

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF MTWARA DISTRICT COUNCIL
FOR THE YEAR ENDED 30TH JUNE 2005**

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March, 2006

AR/LG/075/2005

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 AND DEFINITION OF TERMS.

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
HIPC	Highly Indebted Poor Countries
IFMS	Integrated Financial Management System
IG	Investment Grant
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
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 Ministers' 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 Mtwara District Council for the year ended 30th June 2005.

Council means - Mtwara 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 Mtwara District Council for the year ended 30th June 2005. Audit findings arising from examination of accounting records and evaluation of the internal control system which require management attention and action are set out under part three of this report.

1.2 Brief history of Client Establishment

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

- Local Authority Financial Memorandum 1997.
- Public Procurement Act no 21 of 2004.
- Local Government Finances Act no 9 of 1982.

1.3 Operational Objectives

According to the Government (District Authorities) Act, Mtwara District Council 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, licences, fees and charges.
- (e) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.

1.4 Financing

The Council has two sources of funds, own sources and external source. The Internal source includes collection of Public funds through, taxes, fees, Licence and charges. On the other hand external source include subsidies from central government, grants and loans from donor community. During the year the Council was financed as follows:-

Source	Amount(TShs.)
Own sources	177,559,568
Compensation of abolished Tax	193,506,200
Government Grants	3,193,060,705
Donors	143,829,028
TOTAL	3,707,955,501

1.5 Management structure

Mtwara 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.

In addition the structure provides for functional departments namely: Administration, Finance and Trade, Health, Education, Works, Town Planning, 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 annexure II 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 mandatory. The Council is also required to employ its own Internal Auditor who reports directly to the Director. Similarly, the Public Procurement Act No.21 of 2004 Section 28 (1) requires the Council to establish a Tender Board and Sect.34 (1) provides for Establishment of Procurement Management Unit.

The Internal Control set up of Mtwara District Council works this order and Procurement Act though the Audit Committee is not in place.

Nevertheless weaknesses arising from review of internal control system are included under part 3 of this report.

1.7 Financial Performance issues

Revenue Collection Performance.

The Council Collected a total of Shs.371,065,768 from own sources. However, this collection included grants of Shs.193,506,200 received in lieu of the abolished revenue sources. The Council also received a total of Shs.3,336,889,733 during the year being central government grants and donors both making total income to Shs. 3,709,955,501

Expenditure

The year's accounts ended with a surplus balance of Shs.452,665,686 arising from total expenditure of Shs.3,257,289,815 against the total income of Shs.3,709,955,501 received during the period under review. The total expenditure of Shs.3,257,289,815 incurred was in respect of salaries (P.E), other charges (O.C) , capital expenses and depreciation expense for fixed assets.

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 statutory 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 30th June, 2005 and in particular:-

- To determine whether transactions were executed in accordance with the financial regulations, and recorded properly in the books of accounts for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget and governing regulations.
- To ascertain whether all supporting documents, records and accounts have been kept in respect of all District Council activities.
- To verify whether goods and services bought were acquired through laid down procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.

- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the Management, for implementing and monitoring activities and that the assets of the authority are adequately safeguarded against losses from unauthorized use or disposition.
- To verify whether the Council has implemented audit recommendations made in previous audits.

1.10 Audit Scope

The audit was carried out in accordance with the International Standards on Auditing and INTOSAI audit procedures. 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 our 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 auditing the financial statements together with their underlying records, the following principal 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 discuss 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 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,
Mtwara District Council.

RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF MTWARA DISTRICT COUNCIL FOR THE YEAR ENDED ON 30TH 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 Mtwara District Council shown as annexure I of this report for the financial year ended on 30th June 2005.

Responsibility of Council Management on the financial statements

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

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

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion based on the audit. I am also required to satisfy myself whether the funds contributed to the Council were used exclusively and judiciously to meet eligible expenditures with due 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 Mtwara 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 Council has been inefficient in control of imprests issued, it has missing 12 receipt books and serious non compliance to the requirements of the Public procurement Act and the related regulations which resulted into loss of the Council's revenue. Further it was noted that the financial statements are misstated in some instances like fixed Assets.

