

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



REPORT OF THE CONTROLLER AND AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF MASWA DISTRICT COUNCIL
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2005**

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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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Terms and Abbreviations

DADPs	District Agriculture Development Projects
DED	District Executive Director
DMO	District Medical Officer
GF	General Fund
INTOSAI	International Organization of Supreme Auditing Institutions
ISA	International Standards on Auditing
LAFM	Local Authority Accounting Manual
MEMKWA	Mpango wa Elimu ya Msingi kwa Waliokosa
PCB	Prevention for Corruption Bureau
PMO-RALG	Prime Minister's Office -Regional Administration and Local Government
URT	United Republic of Tanzania

Financial Statements mean:

The Consolidated Balance Sheet, Consolidated Income and expenditure Statement, Consolidated Cash-flow Statement, Notes and related schedules of Maswa District Council for the period ended 30th June 2005.

Council means: Maswa District Council, both as Councillors as well an operating entity.

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction

I have completed the audit of Maswa District Council for the year 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

Maswa District Council was established in 1984 in accordance with the provisions of section 8 and 9 of the Local Government Act (District Authorities) 1982. Besides the Act, the council operates within the framework of the following instruments.

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

1.3 Operational Objectives

According to section III (1) of the Local Government (District Authorities) Act and the Local Authority financial Memorandum, the District Council of Maswa has the following operational objectives.

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

1.4 Financing

The Council has two sources of funds, own sources and external sources. The Internal source included collection of Public funds through taxes, fees, licenses and charges. On the other hand external source include subsidies from central government, grants and other funds from the Donor community.

During the year 2004/2005 the council received a total income of Shs.5,473,145,535.23 from the following sources;

	Shs.
Own Sources (as per supporting schedule)	616,565,644.92
Government (as per supporting schedule)	<u>4,856,579,890.32</u>
Total	<u>5,473,145,535.24</u>

1.5 Management

Maswa District Council operates under directives of the Full Council and the day to day activities are administered by the District Executive Director who is the Accounting Officer of the council. The Council is organized into different departments supervised by heads of department who reports to the District Executive Director. The detailed organization chart is given in Annex 2.

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 through the issue of a detailed job description for each post in the Finance Department, production of an organization chart for the Finance Department showing lines of reporting and supervision, Division of responsibilities for related operations between several officers 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 (I) requires the Council to establish a tender Board and Sect.34 (I) provides for establishment of Procurement Management Unit.

The Internal Control system of Maswa District Council complies with this order of the Procurement Act but is lacking an audit committee which is part of transparency and good governance. Nevertheless weakness raised from review of internal control system are included under part 3 of this report.

1.7 Financial performance

Revenue

The District Council collected an amount of Shs. 616,565,644.92 from own sources. However, actual collection against budget could not be assessed since budget figures were not disclosed in the schedules. In addition the Council received grants amounting to Shs.4,856,579,890.31 making total revenue of Shs. 5,473,145,535.23 during the year.

Expenditure

The Council spent Shs. 5,824,269,641.25 during the year against total income of Shs. 5,473,145,535.23 or 106.4% of total revenue with over expenditure amount of Shs. 351,124,106.02. 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. 616,565,644.92 against expenditure of Shs. 5,824,269,641.25 is only 10.6% implying that the District Council cannot sustain either its recurrent or development expenditure without depending on grants.

1.8 Audit Mandate

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania, and section 45 of the local government of Finance Act No. 9 of 1982, (revised 2000) the Controller and Auditor General is the statutory auditor of all government revenue and expenditure, including this District Council.

1.9 Audit Objectives

The main objective of conducting the audit is to enable me to express an independent opinion on the statements of the Maswa District Council for the period ended 30th June 2005 and in particular:-

- To determine whether transactions were executed in accordance with management authorization and recorded properly in the books of account to permit the preparation of the financial statements in accordance with the International Accounting Principles and requirements of the Local Government Finance Act No.9 of 1982 and Local Authority Financial Memorandum 1997.
- To determine whether funds have been collected properly and used exclusively to meet eligible expenses as per approved budget and regulations governing government expenditure.
- To ascertain whether all relevant supporting documents records and accounts have been kept in respect of all Maswa District Council activities.

