

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF KIGOMA/UJIJI TOWN COUNCIL
FOR THE YEAR ENDED 30TH 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
DAR ES SALAAM, TANZANIA

March, 2006

AR/LG/038/2005

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	5
1.5 Management structure	6
1.6 Brief description of internal control system	6
1.7 Financial Performance Issues	6
1.8 Audit mandate	7
1.9 Audit objectives	7
1.10 Audit scope	8
1.11 Audit Methodology	8
1.12 Presentation of audit findings	9
2.0 Audit report on the financial statements	10-11
3.0 Audit findings and recommendations	12
3.1 Follow up of previous year's Audit findings	12
3.2 Current year's findings	13-18
4.0 Conclusion	19
5.0 Annexures	

ABBREVIATIONS AND DEFINITION OF TERMS

CAG	Controller and Auditor General
CD	Council Director
DED	District Executive Director
DPs	Development Partners
GAAS	Generally Accepted Accounting Standards
GDP	Gross Domestic Product
GOT	Government of Tanzania
IFMS	Integrated Financial Management System
IG	Investment Grant
ISA	International Standard on Auditing
LAAM	Local Authority Accounting Manual
LAFM	Local Authority Financial Memorandum
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
MoF	Ministry of Finance
M&E	Monitoring and Evaluation
NGO	Non-governmental Organisation
OCAG	Office of the Controller and Auditor General
PER	Public Expenditure Review
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

Act means Local Government Finance Act No. 9 of 1982

Financial Statements means:

The Consolidated Balance Sheet, Consolidated Income and expenditure Statement, Consolidated Cash-flow Statement, Notes and related schedules of Kigoma/Ujiji Town Council for the year ended 30th June, 2005.

Council means - Kigoma/Ujiji Town 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 Kigoma Ujiji/Town Council for the period ended 30th 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 Kigoma/Ujiji Town Council was established in terms of the provision of section 5 and 6 of the Local Government Act (Urban Authorities) 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 Operation Objectives

According to section III(1) of the Local Government (Urban Authorities) Act and the Local Authority Financial Memorandum the 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) To take necessary measures to protect and enhance the environment in order to promote sustainable development.
- (e) To give effect to the meaningful decentralizations in political, financial and administrative matters relating to functions, powers, responsibilities and services of all levels of Local Government Authorities.
- (f) To promote and ensure democratic participation in and control of decision making by people concerned and.
- (g) To establish and maintain reliable sources of revenue and other resources enabling Local Government authorities to perform other financial accountability of Local Government authority, their members and employees.

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, Licences and charges. On the other hand external source includes subsidies from central government, grant and loans from donor community. Total Income during the year was Shs.2,205,703,719 made up of Shs.171,463,288 from own sources and Shs.2,034,240,431 from government grants

1.5 Management structure

The Kigoma/Ujiji Town 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 of the Council is the Town Director who is responsible for day-to-day activities. The structure has positions of Internal Auditor and Legal Officer with responsibilities of advising the Director on matters falling under their jurisdiction.

In addition the structure provides for functional departments namely: Administration, Finance and Trade, Health, Education, Works, Town Planning and Environment and Agriculture, Livestock and Co-operatives as well as Social Welfare and Community Development.

The pictorial management structure of the Council is shown as annexure II to this report.

1.6 Brief description of Internal Control System

A System of internal control that should be adopted by councils is given under order 9 through 11 of the Local Authority Financial memorandum; 1997. The Order requires the finance committee to adopt written procedures for proper control of finances. In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers, an organization chart of the Finance Department, division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is mandatory. The Council is also required to employ its own Internal Auditor who report 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 Kigoma/Ujiji Town Council abide by this order and Procurement Act but is lacking an audit committee which is part of transparency and good governance, Nevertheless weakness arises from review of internal control system are included under part 3 of this report.

1.7 Financial Performance Issues

Revenue

The Council collected an amount of Shs.171,463,288 from own sources against the internal revenue budget of Shs.315,487,064, reflecting a collection shortfall of Shs.144,023,776 or 46%. 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.2,034,240,432 making total revenue of Shs.2,205,703,720 during the year.

Expenditure

The Council spent Shs.2,226,024,533 during the year against total income of Shs.2,205,703,720 or 101.% of total revenue, resulting into overspent of Shs.20,320,813. 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.171,463,288 against expenditure of Shs.1,961,483,000 (net of depreciation) is only 8.7% implying that the Municipal 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(I) of the Local Government Public Finance Act No.9 of 1982, Revised,2000 the controller and auditor General is the appointed auditor of all government revenues and expenditure, including the revenues and expenditure of this Municipal 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 Municipal 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 governing regulations.
- To ascertain whether all supporting documents, records and accounts have been kept in respect of all Council's 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 Municipal 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 Municipal 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 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 which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

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

Town Director and Accounting Officer,
Kigoma/Ujiji Town Council.

