record and could not be ascertained.

#### **Implication**

There is possibility of misuse of revenue receipts.

#### **Recommendation**

Management should make follow-up and account for the receipts. In case of confirmation of loss, appropriate action should be taken including preparation of a loss report in accordance with Order no. 102 of Local Authority Financial Memorandum 1997.

#### **Management response**

Five (5) books are still missing.

#### **Audit comment**

A follow-up noted that 6 books are still missing.

### **3.2.2 Under-banked Revenue-shs. 1,352,098.85**

An examination of records of revenue receipt books against banking particulars disclosed under-banking of shs 1,352,098.85. This discrepancy, amounts to violation of Order No.189 of the Local Authority Financial Memorandum 1997 which requires daily banking of all monies received.

#### **Implications**

- The Council management does not make regular checks and there is a possibility of misappropriation of revenue.
- Understatement of total receipts for the year.

#### **Recommendation**

The management should comply with Order No. 189 to ensure that monies are banked daily and intact.

#### **Management response**

The amount was used for payment before being banked.

#### **Audit comment**

Any authorisation of direct use of revenue is a breach of financial regulations as well as failure of the management to uphold the internal controls set by it.

### **3.2.3 Unvouched and Improperly Vouched Expenditure-shs. 77,084,310**

An examination of payment vouchers against Cash Book revealed missing payment vouchers amounting to Shs. 6,406,451.15. In addition, payments adding to Shs. 70,677,858.95 are lacking necessary supporting documents such as original pay sheets, acknowledgement receipts, bills, final invoices and distribution particulars. In the absence of those records, the authenticity and regularity of the expenditure incurred could not be established.

#### **Implication**

There is weak control over custody of accounting records.

#### **Recommendation**

The Council management is advised to strengthen the internal check system and improve custody of accounting records. In addition, the questioned expenditure of Shs. 77,084,310 should be regularized by submitting the missing vouchers and supporting documents.

#### **Management response**

The Council Management promised to trace all missing payment vouchers and confirmed that all supporting documents are now available for audit verification.

#### **Audit comments**

- Regardless of the management reply that the supporting documents have been obtained, nothing has been submitted for verification. The council is advised to improve the internal check system and custody of records for better accountability.
- Verification of the documents and evaluation of implementation of the recommendation will be done during the next audit.

### **3.2.4 Inter-account Transfers not Acknowledged-Shs.34,046,011.42**

I have noted seven instances involving inter-account transfers amounting to Shs.4,046,011.42 made during the year. Scrutiny of cash-books and receipts revealed that, no acknowledgement receipts were issued from the receiving account and recorded.

#### **Implication**

The failure to acknowledge the amount in the receiving account means incomplete recording of the transaction and led to understatement of cashbook balance.

#### **Recommendation**

Any transfer of funds should be receipted and recorded in the receiving cashbook. In addition, the accounts should be adjusted to clear the anomaly.

### Management response

The Council management agreed to implement the recommendation.

### Audit comments

Management should render documentary evidence of clearance of the error.

#### 3.2.5 Inter-departmental Advances not Recovered-shs 5,788,997

We noted that advances totalling shs 5,788,997 were issued between different departments but there were no evidence of recoveries before final accounts were closed. Further, we noted that the advances were not recorded in the Advances Register. The following are the details of the outstanding advances.

Pv No.	Amount Shs.	Cheque No.	Date	Donating A/c	Receiving A/c
3/6	800,000	002803525	10/6/05	DADPS	NAEP II
6/6	550,000	002803528	28/6/05	DADPS	NAEP II
16/3	3,216,421	030560	16/3/05	Health	G/Fund
202/7	1,000,000	025949	-	G/Fund	TDTF-
4/3	222,576	032389	-	NAEP II	Tandahimba G/Fund
	<b>5,788,997</b>				

### Implication

Non-refund of the advances to the respective accounts amounts to diversion and misallocation of funds to activities not approved by the Full Council.

### Recommendation

A follow-up should be made to recover the advances and ensure prior year adjustments are made in the ledger accounts. In future, advances between departments should be entered in the Advances Register.

### Management response

All inter-departmental/account loans have been recovered.

### Audit comments

A verification of the reply noted that the whole amount of shs.5,788,997 is not yet recovered.