- To verify whether goods and services bought were acquired through laid down procurement procedures and the Public procurement Act No. 3 of 2001 have been complied.
- To perform compliance tests to determine whether the management complied in all material respects with the Public procurement Act No 3 of 2001
- 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 Maswa District Council are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the management of the Maswa District Council has taken adequate corrective action on the previous years audit recommendations.

1.10 Audit Scope

The audit of Maswa District Council for the period ended 30th June 2005 was carried out in accordance with International Standards on Auditing (ISA). The audit covered the evaluation of the effectiveness of the financial accounting system and internal control over the activities of the Council, Examination and verification of the accompanying financial statements, the performance report and other auditing procedures as was considered necessary under the circumstances for the purpose of forming an opinion on the financial statements. The audit was carried out on a test check basis, therefore the audit findings are confined to the extent that records, documents and information requested for the purpose of audit were made available to me.

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

1.11 Audit Methodology

In auditing the financial statement together with the related records and schedules, the following 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.
- 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: The Regional Commissioner,
Shinyanga Region.

District Executive Director and Accounting Officer
Maswa District Council

Re: **Independent Audit Report on the Financial Statements of
Maswa 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 the Maswa District Council shown on the annexure 1 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 Maswa District Council.

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

Responsibility of the Controller and Auditor General

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

Basis of opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the

preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Maswa 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.

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 Maswa 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. Further to my opinion, except for the procurement of items listed below, the procedures applied for procurement of office supplies and works were generally done in accordance with the public procurement act no. 21 of 2004 and the relate of regulations.

Limitation of Scope of Audit and non-compliance with laws:

1. An amount of Shs.7,377,000 were not collected from Local agents and Shs.10,705,073.30 were questionable refund made to agents
2. A total of 12 revenue earning receipt books (HW5) and other accountable documents were not produced for audit scrutiny.
3. Payment amounting Shs.15,399,883 were not supported by paylists and acknowledgement receipts.
4. The loans amounting to Shs.19,800,000 issued to women groups for the year under review were still outstanding.
5. Shs.23,970,660 were paid for construction of part of fence at DMO but was not completed on time as agreed in the contract.
6. The bank reconciliation revealed Shs.49,540,928.20 being receipts in cash book but was not reflected in bank statements.

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

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

The National Audit Office
Dar es Salaam

31st March, 2006

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Current audit findings

3.1.1 Uncollected revenue collection from Local Agents (Mawakala) Shs.7,377,000

On checking the Agent register maintained by the council, it was revealed that an amount of Shs.7,377,000 remained uncollected as at the end of the financial year 2004/2005 as detailed here under-

S/No.	Name of Agent	Folio	Amount
1.	Idan Joseph	4	2,585,000
2.	Juma Shija	5	240,000
3.	Gembe P. Gembe	6	200,000
4.	Rembo John	9	247,000
5.	Julius Ishengoma	21	168,000
6.	Isack Kamata	7	1,145,000
7.	Neema Ntelemko	23	63,000
8.	Daudi Makwale	25	14,000
9.	Hassani Mussa	29	294,000
10.	Juma Boniface	28	84,000
11.	H. R. Magogo	31	90,000
12.	Raphael Makwale	?	324,000
13.	John Mayombi	34	30,000
14.	Mussa Maziku	35	256,000
15.	Faustine Makele	45	12,000
16.	Agrey Sadiki	46	150,000
17.	George Charles	47	450,000
18.	H.R. Walji	?	400,000
19.	Kichuhama Group	8	625,000
Total Shs.			7,377,000

Implication

- Failure to collect revenue implies that, no strong internal control were instituted by the council to collect the revenue.
- Council revenue are held by third party on which could have been used for council activities.

Recommendation

I recommend that the council should collect the uncollected revenue and quote receipts particulars for audit verification.