Adverse Opinion

In my opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements do not present fairly the financial position of Mtwara District Council as of 30th June 2005 and of the results of its operations and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Further to my opinion, the transactions of procuring fumigation service, hire of motor vehicle, purchase of receipt books and purchase of hospital equipments which I have tested as part of the audit, do not comply with the requirements of the Public Finance Act No. 6 of 2001, and Public Procurement Act No. 21 of 2004 together with the related regulations.

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 year's Findings

3.1.0 Revenue

3.1.1 Missing revenue earning receipt books.

A total of twelve (12) open revenue earning receipt books were not produced for audit examination though were called for as follows:-

<u>S/No.</u>	<u>Receipt No.</u>	<u>Date of issued.</u>	<u>To whom issued.</u>
1	70851-900	December, 2004	Suleimani A. Matwela
2	71944-950	December, 2004	Issa H. Nandala
3	085201-250	December, 2004	K.I Mnyalu
4	088351-400	13/9/2004	Darusi S.S.
5	088751-800	?	Darus S.S.
6	089251-300	01/2/2005	T.P.Mchonjele
7	089651-700	26/5/2005	Joyce Kaweni
8	089751-800	21/6/2005	H. Libwala
9	089901-950	26/7/2005	Joyce Kaweni
10	087351-400	19/4/2005	Mohamedi M.Salum
11	090801-850	31/7/2005	Mohamed A. Njengwa
12	090851-900	?	Dadi Kwanga.

Implication

The Council might have lost its revenue through these books. Also the circumstances implies that the Council has no proper system of revenue control.

Recommendation.

We recommend that the missing revenue earning receipt books should be traced and produced for audit scrutiny.

3.1.2 Revenue collection not accounted for Shs.301, 850

Revenue collections amounting to Shs.301,850 could not be confirmed to have been remitted to main Cashier in the absence of being receipted by General Revenue Receipts and banking particulars were not produced for audit as follows:-

<u>Receipt No.</u>	<u>Period of collection</u>	<u>Amount</u>	<u>Name of Collector.</u>
084151-200	12/10/03 & 3/11/03	49,500.00	Salum Mataka
078632-637	2/04/04 & 03/5/04	16,000.00	M.Kundolinga

080638	14/04/04	1,000.00	M.M. Ding'ano
806851-852	09/09/04-10/9/04	1,200.00	Mary Joseph
661261-127	14/03/05 & 21/3/05	20,000.00	R.Mwandila
088864-866	15/2/05 & 15/4/05	214,150.00	Musa Salum
		<u>301,850.00</u>	

Implication

This might be the avenue for misappropriation of Council's funds which may lender to financial instability of the Council.

Recommendation.

We recommend that all revenue Collections should be remitted to the main Cashier promptly and intact.

3.1.3 Revenue not banked-Shs.920, 000

Revenue collections amounting to Shs.920,000 were neither banked nor physically produced for audit counting as follows:-

<u>HW5 No.</u>	<u>Date.</u>	<u>Amount.</u>
089218	09/03/2005	350,000
00251	13/10/2005	570,000
		<u>920,000</u>

Implication

This might be the avenue for misappropriation of Council's funds which may lender to financial instability of the Council.

Recommendation.

We recommend that all revenue Collections should be remitted to the main Cashier promptly and intact who should confirm banking by submitting banking particulars.

3.1.4 Uncredited amount to bank statement-Shs.322,971

A sum of Shs.322,971 being revenue collections as it was revealed in Bank Pay slips were not credited in bank statement as analyzed hereunder:-

<u>Bank Pay slip</u>	<u>Amount</u>	<u>Account.</u>
2/4 of 12/4/2005	222,300	Deposit
3/4 of 15/4/2005	100,671	Deposit
	<u>322,971</u>	

Implication

There is no close follow up on bank transactions.