#### 3.2.6 Short-supply of Dusting Sulphur- shs 44,122,140

On 18<sup>th</sup> March, 2005 the Council management signed a contract agreement No. TDC/A.20.1.31 with M/s Abbas Exports Ltd of Mtwara; for supplying and distributing 46,296 bags of palm brand dusting sulphur at a rate of shs.10,200 per bag. An examination of the documents underlying the contract noted that the supplier did not deliver 4,325.70 bags worth shs.44,122,140 though full payment of shs. 472,216,140 was made as shown below. We further noted that the agreed supply period was fifty

days with a deadline fixed on 6<sup>th</sup> May, 2005 but part of the consignment was delivered to the Primary Co-operative Unions in late June 2005. Even so, the management did not surcharge the supplier for the period delayed.

PV No	CHQ No.	Amount shs.	Nature of payment	A/c
1/3	002366112	300,000,000	Advance payment	Pembejeo
1/6	002366115	<u>172,216,140</u>	Final Payment	Pembejeo
		<u>472,216,140</u>		

### Implications

- Failure to detect the short delivery is an indication of weak internal check system.
- There is possibility of collusion among the officers involved and an obvious loss to the Council.
- Full value for money was not achieved since part of the consignment was delayed beyond intended season.

### Recommendation

Management should oblige the supplier to deliver the balance or refund the amount overpaid as appropriate by applying the relevant contract clauses. In future, all deliveries should be inspected properly and certified by the head of department as per requirements of Order Nos. 256 and 257 of the Local Authority Financial Memorandum 1997, respectively. In addition, breach of any provision should be subject to penalties stated in the contract.

### Management response

All missing delivery notes have been traced.

### Audit comments

A verification of the reply did not confirm delivery of the remaining quantity of the pesticide worth shs. 44,122,140.

### 3.2.7 Questionable Payment - shs 4,036,500

The Council ordered 2691 TSM 9 forms worth shs. 4,036,500 from M/s Pride Computers Ltd vide LPO No. 6598 of 23.9.2004. However, upon payment, the cheque was drawn in favour of an individual Mr Shabani Mapunda contrary to payment regulations.

### Implication

- The move was intended to assist the supplier to evade payment of income tax.
- The Council is not assured of settlement of its legal responsibility to pay the real supplier M/s Pride Computers Ltd.

### Recommendation

The management should obtain a receipt from M/s Pride Computers Ltd as an evidence of settlement of the liability. For future payments, the name of payee should correspond to the LPO and invoices.

**Management response**

The Council management agreed to implement the recommendation.

**Audit comment**

Verification will be made soon after implementation of the recommendation.

**3.2.8 Overdrawn Bank Accounts - shs. 2,994,314**

An examination of Bank Reconciliation Statements dated 30<sup>th</sup> June 2005 against cash books noted that three bank accounts were overdrawn by shs 2,994,314 without prior approval of the Minister as required by Section 12(1) of the Local Government Finances Act No. 9 of 1982. Details of the overdrawn accounts are shown below:-

Account Name	Amount overdrawn Shs.
General Fund	2,863,627.19
Works	118,630.50
Water	<u>12,057.14</u>
Total	<u><b>2,994,314.33</b></u>

**Implication**

Monitoring of bank balances and budget is inadequate. Also, the internal check system is weak.

**Recommendation**

The Council Management is advised to strengthen the internal check system to ensure all financial regulations are fully observed.

**Management response**

The Council management promised to implement the recommendation

**3.2.9 Outstanding Debtors and Creditors**

The Consolidated Balance Sheet reflected Debtors amounting to Shs. 71,989,432.78 comprising Imprests, Women Group and Motor Blower Machine ledger balances. On the other hand, the Statement reflected Creditors worth Shs. 16,291,225.25 being an amount due to LAPF. Nevertheless, the accounts did not include details of the individual Debtors and age analysis. Moreover, the management did not assert its policy on retention and disposal of Debtors and Creditors.

**Implication**

Lack of age analysis limits assessment of recoverability of debts and implementation of Creditors policy if any. In addition, there is a possibility of unauthorized use of statutory deductions.

#### **Recommendation**

The management is advised to support the debt balances with age analysis schedule. In addition, management should formulate a clear policy on Debtors and Creditors and ensure that the outstanding statutory deductions are settled to avoid unnecessary penalties.

#### **Management response**

The Council management promised to implement the recommendation

#### **Audit comment**

Prompt action is necessary.