3.1.2 Missing accountable documents:

A total of 12 revenue earning general receipt books (HW5) and other accountable documents were not produced for audit scrutiny. The missing General (HW5) receipts and other documents were said to have

been taken by the Prevention of Corruption Bureau officers (PCB) at Maswa as shown below:-

(i)	S/No.	General receipt books	Serial No.
	1.	HW5	116601 - 116650
	2.	HW5	116451 - 116500
	3.	HW5	117801 - 117050
	4.	HW5	117201 - 117250
	5.	HW5	117651 - 117700
	6.	HW5	117501 - 117550
	7.	HW5	117451 - 117500
	8.	HW5	117801 - 117850
	9.	HW5	116951 - 117700
	10.	HW5	117701 - 117750
	11.	HW5	117051 - 117100
	12.	HW5	116351 - 116400

(ii) **Other documents viz:**

- Store Ledger No. 2B Health Account.
- Receipt voucher book No. 193 (09601 - 09650)
- Issue voucher book No. 330 (23951 - 24000)
- Issue voucher book No. (26651 - 26700)
- Issue voucher Book No. 388 (26851 - 26900)
- Requisition for stores book No. 135 (6701 - 6750)

Implication

In the absence of accountable documents amount the revenue collected against the issued HW5 books and other valuable receipts cannot be ascertained.

Recommendation

I recommend that the management should trace the missing HW5 books and other documents from PCB and confirm the availability, by submitting evidences for audit scrutiny.

EXPENDITURE

**3.1.3 Questionable refund made to livestock duty collecting Agents
Shs.10,705,073.30**

Refund of monies totaling Shs.10,705,073.30 were paid by the Council to the Revenue collection Agents. However, the following documents have not been produced for audit confirmation. There was no sufficient evidence to vouch or support the said refund.

- (i) The supporting analysis indicating names and total amount of revenue collected and remitted to the council by each agent.

- (ii) Banking particulars (Bank pay in slips) to support an amount of Shs.10,705,073.30 stated to have lodged to council accounts.

Details of refund are as follows:-

Name of Agent	PV. No.	Cheque No.	Amount paid Shs.
Jafari Hamis	41/4	0261908	2,000,000
Issa Ramadhani	93/6	026459	4,000,000
Issa Ramadhani	76/4	026235	705,073.30
Issa Posho Mills	79/4	026233	2,000,000
Edward Sayi	45/4	026202	2,000,000
Total			10,705,073.30

Implication

In the absence of relevant supporting documents the correctness of payment effected could not be confirmed.

Recommendation

The Management should confirm that all supporting documents are traced and submitted to audit for verification and in future the management should strengthen the control system of payment.

3.1.4 Nugatory expenditure Shs. 380,000

The council sustained a loss of Shs.380,000 during the year 2004/2005 being bank penalties imposed on cheques drawn but on presentation to bank were referred to drawer for lack of sufficient funds in the respective accounts. This clearly depicted poor management of the Council finances as shown here under:-

Account No.	Name of Account	Date	Amount (Shs.)
6502000002	General fund	23.06.2005	20,000
6502000007	Education fund	06.12.2004	20,000
6502000002	General fund	10.11.2004	240,000
6502000011	Transport Pool	12.11.2004	20,000
6502000002	General fund	18.10.2004	40,000
6502000002	General fund	18.09.2004	20,000
6502000002	General fund	27.09.2004	20,000
Total Shs.			380,000

Implication

It implies that a council have no internal control of checking cash books and bank balances before the payments, as a result some activities may be affected due to shortage of funds.

Recommendation

I recommended to the management that payment of Shs.380,000 should be treated as nugatory expenditure in the Council books of Accounts. In future the management should confirm balances before issuing a Cheque for payment.

3.1.5 Wrongly claim of lunch allowances Shs.200,000

A sum of Shs.812,000 was paid to District Executive Director Maswa being both per diem allowances Shs.612,000 and lunch allowances Shs.200,000 for two Education Officials while attending a course for ten days at Shinyanga town, they were paid lunch allowance at the rate of Shs.10,000 per day each and claimed night out allowances contrary to financial regulation.

Implication

This implies that, a council have no internal control of its funds. Also it denotes that the council is paying lunch allowances to the officers without following the procedures

Recommendation

I recommend to the management that the amount wrongly paid of Shs.200,000 should be recovered from the officers concerned and quote recovery particulars for audit purpose.