Recommendation.

It is recommended Management should investigate and ensure that the amounts have been credited to the Bank Account.

3.1.5 Missing produce delivery notes from Cashewnut Board of Tanzania (CBT)- Shs.49,690,000

During the year under review Shs.49,690,000 were collected from Cashewnut source equivalent to 1663 Tones as per cashewnut permits. Audit could not establish the exact figure of the tonnage bought due to the absence of produce delivery notes and they could not be produced though were called for.

Implication

The genuineness of the figures could not be verified since the supporting documents were not filled for Audit.

Recommendation.

It is recommended that produce delivery notes should be produced for audit scrutiny.

3.1.6 Mis-use of permits funds-Shs.1,350,000

Three permits to buy 45,000 kgs of Cashewnuts were issued to Ghuba Holding (T) Ltd for the year 2005/2006. The sum to be paid for the permits was Shs.1,350,000. However, It was noted that the money was not paid to the Council alleging that the amount was to be used in settlement of previous Creditors amounting to Shs.9,869,280. Audit could not establish authenticity of the debts as no documentary evidences were produced to justify the debts, though were called for and the debts were not disclosed in the final statements as creditors.

Implication

The Council has no effective system of controlling its revenues.

Recommendation

We recommend that documentary evidence should be produced to justify the debt and should be shown on the Final Financial Statements.

3.2.0 EXPENDITURE.

3.2.1 Unvouched Expenditure Shs.54,564,389

Examination of payment vouchers and Cash Book disclosed that payment vouchers amounting to Shs.54,664,389 were not produced for audit examination though were called for.

Implication

This is non compliance to the requirements of the laws which impact may be loss of the Council's monies.

Recommendation.

We recommend that missing payment vouchers should be traced and produced for audit scrutiny and the compliance to the laws is called for.

3.2.2 Improperly Vouched Expenditure Shs.332,548,814

Examination of payment vouchers disclosed that total expenditure amounting to Shs.332,548,814 were made without supporting document to respective payment vouchers as shown below:-

No.	CATEGORY	AMOUNT
(i)	No supporting document i.e. Pay sheet, acknowledgement receipt, Tax Invoice, Delivery Notes, Contract Agreement and Distribution list.	306,469,394
(ii)	Payment based on strength of proforma invoice.	26,079,420
	TOTAL	332,548,814

Implication

The Council management is laxity in complying to the provisions of Public Finance Act no.6 (2001), Public Procurement Act no 21(2004) and the related regulations.

Recommendation

The Council is advised to trace and submit all missing supporting documents for audit verification. Further, it has to abide to the provisions of the laws.

3.2.3 Imprest retirement particulars not produced-Shs.2,214,068

Being payment of imprest issued to an Officer for conducting various activities vide Pv,1/3 C/N.006928 of 16/3/2005 Shs.1,494,068 CSPD account, and Pv.22/1 C/N.036259 amounting to Shs.720,000 Development Account.

It was noted, despite the fact that the JV with no number was quoted in the register, yet the same could not be produced for audit scrutiny.

Implication

The Council does not comply with order no 127-136 of the LAFM (1997) on the imprests.

Recommendation.

We recommend that all the Journal vouchers should be filed to the respective batches and produce the relevant retirement particulars for audit scrutiny.

3.2.4 Loans not recorded in the loan registers- Shs. 14,400,000

Examination of the payment vouchers disclosed that loans issued to Women and Youth Development Group amounting to Shs.14,400,000 were neither recorded in the loan registers no being recovered.

Implication

The Council has no efficient system in place for recovery of its debts which may lead it to the loss. Further, non recovery of the money hinders others from getting the loans.

Recommendation.

It is recommended that all loans issued should be recorded in the loan registers and the management has to confirm recovery by producing recovery particulars.