RE: **INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF KIGOMA/UJJI TOWN COUNCIL FOR THE YEAR ENDED ON 30TH JUNE 2005**

I have audited the Consolidated Balance Sheet, Consolidated Statement of Income and Expenditure, Consolidated Cashflow Statement and the related notes and schedules of the Kigoma/Ujiji Town Council shown on annexure I of this report for the financial year ended on 30 June 2005.

Responsibility of Council Management on the financial statements

These financial statements are the responsibility of the management of Kigoma/Ujiji Town Council.

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

Qualification

Except for the material matters pointed out below, in my opinion the financial statements fairly reflect, in all material respects, the financial position of Kigoma/Ujiji Town Council as at 30th June 2005 and the results of the operations and Cashflows for the year then ended, in accordance with part IV of the Local Government Finances Act No.9 of 1982.

Further to my opinion,

Except for the order on five fighting equipment, the procedures followed for the procurement of office supplies have generally been done in accordance with the Public procurement Act No. 21 of 2004 and the related Regulations.

Non-compliance with laws and disagreement in record keeping

1. The Council has ordered and paid Shs.333,380,651 for fire fighting equipment. The Procurement procedures were not followed and up to December 2005 the supplier has not delivered the equipment.
2. Audit test check of expenditure revealed improperly vouched expenditure amounting to Shs.205,680,867.
3. The Town Council had paid salaries amounting to Shs.3,822,720 from General fund Account contrary to the law and also there was no evidence that the Council has received a refund from the Treasury.
4. The Town Council transferred a total amount of Shs.80,305,516 between bank accounts without prior approval from appropriate authority.
5. There are long outstanding audit queries since 1998 account that are yet to be acted upon.
6. There are significant amounts contained in the financial statements which require rectification to reflect the correct picture of the balance sheet as at the closing date.

The detail of these matters are given in part 3 of this report.

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

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

31 March 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Follow - up of previous audit findings

3.1.1 1998 Accounts

Para 2. Missing Payment Vouchers TShs.14,449,949
Payment vouchers totalling to Shs.14,449,949 have not yet been traced and submitted for audit examination.

3.1.2 1999 Accounts

Para 8 Unpaid contribution towards Women and Youth Development Fund Shs.3,000,000

The amount of Shs.3,000,000 has not yet been paid into the Women and Youth Development Fund.

3.1.3 2002 Accounts

Missing Revenue Receipts Books

Para 3.8 Revenue earning receipt books comprising 2 books of HW 5 (Open receipt books) and 6 development levy are still outstanding.

Para 4.2 Outstanding Salary Advances Shs.6,568,426
Salary advances totalling Shs.1,508,680 are yet to be recovered.

3.1.4 2003 Account

Revenue not banked Shs.1,696,815

The payment vouchers of Shs.1,696,815 in respect of revenues spent prior banking has not yet produced for audit.

Para 2.4 Missing Revenue Books

10 books (Open receipt books) are still missing out of 24 receipt books queried.

Para 3.1 Unvouched and Improperly vouched expenditure Shs.121,240,517

Payments adding to Shs.89,135,317 have been regularized leaving an unattended balance of Shs.32,105,200 categorized as follows:-

	Shs.
Unvouched expenditure	15,865,100
Improperly vouched expenditure	16,240,100
Total	32,105,200

- Para 3.2 Transfer of funds - Shs.68,972,134**
An amount of Shs.59,805,334 out of Shs.68,972,134 transferred from various accounts to meet expenditure of recurrent nature have been refunded leaving a balance of Shs.9,166,800 not refunded to the Development Account.
- Para 3.4 Expenditure not verified Shs.39,250,000**
Management has not rendered replies to confirm proper use of the funds earmarked for development projects.
- Para 3.5 Questionable Cash payments Shs. 15,685,330**
Expenditure details acknowledgement receipts and performance reports in respect of cash payments of Shs.15,685,330 have not been produced for audit verification. In addition Shs.4,185,330 spent for recurrent purposes have not been refunded to the Development Account.
- Para 4.3 Prior Year Adjustment Shs.25,771,612**
Records and explanation to justify prior year adjustment of Shs.25,771,612 are yet to be submitted for audit verification.
- Para 4.4.2 Bank Balance overdrawn Shs.45,015,176**
The overdraft of Shs.45,015,176 is still outstanding.
- Para 4.4.3 Outstanding Debtors Shs.41,798,151**
Debtors amounting to Shs.5,100,330, out of Shs.41,798,151 have been cleared, leaving a balance of Shs.38,697,821.