### **3.2.10 Outstanding items of Bank Reconciliation -shs.15,710,000.58**

A review of the Bank Reconciliation Statements for the period ended 30<sup>th</sup> June, 2005 noted that an amount of shs.15,710,000.58 shown as receipts in cashbooks not in bank statements was not analysed. The amount stems from the following bank accounts:-

<u>Details</u>	<u>Amount</u> <u>Shs.</u>
General fund	525,676.93
Deposit	672,940.00
Health Account	4,951,076.20
Water	32,985.00
Women and Youth	663,500.00
Road Fund	8,610,822.45
Revenue	63,000.00
Cost sharing	170,000.00
Upimaji Ardhi	20,000.00
<b>Total</b>	<b><u>15,710,000.58</u></b>

#### **Implication**

There is a risk of loss of funds as well as possibility of overstating receipts.

#### **Recommendation**

Immediate follow-up is necessary to ensure the amounts are credited in the respective bank accounts.

### **3.2.11 Presentation of Financial Statements**

The format used in presenting the Consolidated Income and Expenditure Statement departed from International Reporting Standards. The statement was presented by starting with Expenditure instead of Income. In addition we noted a difference of shs.446,431,313 between the amount of expenditure shown in the statement and that appearing in the schedule at page 12 of the accounts termed "Notes to Cash-flow Statement".

Further, I have noted that Note 2 & 3 to the financial statements contradicts with the stated Accrual Basis of accounting since expenditure and revenue were recognised using cash basis and modified cash basis respectively.

**Implication**

- Departure from approved reporting standards
- The amounts of Debtors and Creditors reflected in the Balance Sheet may not be fairly stated.
- There is disagreement between the accounts underlying the financial statements.

**Recommendation**

In future the management should present the Income Statement in accordance with International Financial Reporting Standards. In addition the difference noted should be reconciled and the Balance Sheet adjusted in order not to carry over the errors to the subsequent years.

#### 4.0 CONCLUSION

The detailed audit findings presented above have been communicated to the management of the Tandahimba District Council during exit meeting held in October 2005. The Management of Tandahimba 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 in obtaining some of the requested documents and information within reasonable time; thus the audit work was not completed in time.

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

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

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

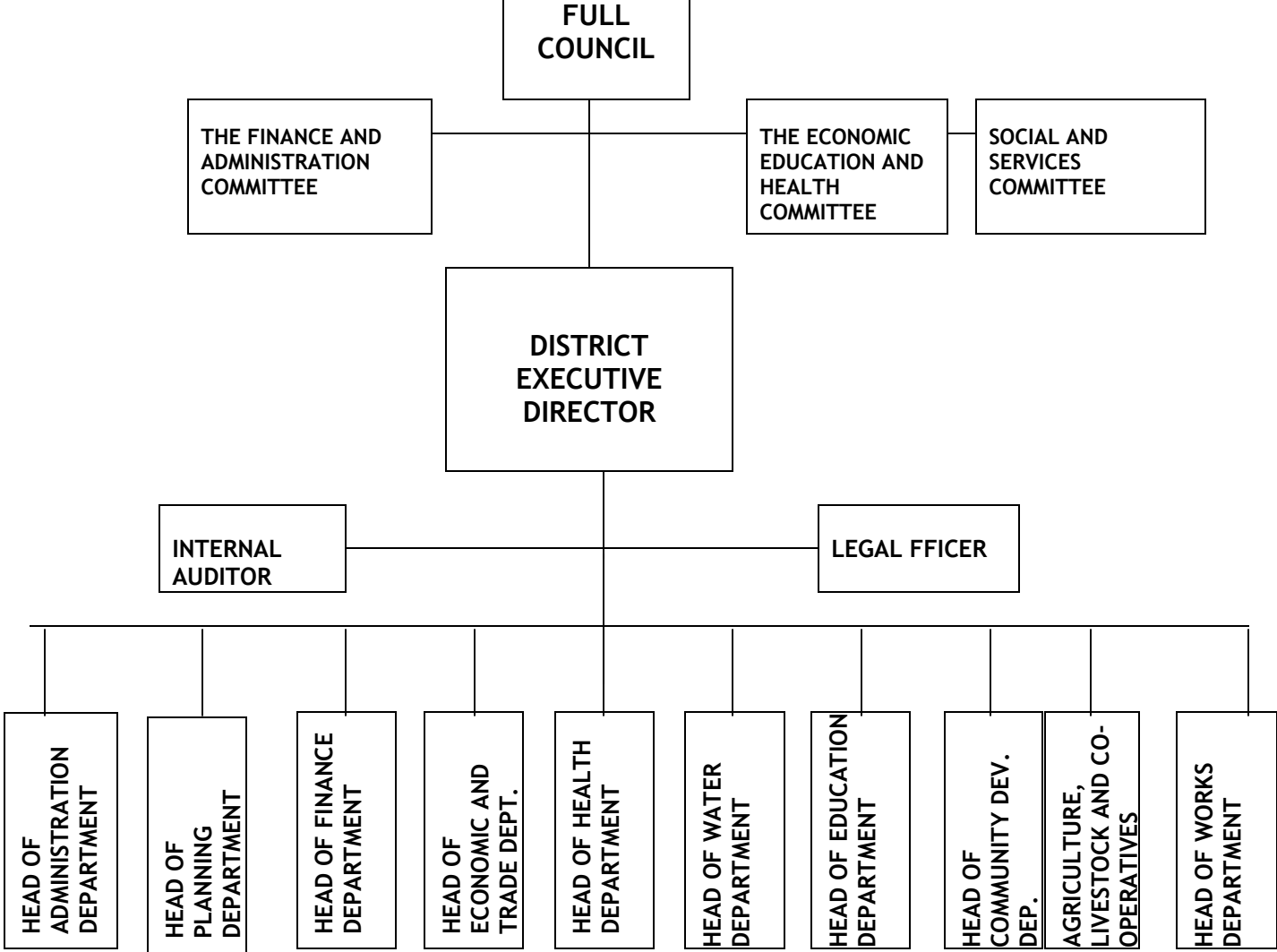
The Permanent Secretary and Paymaster General,  
Ministry of Finance,  
Box 9111,  
**DAR ES SALAAM.**