3.2.5 Purchasing exceeded the purchasing power Shs.81,214,724

Payment amounting to Shs.81,214,724 were made to suppliers for the purchase of goods and services but were noted to be exceeding the purchasing power of the Accounting Officer Contrary to Section 82 (i) Second Schedule of Public Procurement Act No. 3 of 2001 as per details hereunder:-

Account	Pv.	Amount	Name of Payee	Chq.no.	Date.
Development	20/1	6,936,000	VETA Mtwara	036235	25/01/05
Development	20/5	6,465,200	Kapilima Ent.	035428	27/05/05

Maji	19/12	3,752,500	Life Com.Int.	047450	24/12/05
Health	62/9	4,989,670	Mtopwa G.Supp	046227	23/09/04
-do-	12/11	3,266,634	-do-	046271	04/11/04
-do-	17/11	4,140,000	PAX Service stat.	046524	09/06/05
-do-	32/11	5,337,300	Freno G.Ent.	046290	12/11/04
-do-	67/11	4,140,000	PAX Service stat.	046321	25/11/04
-do-	61/12	3,450,000	Doa Auto Garage	046381	-
-do-	19/6	4,140,000	PAX Service stat.	046524	09/06/05
-do-	23/6	3,115,500	C.H.Enterprise	046518	06/06/05
RIPS	1/8	9,466,920	Mtwara Balance	003867	05/08/04
RIPS	2/8	5,215,000	Kapilima Enter.	003868	09/08/04
G/Fund	13/10	16,800,000	New page Enter	035079	
TOTAL		81,214,724			

Implication

The management violates the procurement laws which may result into misappropriation of the public funds in Council.

Recommendation.

We recommend the Management to comply with Procurement laws on the available ceilings of authority in procurements.

3.2.6 Nugatory expenditure on procurement of goods and services Shs. 11,533,714

A test check conducted on procurement of goods and services revealed that a sum of Shs.11,533,714 appears to be overpaid to suppliers due to wrong application of price charged per item compared to price offered by the Tenderers as per price lists, hence resulting to nugatory expenditure to the Government.

Implication

The Council's management might be contributing to misappropriation of public funds.

Recommendation.

We recommend that follow up should be made to ensure compliance to the procurement regulations.

3.2.7 Acknowledgement receipt of hall charges not produced Shs.2,800,000

Payment was made to an officer, being imprest of training of various people (IMCI) on Community based, to be paid as allowances to participants and facilitator as well as hall charges for 112 Villages paid vide Pv.2/5 C/No.006938 of 3/5/2005 Shs.6,625,000 CSPD account.

However, the Scrutiny of JV No. 4/5 disclosed that the retirement particulars amounted to Shs.3,825,000 leaving a balance of Shs.2,800,000 unretired.

Implication

In the absence of a receipt, the genuineness of the transaction could not be verified.

Recommendation

The Council management has to ensure that all imprests are retired timely , money not spent be recovered and recovery particulars be submitted for audit verification.

3.2.8 Inter account payment-Shs.1,847,000.

Payment was made to Freno General Enterprise Mtwara for supplying office stationery vide Pv.3/2 C/No. 047484 of 4/2/2005 from Water account as per LPO no. 04511 of 31/1/2005, Invoice no. 101 of 27/1/2005 and delivery note no.091 of 31/1/2005. However, it was noted that the payment made from Water account instead of health account and therefore the money was to be reimbursed to the paying account.

Implication

The Council does not abide to the budgetary provisions.

Recommendation.

It is recommended that, the Management should confirm reimbursement to the giving account and produce documentary evidence for audit verification.

3.2.9 Differed Payments Shs.5,191,600.

Payments amounting to Shs.5,191,600 relating to financial year ended 30th June 2004 were made in the financial year of 2004/2005 and the same were not disclosed in the Financial Statements as creditors. The details are as follows:-

Pv.No.	Amount.	C/No.	Date.	Payee
14/10	1,000,000	036166	27/10/04	Mazar Gen
16/6	1,521,600	035443	14/6/2005	-do-
3/7	<u>2,670,000</u>	036134	22/7/2004	-do-
	<u>5,191,600</u>			

Implication

The circumstances contradict the budgetary provisions.