3.1.6 Purchases made without competitive quotations Shs. 450,000

Audit examination of the payment vouchers and other related records revealed that, purchase amounting to Shs. 450,000 were made by the council from various suppliers without using competitive quotations. This is contrary to the procurement regulations. Details are shown below:-

Date	PV. No.	Cheque No.	Amount (Shs)	Item purchased
14.08.2004	58/8	025133	450,000	3 tonner cartridge @ 150,000
Total			450,000	

Implication

This may imply that the government might not have received the value for money for goods purchased

Recommendation

I recommend that the management should make sure that more than three (3) quotations are obtained for each purchase made except, where single source is applicable.

3.1.7 Payments not supported by pay lists Shs.8,604,000

A test check of payments for the year under review disclosed payments not supported by pay lists totaling Shs.8,604,000 as detailed hereunder:-

Account	Pv. No.	Amount Shs.
Health	16/1	240,000
Education	2/11	8,364,000
Total		8,604,000

Implication

In the absence of relevant supporting documents the correctness of expenditure incurred could not be confirmed.

Recommendation

I recommend that relevant supporting pay lists be traced and submitted to audit for verification.

3.1.8 Laxity in control on Councilors sitting allowances Shs. 13,192,500

During the year under review the council incurred Shs. 13,192,500 for conducting 10 more sittings which were not included in the approved annual time table as shown below:-

Committee	Approved sittings	Actual sittings	Extra sittings	Approved budget Shs.	Actual expenditure Shs.	Amount overspent Shs.
Uchumi, Ujenzi na Mazingira	4	5	1	4,916,000	6,377,000	1,455,000
Fedha, Utawala na Mipango	12	16	4	13,489,300	18,318,800	4,829,500
Full Council	5	7	2	14,129,000	19,744,000	5,615,000
Tume, Uboreshaji wa Halmashauri	-	3	3	No provision budget	1,293,000	1,293,000
Total	21	31	10	32,534,300	45,726,800	13,192,500

Implication

Laxity control of Councilors sitting will lead to payments which is not approved by the Councils budget, thus affecting other Council activities.

Recommendation

- I recommend the management to explain the circumstances under which the committee meeting exceeds the set timetable as indicated in the Annual timetable of meetings resulting in an over expenditure of Shs. 13,192,500.

3.1.9 Payments not supported by acknowledgement receipts Shs.6,795,883
 Payments totaling Shs.6,795,883 were not acknowledged by the payees. In the event, it could not be established in audit that the amounts were received by the bonafide payees as shown below:-

Account	PV. No.	Cheque No.	Amount (Shs)	Details missing
Maji (OC)	2/4	019000	3,370,743	Tanesco receipts
Misc. Deposit	13/12	-	2,625,140	NSSF receipts
DADPs	10/7	008237	800,000	Receipts from Mwandenge
Total			6,795,883	

Implication

This implies that the council have no internal control to confirm that the amount paid have been received by the right payee and the genuineness of the expenditure incurred could not be ascertained.

Recommendation

I recommend that, the missing supporting documents should be traced and produced for audit verification.

3.1.10 Short delivery of MEMKWA books worth Shs. 1,268,760

PV. No.	Cheque No.	LPO No.	Quantity ordered and paid for		Quantity supplied		Difference (Shs.)
			Books	Value Shs.	Books	Value Shs.	
369/6	027459	01196	2311	7,361,700	1897	6,224,300	1,137,400
369/6	027459	01197	2250	6,687,000	2154	6,463,300	223,700
			4561	14,048,700	4051	12,687,600	1,361,100
Less unpaid amount							92,340
(4561 - 4051) = 510 books							1,268,760

The council ordered and paid for 4,561 books (MEMKWA) worth Shs.13,956,360 from Ms. Medard General Supply of P.O. Box 43 Mwanza. However, only 4051 books worth Shs.12,687,600 were received and accounted for in ledger, leaving a balance of 510 MEMKWA books worth Shs. 1,268,760 not delivered.

Implication

Short delivery of MEMKWA books revealed that a council have no proper internal control of purchase and receipt of stores contrary to the Local Government Financial Memorandum.