## 5.0 ANNEXURES

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

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF TANDAHIMBA DISTRICT COUNCIL



## Appendix 2

### Missing receipt books

S/no	Type of book	Receipt No	Date of issue	To whom issued	Amount Shs	Folio
1	HW5	2851-2900	-	-	-	24
2	HW5	5401-5450	13/11/04	Smail Ching'ang'a	-	9
3	Cost sharing	4858201-300	16/9/04	Fatu Bakari	30,000	83
4		2581501-600	12/7/05	Kanisia Komba	100,000	96
5		3801701-800	-	-	10,000	78
6		3802001-100	-	-	10,000	78
<b>Total</b>					<b>150,000</b>	

## Appendix 3

### Under-banking of revenue collections shs 1,352,098.85

#### Pembejeo account.

Period of collection	Receipt No	Amount collected	Amount banked	Banked pay in slip/date	Difference
4/10/04 - 7/12/04	Previous over-banked		3,825,056.15		3,825,056.15
8/12/04-13/12/04	00005810-821	10,395,500.00	-	-	(10,395,500.00)
4/12/04	00005825-826	660,000.00	-	-	(660,000.00)
4/12/04	00005827-832	8,800,000.00	8,453,395.00 412,500.00	3 of 15/12/04 6 of 24/12/04	(346,605.00) 412,500.00
24/12/04-31/12/04	00005848-850 00006051-065	18,995,400.00	12,319,000.00 5,536,000.00	7-10 of 24-31/12/04 4/1 of 18/1/05	(6,676,400.00) 5,536,000.00
3/1/05-6/1/05	00006066-092	25,695,250.00	26,395,250.00 199,810.00	1/1 of 7/1/05 2/1 of 14/1/05	700,000.00 199,810.00
7/1/05-11/1/05	00006093-100	6,508,700.00	6,003,600.00	3/1 of 14/1/05	(505,100.00)
13/1/05-25/1/05	00006251-256	2,511,000.00	9,069,140.00	5/10/1 of 18-26/1/05	6,558,140.00
	<b>Total</b>	<b>73,565,850.00</b>	<b>72,213,751.15</b>		<b>(1,352,098.85)</b>