Recommendation

It is recommend that all payments should be made in the year when they fall due and if not, they should be shown on the financial statements as liabilities.

3.2.10. Questionable payment of Imprest Shs.5,250,000

The sum of Shs.5,250,000 was paid to an officer as special Imprest vide Pv.78/5 C/No.054770 of 29/5/05 from General Fund account, to purchase various stationeries in Dar es Salaam.

A scrutiny of the retirement particulars on JV.2/10 disclosed that the cash sale No.2438 and No.3641 from Hyper Magic Stationery and Karibu stationery respectively, were dated 18/6/2005 which means the purchases were made on that date whereas the cargo tickets 0228 and 0225 from Akida and German Safari Bus Services respectively were dated 16th June, 2005, a date before even the stationeries to be transported were bought.

It was further noted that the Imprest was not recorded in the Imprest register and there were no accountability of the stationeries bought.

Implication

The Council does not observe the provisions under order no.127-136 of LAFM (1997) on the imprests.

Recommendation

It is recommended that all imprests issued should be recorded and properly retired, thus follow up should be made for the anomalies disclosed.

3.2.11 Questionable payment on fumigation Shs.3,900,000

Payment was made to M/s Mtopwa General Supplies vide Pv. No 15/8 C/N 034925 of 9/8/04, from General fund account, being fumigation cost at stores and houses 40,625 Sqm² @ Shs. 96 as per LPO 03958 dated 9/8/04, requisition no.2331 of 9/8/04, Proforma invoice no.0060 5/8/2004, Invoice no.0122 of 5/8/04 and delivery note no. 0049 of 5/8/04 respectively.

Payment is questionable for the following reasons: -

(i) Requisition and LPO were written on 9/8/ 04 after services have been

rendered on 5/8/04

- (ii) Areas covered were not certified by competent officer from works as no certificate being issued

Implication

The circumstance implies the violation of the procurement laws which may result into misappropriation of Council's monies.

Recommendation

It is recommended that the management should investigate and solve the anomalies in procurements by complying with the respective laws.

3.2.12 Questionable hire of motor vehicle Shs. 3,200,000

Payment was made to M/s Mtopwa General Supplies vide Pv.6/1 C/N 007004 of 14/1/05, from Deposit account being cost of hiring motor vehicles for 8 days x 4 motor vehicles x Shs. 100,000 as per LPO no. 03993 dated 13/1/2005, Requisition no. 2237 of 13/1/2005, Invoice 0006 of 12/1/2005 and delivery note 0016 dated 17/1/2005.

Payment is dubious for the following reasons:-

- (i) Invoice was issued even before placing of order, i.e. LPO and requisition dated 13/1/2005 while Invoice was dated on 12/1/2005 one day before requisition.

Implication

The Council does not comply with the procurement laws.

Recommendation

The Council has to implement the procurement laws in its operations.

3.2.13 Questionable purchase of receipt books - Shs.2,840,000

Payment was made to DED-Mtwara vide Pv.95/12.C/N 034424, from General Fund account being cost of printing 15 books "Stakabadhi za Ushuru wa mazao ya Korosho" @ Shs.3,850, 115 books 'Stakabadhi za mazao @ Shs. 2,800, 115 books "Hati za kuchukulia mazao" @ Shs.2,800 as per Proforma invoice no.4094 of 18/9/2003, acknowledgement receipt no. 6646 of 18/9/2003, Delivery note no.3138 of 22/9/2003. Also 300 books "Stakabadhi za mazao" @ Shs.5,5550 as per proforma invoice 4250 dated 27/10/2003, acknowledgement receipt No. 6737 of 27/10/2003 and delivery note no.13380 of 31/10/2003.