Recommendation

I recommend that the management should confirm to audit the receipt of goods, by submitting the relevant documents for audit verification.

3.1.11 Outstanding loans to women groups Shs. 19,800,000

Loans issued to Women groups for the year under review amounting to Shs.19,800,000 had not been recovered from the respective groups (PV. Nos. 6/3 - 39/3 and 1/ 4 - 78/4 refers).

Implication

Failure to recover the outstanding loans implies that, a council have no strong effort to make a follow up of outstanding debts which might lead to a loss of councils money.

Recommendation

I recommend that management should investigate the circumstances under which loan were not collected and regularize collection of the balance by quoting receipts particulars, and submit for audit verification.

3.1.12 Purchase of Hospital cards charged over and above the market prices Shs.27,471,925

Payments totaling Shs.27,471,925 were made to various suppliers for supplying various types of Hospital cards at the District Medical Office Maswa. It was noted during examination of payment vouchers that the rates charged per hospital cards ranged between Shs.500 and 550. While the market price was between Shs.120 to 200 per hospital cards, resulting an over payment of Shs.300 to 350 per hospital cards.

Implication

Overcharging of hospital cards implies that the council is making payment to suppliers without making competitive quotations which might lead a council to loose the economical price.

Recommendation

I recommend to management that the overpayment of Shs.300 to 350 per hospital cards should be recovered by the supplier and quote recovery particulars for audit purpose.

3.1.13 Unclaimed Salaries not surrendered to Treasury Shs. 1,040,014.64

Unclaimed Salaries pertaining to deceased employee and retired employee amounting to Shs.1,040,014.64 were not confirmed to have been surrendered to Treasury as follows:-

S/No.	Dept/Check No.	Name of Officer	Amount (Shs)
1.	504 - 6482774	Emmanuel Aniseth	61,300
2.	507 - 4138516	Justine Mabula	138,529
3.	507 - 4440705	Robert M. Mwandu	137,346
4.	507 - 4818799	Kulwa Kayila	113,639
5.	507 - 923528	Sr. Dionia Kamugisha	91,700
6.	507 - 9236277	Michael T. Kudema	80,800
7.	507 - 9810617	Masalu Begese	88,500
8.	507 - 5761191	Sungi Emmanuel	78,600
9.	507 - 9035296	Neema Maalimi	69,100
10.	507 - 428749	Modesta Shuda	65,588
11.	507 - 7564293	Richard Maduhu	73,456
12.	507 - 8725495	Renie Kashura	41,456
Total Shs.			1,040,014

Implication

Failure to surrender unclaimed salaries to Treasury will lead to the misappropriation of Public funds.

Recommendation

I recommend that, the management should refund unclaimed salaries back to treasury and quote receipt particulars to audit for verification.

3.1.14 Construction of part of fence at DMO Maswa not completed Shs.23,970,660

The council entered into a contract agreement with a contractor Ms. Mugisha Building Construction of Shinyanga, contract No. MDC/CTR/P. 40/67 for construction of part of a fence (PKG VI) around the DMO premises covering 172 metres length and was paid Shs.9,845,874. The contract period was effective from 1/5/2005 to 30/7/2005 or 92 days.

The following irregularities were noted.

- (i) The contract period was extended from 30/7/2005 to 2/10/2005.
- (ii) Despite the extended contract period the construction work was yet to be completed by the time of audit 15/11/2005.
- (iii) There was no evidence that the council had claimed for liquidated damages (0.01%) of the contract sum Shs.23,970,660 suffered for the delayed execution of works.

Implication

Uncompleted construction work implies that the council have no proper supervision of Engineering works, and that delayed completion has an impact on terms of value for money on that activity.

Recommendation

I recommend that the contractor should complete the work and liquidated damages be charged by quoting recovery/receipt particular for audit verification.

Further that, in future the Management should make a careful selection of contractors by a thorough examination of their ability.

3.1.15 Unproduced Files And Register

The following files and register were not submitted for audit when called for.

- (i) Loss reports file.
- (ii) Internal Audit reports file.
- (iii) Register for records of hire of motor vehicle.

Implication

Failure to submit files and register for audit inspection indicates that the records and documents maintained in the files are questionable.