3.2 Current Audit Findings

- 3.2.2 Unvouched and Improperly Vouched Expenditure - Shs.205,680,867**
An examination of payment vouchers revealed missing payment vouchers amounting to Shs.56,850,739. In addition, payments adding to Shs.148,830,128 lacked necessary supporting documents such as original paylists, acknowledgement receipts, invoices, certificates of works done, signed contracts etc. This suggests existence of inadequate control over payments and custody of records.

Implication

Propriety of expenditure incurred could not be ascertained.

Recommendation

The Council management is advised to streamline the system of payment and custody of accounting records. In addition, the questioned Expenditure of Shs.205,680,867 should be regularized by submitting the missing supporting documents.

Management Response

Missing payment vouchers are now available for audit.

Audit Comment

The total amount queried at paragraph 5.1 of my management letter ref. No.FS.54/83/VOL.IV dated 1st August,2005 was Shs.660,528,770 out of this amount a sum of Shs.454,847,904 has been cleared, leaving a balance of Shs.205,680,866 management should work on their balance.

3.2.3 Transfer of funds Shs.80,305,516

The Municipal Council transferred funds between bank accounts without obtaining approval from appropriate authorities.

Giving Account	Receiving Account	Amount (Shs)
Health	General Fund	35,716,401
Agriculture	Dev. A/C and General Fund	13,863,629
Misc. Deposit	General and Road Toll	16,425,486
Development Account	General Fund	14,300,000
	Total	80,305,516

Implication

The activities for which the funds transferred were budgeted for could not be performed.

Recommendation

Transfer of funds should not be made without having prior approval from the relevant Authority.

Management Response

No response given.

Audit Comments

The money transferred should be reimbursed to the respective accounts.

3.2.4 Payments for Fire fighting equipments not delivered Shs.333,380,651

The Municipal Council paid a total amount of Shs.333,380,651 in February and March 2005 to an agent for purchase of fire fighting equipment. However, as at the time of writing this report in February 2006, the fire fighting equipment paid for was not yet delivered. In addition, invoices and other relevant supporting documents showing description and prices of the equipment purchased were not available. Furthermore, acknowledgment receipt and the purchase agreement were also not made available for audit.

It has further been noted that procurement procedures as required by Procurement Act No.21 and Procurement Regulations No. 9 and 10 of 2004 were not followed.

Implication

The money paid for could not be verified as proper charge on the vote, since the items had not yet delivered for more than 9 months.

Recommendation

Management should ensure that the machinery paid for is received, and that procurement procedures are followed.

Management Response

The Municipal Engineer and fire officer are in Germany to inspect final assembling of the said motor vehicle.

Audit Comment

Purchases should be made as stipulated in the Public procurement Act. No. 21 of 2004.

3.2.5 Questionable payrolls excess Shs.19,892,587

Questionable payment of salaries and salary advances were noted as follows: -

- (i) Unclaimed salaries for 17 months amounting to Shs.1,892,800 remitted to the Treasury could not be confirmed to have been properly accounted for in absence of bank pay in slip and acknowledgment receipt from the Treasury.
- (ii) Unclaimed salaries totalling Shs.3,266,327 were not recorded in the unclaimed salaries register by the Municipal Council.
- (iii) Salary advances of Shs.14,063,460 issued to various employees were not recorded in the salary advances register to enable follow up of recoveries.
- (iv) Two watchmen were paid salaries amounting to Shs.670,000 but there was no evidence that they were guarding official buildings. A further follow up revealed that the watchmen were guarding residential house of a Municipal employee, Nevertheless there was no evidence that the officer has that entitlement.

Implication

Control over payments is weak and there is a risk of non-recovery of the paid salary advances.

Recommendation

The system of recording financial transactions should be improved. In addition, confirmation of entitlement of the officer regarding salaries paid to the watchmen should be confirmed.

3.2.6 Town Directors Remuneration paid by the Council Shs.3,822,720

A total amount of Shs.3,822,720 was paid to Town Director from the general fund account in respect of salaries for the period from June 2004 to March,2005. It was however not clear during the audit whether the Town Director did not receive salaries from the Central Government. In addition it was not clear whether the Council received a refund from the Treasury for the salaries paid.

Implication

There is a possibility of double payment of salaries to the Municipal Director.

Recommendation

The Council should confirm that the Treasury has refunded the salaries paid to the Director and give receipt particulars for audit verification.

Management Response

No response received.