A scrutiny of the related documents disclosed that the payment appears to be fictitious and therefore questionable, the reason that the payment for the same transaction was effected in September 2003 as evidenced by acknowledgement receipts above and therefore paid twice. Similarly, in order to draw cash the payment was paid/to DED-Mtwara and not to the supplier.

Implication

The Council does not comply with the Procurement Act no. 21(2004)

Recommendation

It is recommended that the irregularities above be investigated and the amount recovered.

3.2.14 Nugatory expenditure on purchase of receipt books Shs.16, 800,000.

On 13/10/2004 a sum of Shs.16,800,000 was paid to M/s New page General Enterprises vide Pv 13/10 ,C/N 035079, from the General fund account for supplying 1500 receipt books 12x8 @ Shs.9,200 and 100 books "Hati ya kuchukulia mazao kwenye vyama vya msingi" 4x16 @Shs.2,000 as per LPO 03972 OF 6/10/2004, Proforma invoice 0720 of 28/9/2004, invoice 588 of 7/10/2004 and delivery note no.3383 dated 7/10/2004.

It was noted that the bought receipt books were not used for revenue collection and hence has no use value and therefore the money used to the receipt books are nugatory expenditure.

Implication

The PMU and the Tender Board does not efficiently play their roles as specified in the procurement Act no. 21(2004) and the related regulations.

Recommendation

The Council has to ensure the maximum use of PMU and Tender Board in the matters related to procurement.

3.2.15 Motorcycles not recorded in the books of accounts.

Nine (9) motorcycles handed over by RIPS to the Council were noted as not being recoded in the fixed assets registers and hence omitted in the books of accounts. The details are as follows.

MT 2942
MT2965
TZH 3347

TZH 3348
TZH 3349
TZH 3355
TZH 3359
TZH 3364
TZJ 6241

Implication

The balance of the fixed assets reported in the balance sheet is incorrectly stated.

Recommendation

It is recommended that all assets owned by the Council should be recorded in the respective books of accounts and finally disclosed in the financial statements.

3.2.16 Questionable expenditure of PEDP funds Shs.4,650,000

The sum of Shs.54,000,000 was issued to 15 primary schools for building of teachers' houses during the period in question .A test check was made to four primary schools and out of them two disclosed the following anomalies:-

a) CHAWI Primary School

The sum of Shs.3,600,000 was issued to Chawi primary school for the same purpose .However, a scrutiny of documents noted that the following documents were missing and therefore could not be produced for audit scrutiny.

- . Receipt book
- . Receipt and Payment cash book
- . Payment vouchers
- . Bank statements

It was further noted that two leaves of cheque book with 001220253 and 001220204 were missing.

A cast made on the leaves used, revealed that out of Shs.3,600, 000. only Shs.1,921,900 has been paid leaving a balance of Shs.1,678,100. The re was no explanations whether the balance is still in the bank or has been spent by using the missing leaves in the cheque book.

b) BANDARI Primary School

The sum of Shs.1,050,000 was used to purchase 100bags of cement vide Pv 2/3, C/N 001221153, from Kioze General Enterprises and Shufaa Stationery .It was noted however that the payment was made to personal name i.e. Shuffa M.Hassni instead of the business name.

Implication

The circumstance implies that there was a mis-use of the project funds.

Recommendation

It is recommended that follow up should be made to insure that the documents are obtained and produced for audit Verification. Similarly payments should be effected to business names instead of personal names.

3.2.17 Books not delivered to Schools Shs.1,011,000

A visit to some of the primary schools which was carried out on 19th and 20th of January 2006 noted that the following books alleged to have issued to schools were not delivered hence, the whereabouts of the books were not known to audit.