Recommendation

I recommend that, management should trace the missing files and register and confirm the availability by submitting for audit verification.

3.1.16 Statement of Capital expenditure and its financing for the year ended 30th June 2005

The statement shows there was a project to be carried out under MDRDP having a fund of Shs.140,500,000 which was not utilized. No reasons were given for non-utilization or execution of the project as was originally planned.

Implication

Non execution of a project delayed services to the citizen, and that has an implication that the budgets are not realistic as some activities were not undertaken.

Recommendation

The Management should make sure the budget is realistic such that the funds requested should be utilized as planned.

3.1.17 Fixed Assets Shs.7,114,094,124

The value of Fixed Assets reported in the consolidated balance sheet Shs.7,114,094,124 were not supported by schedule and the title deeds in respect of land and buildings to confirm council ownership was not made available.

Implication

In the absence of title deeds the audit cannot ascertain the true value of the assets

Recommendation

Management should make sure that the title deed are submitted and assets are included in the schedule.

3.1.18 Current Assets Shs.703,507,060

The schedule in support of loans when casted amounted to Shs.59,731,491 instead of Shs.70,181,691.10 shown in. Hence there is a difference of Shs.10,450,200 which is unsupported.

Implication

This implies that the current Assets in the balance sheet have been understated by Shs.10,450,200 and that it cannot indicate true picture of financial statements.

Recommendation

The management should state the proper amount in order to reflect the true picture of financial statements.

3.1.19 Transport pool account

The council does transport business on which its vehicles are hired by outsider (various customers).

It has shown an income of Shs.27,074,550 in the trial balance, however, its expenditure and associated costs were not made available in order to establish if it has made a profit or loss from that business.

Implication

In the absence of expenditure and associated costs, it is difficult to establish whether the venture is adding value to the council.

Recommendation

Management should make sure it opens and account on that transport business and maintain it.

3.1.20 Capital items not capitalized Shs.35,090,110

On examination of payment vouchers we noted a huge expenditure related to procurement of spares for Bulldozer with Registration No. TZD 8871 paid vide Cheque No.005737. The amount was not capitalized.

Implication:

By not capitalization of the stated amount has an implication that the asset in the balance sheet has been understated by Shs. 35,090,110. This might not indicate the true picture of financial statements.

Recommendation

The management should record the said amount with the fixed asset and adjust the accounts.

3.1.21 Bank Reconciliation Statement

The Bank Reconciliation General Fund Account for the months of February and April 2004 shows deposit on transit Shs.300,000 receipts No. 004501 and Shs.4,000 receipts No. 004667 on which it was stated to be cleared in November 2004.

On checking the Bank Statement general fund A/C shows no such clearance for the above lodgement.

Implication

The contradicting facts shown has an implication that the stated public funds might have been lost.

Recommendation

Management should make sure that the amount are deposited to the bank.

3.1.22 Balance not cleared in the Bank Reconciliation Statements as at 30th June, 2005

Account No.	Unpresented cheques	Receipts in cash book not in bank statements
230802	29,707,475.12	45,244,551.50
230803	18,991,630.60	-
230804	6,465,975.15	3,336,536.70
230807	-	36,840.00
230809	377,775.00	-
230810	117,066,203.00	-
230811	30,995,524.00	-
230814	111,640.00	-
230817	70,000.00	-
230818	1,616,200.00	823,000.00
230819	248,500.00	-
230830	1,257,653.60	-
230831	1,298,050.90	100,000.00
230837	1,100,000.00	-
230835	232,000.00	-
230838	570,400.00	-
Total Shs.	210,109,027.40	49,540,928.20

Implication:

Delay of clearing of outstanding items may lead to loss of public funds.

Recommendation

Management should make more efforts to clear the outstanding items and confirm by submitting the details for audit verification.