3.2.7 Questionable Capital Expenditure Shs.46,109,832

An amount of Shs.46,109,832 was spent by the Council for capital projects within the Municipal as follows:-

Capital Project	Amount (Shs)
Construction of classroom(Rutaba Primary School)	4,000,000
Construction of water wells (Majengo ward)	1,800,000
Improvement of Luiche Delta irrigation Scheme	40,309,832
Total	46,109,832

A follow up of the implementation of the projects revealed that the construction of classroom was not supported by bills of quantities (BOQ) and expenditure details as a result physical verification of the project was not possible. We also noted that construction of water wells started without contractual agreement, besides that the works have not been completed. Similarly work for improvement of Luiche Irrigation Scheme had not been completed by the time of audit inspection August,2005. Also we noted that the construction work had been abandoned, but no records were available as evidence of management followup.

Implication

The Council has not realized the expected benefits.

Recommendation

The Management should ensure that the projects are completed as soon as is convenient to the expected users. In addition, future projects should be well planned documented and supervised to avoid possible losses.

Management response

Contract has been entered with Sokoine University and Utilization of fund was made by Majengo ward.

Audit comment

The actual works for improvement of the irrigation scheme was not performed by the Sokoine University of Agriculture. No responses were received in respect of the other two projects.

3.2.8 Matters affecting Consolidated Balance Sheet as at 30th June 2005**(i) Bank Balance Shs.83,244,202**

The adjusted consolidated Balance Sheet as at 30th June,2005 reflected an overdraft of cash and bank balances of Shs.83,244,202. This amount disagreed by Shs.188,508,419 with actual bank balances certified by the bank amounting to Shs.105,264,217. The following are details of cash and bank balances.

Account name	Account Number	Amount (Shs.)
Road Toll	5161200010	11,261,100
Agriculture	5161200037	62,505.00
General Fund	5161200004	181,988
Development	5161200003	11,198,896
Misc. Deposit	5161200002	77,897,150
Education	5161200007	482,959
Works	5161200009	358,577
Recurrent	5161200001	165,202
Health	5161200008	902,249
School Bus	5161200049	233,600.00
	5161200039	2,519,990
Luiche Valley	-	NIL
Cash count (No certificates)	-	NIL
	Total	105,264,217

(ii) Debtors and Creditors

The consolidated Balance Sheet reflected Debtors amounting to Shs.387,622,352. This figure excludes unrecorded salary advances of Shs.14,063,460 issued during the year under review. On the other hand, total creditors amounted to Shs,259,237,407 categorised as expenses creditors Shs.134,237,407 and statutory deductions Shs.125,000,000. Nevertheless, the accounts did not include age analysis of both debtors and creditors to facilitate verification.

(iii) Difference between Adjusted Cashflow Statement and Capital Expenditure Statement

We noted that amounts appearing in the statement of capital expenditure on investments differs with figures reflected in cash flow statement as follows:-

Item	Amount as per Cash flow Statement (Shs)	Amount as per Statement of Capital Expenditure (Shs)	Difference (Shs)
Motor vehicles & Cycles	29,624,090	360,704,651	331,080,561
Land and Buildings	232,363,000	260,973,432	28,610,432
Road and Bridges	155,000,000	126,876,146	(28,123,854)
Furniture & Fittings	94,659,000	31,053,383	(63,605,618)

We also noted that the amount of roads and Bridges shown as addition to the Fixed Assets was understated by Shs.125,376,146.

(iv) Deposit Account

The deposit account submitted along with the financial statements revealed several differences compared to the general ledger balance i.e.

Item	Balance in the Financial Statement (Shs)	Balances in general ledge (Shs)	Difference (Shs)
Ruzuku	989,556,604	978,321,844	11,234,759
Other Charges	220,714,571	394,995,700	174,281,129
Unclaimed Salaries	1,554,899	1,062,008	492,891
LAPF	205,074	2,702,194	2,497,119
Transfers	220,278,211	391,311,561	171,033,349
Compensation	NIL	46,259,800	46,259,800

Implication

There are material disagreements affecting the correctness of the accounts.

Recommendation

The accounting system should be improved to ensure that all financial data is co-ordinated and recorded properly to permit preparation of accurate financial statements. In addition, the accounts should be adjusted to rectify the noted anomalies.

4.0 CONCLUSION

The detailed audit finding presented above have been communicated to management of the Kigoma/Ujiji Town Council during exit meeting. Management of the Council has promised to take appropriate action with a view to rectify the situation. We shall appreciate to receive formally the action 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

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

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

The Regional Commissioner,
Kigoma Region,
KIGOMA.

5.0 ANNEXURES

- Financial Statements and notes to the financial statements - annexure I
- Organization structure of Kigoma/Ujiji Town Council - annexure II

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF KIGOMA/UJIJI TOWN COUNCIL