Issue voucher no. issued to.....	Date	description	Quantity	Rate	Value
4963. Chawi Primary School	25/9/04	English for P/school book 3	31	3,000	93,000.00
		Maarifa ya jamii book 3	23	3,000	69,000.00
		Hisabati 3P	26	3,000	78,000.00
		Kiswahili 3P	27	3,000	81,000.00
		SUB TOTAL			
4963 4964 Bandari Primary school	25/9/04	Kiswahili 3P	21	3,000	63,000.00
		Englis for P/school book 3.	25	3,000	75,000.00
		Maarifa ya Jamii	23	3,000	69,000.00
		Hisabati 3P	21	3,000	63,000.00
		SUB TOTAL			
5597 5596 4984 Kiwengule Primary school	27/5/04	English for P/school book 3	30	3,000	90,000.00
		Maarifa ya Jamii book 3	25	3,000	75,000.00
		Hisabati 3P	30	3,000	90,000.00
	25/10/04	Kiswahili IIIP	30	3,000	90,000.00
		English for P/school book 3	25	3,000	75,000.00
		Sub total			
GRAND TOTAL					1,011,000.00

Implication

This may be the avenue for misappropriation of Councils money.

Recommendation

The management should strengthen the controls on its activities.

3.2.18 Unpaid compensation amount Shs.11,993,185.

A sum of Shs.11,993,185 being compensation in respect of residents of Ngwale village were not paid to the owners.

It was noted however that the amount was not shown in the Financial statements as liabilities to the Council. The details are as here below:

<u>Payee</u>	<u>Amount</u>
Mohamed Issa Mnyanga	46,032.00
Ngwale Mosque	3,514,500.00
Ngwale Mosque	222,000.00
Ally Yusufu Shomari	2,930,400.00
Yusufu Shomari Saidi	368,760.00
Nassoro Athumani Selemani	337,120.00
Abdul Hamisi Mohamed	636,200.00
Abdallah Issa Kamula	27,465.00
Severine Anthiny Mfaume	210.00
Hamisi Kula Mandifi	1,458,400.00
Salum Hassani Saidi	141,750.00
Amina Saidi	518,700.00
Mr. Ogopa	405,040.00
Salum Hemed Hatibu	13,152.00
Ngwale Mosque water Tank	20,000.00
Mrs Manjani	306,000.00
Rukia Hassani Zuwani	310,944.00
Yusuf Faraji Slim (Chingurunguru)	736,512.00
	<u>11,993,185.00</u>

Implication

The balance sheet is misstated following omission of this figure as part of liabilities.

Recommendation

It is recommended that the unpaid sum should be adjusted in the figure of liabilities.

3.2.19 Procurement made without Quotation shs.22, 239,500..

Examination of payment vouchers and other supported documents noted that purchases amounting to Shs.22,329,500 were made without obtaining quotations from three suppliers as required by the procurement laws.

Implications.

The Council does not abide to the provisions of the Procurement Act No.21 (2004) and the related regulations.

Recommendation

It is recommended that all procurements should be made after seeking at least three signed quotations to obtain reasonable price.

3.2.20 Purchase made without Quotations to MSD Shs.6,687,300.

Payment amounting to Shs.6,687,300 were made to suppliers for Purchases of Hospital Equipments. It was observed that there were no evidences that such Hospital equipments were not available at MSD as required by regulations and Basket fund manual / Guidelines.

Implication

The Council does not comply to the requirements of the Public Procurement Act.

Recommendation

We recommend that during purchase of hospital equipment, MSD should be given priority to minimize unnecessary expenditure.

3.2.21 Questionable service of motor vehicles Shs.1, 530,000

Payment amounting to Shs.1,530,000 was made to Doa Auto garage vide Pv no.4/2,C/N 047488,and LPO no.04510, from Maji account being supply of spare parts for maintenance of Council motor vehicle with registration number SM 2321. It was noted that up to the time of audit inspection i.e. January 2006,a period of more than a year, the motor vehicle in question was still at the said garage, a situation which gives doubts to that maintenance.

Implication

The circumstance implies a loss to the Council's monies

Recommendation

It is recommended that a follow up should be made to have a motor vehicle serviced.

3.2.22 Stores paid for but not supplied Shs.14,161,600

Stores ordered and paid for worth Shs.14,161,600 were noted to have not been supplied.