4.0 CONCLUSION

The detailed audit finding presented above have been communicated to management of the Maswa District Council during exit meeting. Management of the Maswa District Council has promised to take appropriate action with a view to rectify the situation. I shall appreciate to receive a formal 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

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The Regional Administrative Secretary,
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5.0 ANNEXURES

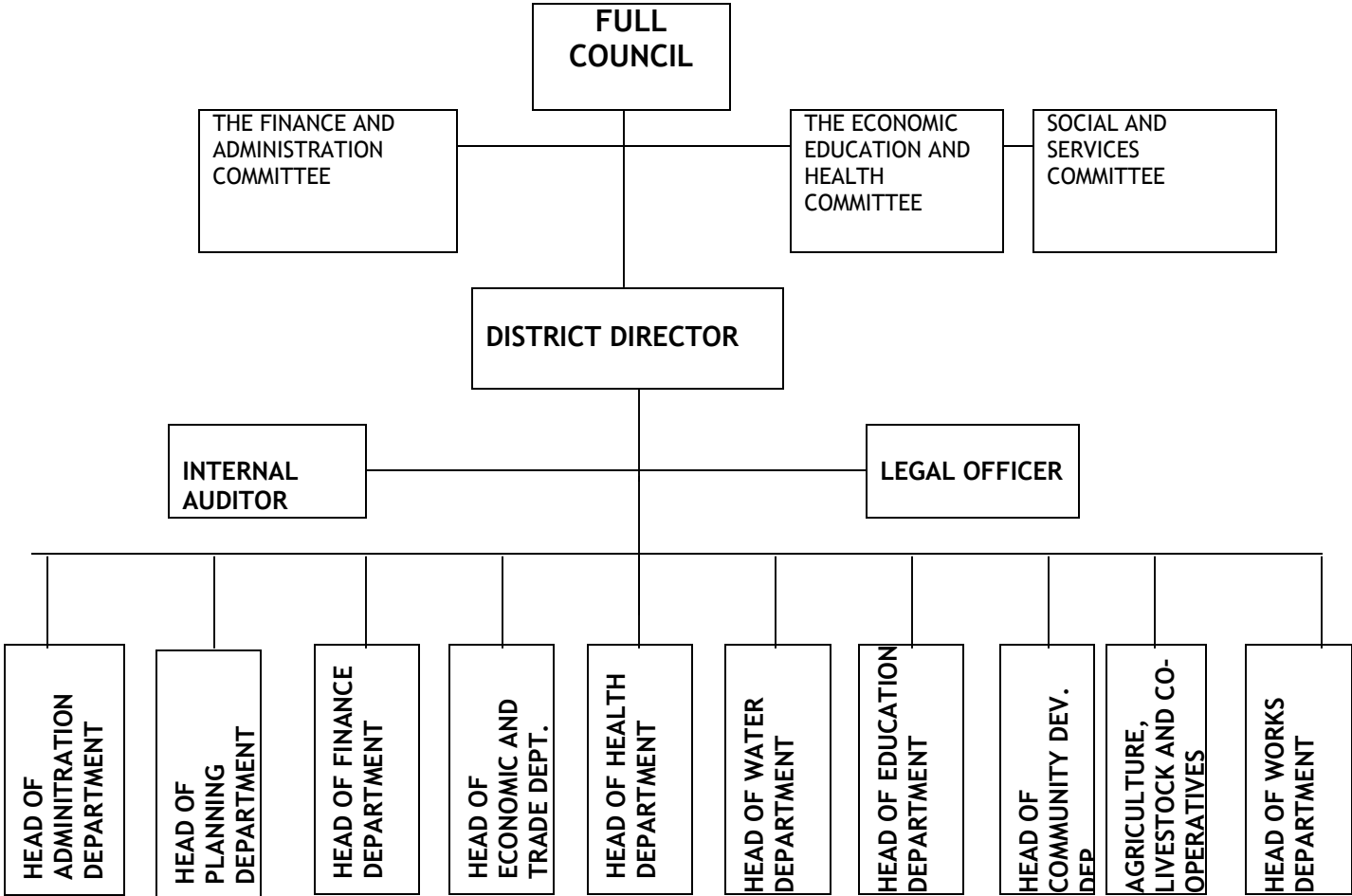
- Financial Statements and notes to the financial statements - annexure I
- Organization structure of Maswa District Council - annexure II

5.1

Annexure I

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF MASWA DISTRICT COUNCIL



APPENDIX 'A'