## Appendix 4

### Unvouched and Improperly Vouched Expenditure shs. 77,084,310

#### (a) Missing payment vouchers worth shs. 6,406,451.15

Account	Pv No.	Chq No.	Amount shs.	Payee
ELIMU	94-95/11	029366	152,851.15	DED - Tandahimba
	13/10	011094	1,528,600.00	M/s Zaza General
	19/9	011075	1,500,000.00	M/s Lali Issa Hamisi
	29-30/8	011050	188,000.00	DED - Tandahimba
	32/8	011052	637,000.00	DED - Tandahimba
	<b>Sub total</b>		<b>4,006,451.15</b>	
General Fund	69/7	025888	1,200,000.00	DED - Tandahimba
	99/7	025902	1,200,000.00	DED - Tandahimba
	<b>Sub Total</b>		<b>2,400,000.00</b>	
	<b>Total</b>		<b>6,406,451.15</b>	

#### (b) Improperly vouched expenditure- shs 70,677,858.95

Account Name	Pv/jv No.	Chq No.	Amount shs.	Name of payee	Missing supporting documents
DADPS	4/6/05	-	432,000	Aidam B. P. Chipande	Cash sale and delivery note
	<b>Sub Total</b>				
HEALTH	6/10/04	-	525,000	DED - Tandahimba	Dully signed pay sheet
	19/10	030254	3,825,000	Jeddah S. Station	Signed distribution schedule
	38/10	030273	561,642	Manager NSSF-Masasi	Acknowledgement receipt
	4/1	-	1,600,000	Kikolo S.S.	Dully signed distribution list of staff that received 200 Ea T/Shirts white colour and 200Pcs cap.
	1/12	030365	710,900	Manager NSSF	Acknowledgment receipt
	9/12	030372	1,875,000	DED - Tandahimba	
	6/6	030749	620,000	DED - Tandahimba	Dully signed pay-sheet Pay-sheet
	<b>Sub Total</b>		<b>9,717,542</b>		
Development	5/11	009921	1,000,000.00	Kilali W.I.	Cash sale, invoice, receipts
	<b>Sub total</b>		<b>1,000,000.00</b>		

<b>ELIMU</b>	11/6	029652	6,618,700.00	Medard General Supply	Distribution list
	25/7	010797	570,000.00	Katibu Newala	Receipts
	38/7	011003	13,687,169.25	Teachers Saving & Credit Society	Acknowledgement receipts
	39/7	011003	564,000.00	Newala Teachers	Acknowledgement receipts
	69/7	011022	810,000.00	Newala Teachers	Signed pay-list
	14-15/8	011035	1,000,000.00	DED - Tandahimba	Cash sale and Delivery note
	25/8	011046	2,084,400.00	Julius Mahundu	Cash sale and Delivery note
	19/8	011039	1,900,000.00	Ally M. Kavendi	Acknowledgement receipts
	97/11	029368	2,175,000.00	DED - Tandahimba	Pay sheets duly signed
	85/2	029503	15,840,000.00	Ms Tanzania School equipment Centre	Distribution list and quotation
<b>Sub Total</b>			<b>45,249,269.25</b>		
<b>General Fund</b>	87/7	025898	1,650,000.00	DED - Tandahimba	Pay sheets duly signed
	22/8	025981	1,200,000.00	DED - Tandahimba	Receipted pay sheets
	77/11	026534	7,950,850.00	Hassan Namyanje Newala	Supporting deduction sheets in respect of the amount paid for Acknowledgment receipt
	92/2	032963	400,000.00	ALAT Mkoa Mtwara	Acknowledgment receipt
	149/2	033014	426,197.70	Manager TANESCO	Bill and receipt
<b>Sub total</b>			<b>11,627,047.70</b>		
<b>Deposit</b>	36/11	026867	2,652,000.00	DED - Tandahimba	Pay sheets duly signed
<b>Sub total</b>			<b>2,652,000.00</b>		
<b>G/Total</b>			<b>70,677,858.95</b>		

## Appendix 5

### Transfer of fund not acknowledged-shs 34,046,011.42

Pv	Amount	Cheque	Date	Paid from	Receiving A/c
5/11	12,520,000.00	002264125	4/11/04	Revenue	General Fund
7/12	7,500,000.00	002264149	8/12/04	Revenue	General Fund
5/7	1,800,000.00	025850		G/Fund A/c	DEV. A/c 016
30/8	860,276.03	026982		Deposit A/c	G/F A/c 014
9/10	2,865,660.00	026807		"	"
11/11	512,474.72	026841		"	"
41/11	7,987,600.67	026872		"	G/F A/c 014
	<b>34,046,011.42</b>				