Implication

The Council's management does not comply with the Procurement Act No.21(2004) and the related regulations.

Recommendation

Management should make efforts to ensure that items are supplied and taken on ledger charge and utilization particular produced for audit inspection.

3.2.23 Procured items short supplied-Shs.7,469,000

Items of stores worth Shs.7,469,000 though paid for were noted as supplied less to the Council.

Implication

The Council has no efficient system of controlling procurement which implies that it ends losing a substantial amount of monies

Recommendation

The management should make follow up to ensure that items are supplied as paid for, and properly accounted for.

3.2.24 Stores not taken on ledger charge Shs.98,716,056

Stores ordered and paid for worth Shs.98,716,056 were not taken on ledger charges and utilization particulars not produced for audit verification.

Implication

The delivery of the stores procured is doubtful in this circumstance.

Recommendation

It is recommended that all the items purchased should be taken on ledger charge immediately after being inspected. Further the management should confirm that the stores have now been taken on ledger charge.

3.3 CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE 2005.

Audit of the Balance Sheet revealed the following anomalies:-

3.3.1 Overstated accumulated depreciation.

The Balance sheet reflected Shs.353,735,257 as accumulated depreciation. The schedule accompanied the financial statement disclosed only Shs.281,192,498 as accumulated Depreciation.

Implication

The figure of fixed assets presented in the financial statements is incorrect.

Recommendation

The management is advised to present the accurate information in the financial statements.

3.3.2 Advances understated by Shs.503,788

The sum of Shs.15,745,110 being outstanding advances was reflected in the account. However, the correct balance as per schedules of individual accounts would appear to be Shs.16,248,898. Thus, Shs.503,788 has been understated in the accounts.

Implication

The reported balance of advances does not give a correct picture of operations.

Recommendation

The management is advised to present the accurate information in the financial statements.

3.3.3 Unretired Imprests Shs.90,310,112

Imprests totalling Shs.90,310,112 were reflected as debtors in the accounts. However, the amount was noted to have been overstated by Shs.1,657,310 from the figure of Shs. 88,652,802 computed from the schedules of the individual accounts.

Implication

This leads the Council into financial instability. Also it may be the avenue for misappropriation of Council monies.

Recommendation

The Management has to Comply with order no.127-136 of LAFM (1997) on imprests.

3.3.4 Debtors Shs.51,318,687

The balance sheet reflected total debtors amounting to Shs.51, 318,687. However, supporting schedules were not submitted along with the accounts.

Implication

The Council has no efficient system of collecting its debts.

Recommendation

It is recommended that, efficient system of collecting debts should be in place.

3.3.5 Liabilities Shs.100,792,792

The total liabilities amount of Shs.100, 792,792 reflected in the balance sheet included the following outstanding items:-

<u>Category.</u>	<u>Amount.</u>
Creditors	1,389,237.00
Loan	4,155,000.00
Unclaimed Salaries	15,872,489.00
General Fund Reserve	14,838,360.00
Councilors Training	64,537,706.00
	<u>100,792,792.00</u>

There were no schedules prepared to show the analysis of the above liabilities.

Implication

Items like unclaimed salaries may be the avenue for misappropriation of funds and unsettled claims may tarnish Council's image.

Recommendation

It is advised that the Council has to settle all its liabilities in time to avoid any negative consequence that may come therefrom.

3.4 Weakness in the Control system

The Council has the following weaknesses in the system of internal controls:-

1. There is no job rotation as one staff is left in one position for quite a long time.
2. There is no Audit Committee which is very important in enhancing accountability.
3. Internal control is ineffective leading to misplacement of the documents.
4. Management does override internal controls and breaches the provisions of Public Procurement Act and the related regulations in the procurements.
5. The Council has a Vacant post of the legal Officer who could assist in legal matters.

4.0 CONCLUSION.

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

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

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

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5.0 ANNEXURES

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

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF MTWARA DISTRICT COUNCIL