**PURCHASE OF HOSPITAL CARDS CHARGED OVER AND ABOVE THE MARKET
PRICE SHS.27,471,925**

PV. NO.	CHEQUE NO.	AMOUNT	DETAILS OF PURCHASES
76/6	027317	3,920,000	<ul style="list-style-type: none"> • 3600 Ea Outpatient Cards @ 550 • 2800 Ea Inpatient Cards @ 550 • 1000 Ea Continuation Cards @ 400
75/6	027316	1,097,500	<ul style="list-style-type: none"> • 500 Ea Observation Card @ 445 • 500 Ea Discharged card @ 550 • 1000 Ea Laboratory forms @ 400 • 500 Ea Treatment chart forms @ 400
143/6	027385	458,950	<ul style="list-style-type: none"> • 289 Ea MCH No. 1 @ 550 • 300 Ea MCH No. 4 @ 550 • 300 Ea MCH No. T.T @ 450
91/5	027295	2,302,200	<ul style="list-style-type: none"> • 3000 Ea Outpatient Cards @ 450 • 2116 Ea Inpatient Cards @ 450
150/6	027398	3,200,000	<ul style="list-style-type: none"> • 2000 kadi za matibabu @ 550 • 2000 fomu za uchangiaji @ 550
157/6	027399	2,920,000	<ul style="list-style-type: none"> • 1000 Ea MCH cards No. 4 @ 550 • 1000 Ea MCH cards No. 5 @ 550 • 1800 Ea Temperature chart forms@ 450 • Laboratory forms @ 450
158/6	027400	2,650,000	<ul style="list-style-type: none"> • 2000 Ea Discharge forms @ 550 • 1000 Ea Observation forms @ 450 • 2000 Ea Outpatient cards @ 550
28/2		2,200,000	<ul style="list-style-type: none"> • 1000 Ea of Outpatient @ 550 • 1000 Ea of Inpatient cards @ 550 • 1000 Ea Discharge forms @ 550 • 1000 continuation forms @ 550
11/2	029929	4,064,875	<ul style="list-style-type: none"> • 2850 Ea of MCH No. 1 @ 425 • 2000 Ea of MCH No. 4 @ 425 • 785 Ea of MCH No. 5 @ 425 • 2800 Ea of T.T @ 425 • 200 Ea of VSC forms for BTZ @ 800 • 400 Ea of forms for Norplant @ 800

28/1	029909	3,100,000	<ul style="list-style-type: none"> • 1500 Ea of Outpatient cards @ 550 • 700 Ea of Inpatient forms @ 550 • 500 Ea continuation forms @ 550 • 500 Ea of Treatment forms @ 550 • 500 Ea observation forms @ 550 • 500 Ea Temperature chart forms @ 700 • 500 Ea of Discharge cards @ 550 • 800 Ea Laboratory forms @ 550
4/12	039222	1,558,400	<ul style="list-style-type: none"> • 822 Ea of MCH cards No. 1 @ 450 • 400 Ea of MCH cards No. 4 @ 400 • 1000 Ea T.T cards @ 450
Total Shs.		27,471,925	

**MASWA DISTRICT COUNCIL
BASIS FOR ASSESSING AUDIT OPINION**

Para	Observation	Basis	Opinion
3.1.1 3.1.3	Amount of Shs.7,377,00 were not collected from Local agents and Shs.10,705,073.30 were questionable refund made to agents	Amount uncollected Own source revenue <u>18,082,073</u> 616,565,644.92 = 3%	Unqualified
3.1.2	A total of 12 revenue earning receipt books (HW5) and other accountable documents were not produced for audit scrutiny.	Number of documents not submitted	Qualified
3.1.7 3.1.9	Payments amounting Shs.15,399,883 were not supported by paylists and or acknowledgement receipt	<u>15,399,883</u> 5,473,145,535.23 =0.28%	Unqualified
3.1.11	The loans amounting to Shs.19,800,000 issued to women groups for the year under review were still outstanding	Statutory	Qualified
3.1.23	The Bank reconciliation revealed Shs.49,540,928.70 being receipts in cash book not in bank statements	<u>49,540,928.20</u> 5,473,145,535 =0.9%	Unqualified