

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE (NAO)



REPORT OF THE CONTROLLER AND AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF SHINYANGA MUNICIPAL COUNCIL
FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2005

The Controller and Auditor General
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March 2006

AR/LG/100/2005

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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Terms and Abbreviations

GF	General Fund
GRR	General Revenue Receipt
INTOSAI	International Organization of Supreme Auditing Institutions
ISA	International Standards on Auditing
LAFM	Local Authority Accounting Manual
LPO	Local Purchasing Order
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 Shinyanga Municipal Council for the period ended 30th June 2005.

Council means: Shinyanga Municipal 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 Shinyanga Municipal 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

Government Notice No. 258 of 2000 announced the establishment of Shinyanga Municipal Council, this is in accordance with 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 Shinyanga Municipal 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.

1.5 Management

Shinyanga Municipal 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 Municipal Executive Director. The detailed organization chart is given in Annex II.

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.

1.7 Financial Performance

(i) Revenue

The Municipal Council collected an amount of Shs.738,011,007 from own sources against the internal revenue budget of Shs.834,748,458 reflecting a collection shortfall of Shs.96,738,451 or 12%. In addition the council received grants amounting to Shs.2,093,440,475 making total revenue of Shs.2,831,451,482.

(ii) Expenditure

- The expenditure side of the consolidated statement of Income and Expenditure contained some errors as indicated on item 3.2.17 of this report. The correctness of some of expenditure figures could not therefore be established.

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 Municipal 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 Shinyanga Municipal 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 Shinyanga Municipal 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 Shinyanga Municipal Council are adequately safeguarded against losses from unauthorized use or disposition.
- To determine whether the management of the Shinyanga Municipal Council has taken adequate corrective action on the previous years audit recommendations.

1.10 Audit Scope

The audit of Shinyanga Municipal 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 Shinyanga Municipal Council's 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: Hon. Mizengo Pinda (MP),
Minister, PMO-RALG

The Regional Commissioner
Shinyanga Region

Municipal Director and Accounting Officer
Shinyanga Municipal Council

**RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS
OF SHINYANGA MUNICIPAL 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 Shinyanga Municipal Council shown on the annexure I 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 Shinyanga Municipal 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 Shinyanga Municipal 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 below, In my opinion the financial statements fairly reflect, in all material respects, the financial position of Shinyanga Municipal 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, the Procurement of Toyota Land Cruiser, 5 Motor cycles, Motor vehicle for fire, furnitures for Agriculture and Education department were generally done in accordance with Public Procurement Act No. 21 of 2004.

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

1. Shs.8,760,722 were unvouched and Improperly vouched expenditure the genuineness of expenditure incurred could not be ascertained
2. Shs.19,858,225 being capitation funds, were not disbursed to Primary Schools on time (a delay of 4 months).

3. Unclaimed salaries shs.2,158,799.34 were not surrendered to Treasury.
4. Furnitures overstated by Shs. 21,918,501.58

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 Follow up of previous years audit report

Para 3.1 Improperly vouched expenditure shs.8,595,500
Still outstanding.

Para 3.2 Imprest not recorded in the Register Shs. 4,655,100
Still outstanding

Para 3.3 10% payments of service levy collection to council workers Shs.1,695,076
Still outstanding

Para 4.1 Fixed Assets shs.3,316,083,652.33
The fixed Assets at cost figure of shs.3,316,083,652.33 reflected in the balance sheet did not tally with supporting schedule which amounted to Shs.2,174,100,945.80. The difference of Shs.1,141,892,706.53 has not been explained. Still outstanding.

Para 4.2 Debtors shs.94,571,943
Still outstanding.

Para 4.3 creditors shs.26,127,351
Still outstanding

Para 4.4 Acquired computer not included in council's Assets Shs.1,950,000
Still outstanding.

Implication

Understating of council non-current assets figure in the balance sheet.

Recommendation

- I recommend that the management should make follow up to the outstanding audit report and produce the findings to audit.
- Adjustment should be made to incorporate the acquired computer.

3.2. Current audit findings:

3.2.1 Revenue not collected from revenue collection agents Shs.5,133,260

The council entered into contract with Agents for collection of Market fees, "Mnada & Ushuru" (Mnyororo) at New Stand, Old Shinyanga and Ndalla area.

Audit examination of the relevant control register disclosed revenue amounting to Shs. 5,133,260 were not remitted to the council as detailed below:-

Name of the Agents	Collection station	Periods	Amount not remitted (Shs.)
Ms. E. Machumu	Old Shinyanga	April-June 2005	4,110,000
“	New Bus Stand	June 2005	123,260
Ms. T. Shombe	Shinyanga Town	June 2005	600,000
“	Bus Stand	January 2005	300,000
		Total	<u>5,133,260</u>

As at the time of Audit (January, 2006) revenue due has not been remitted to the Council.

Implication

- Laxity in control of revenue collection (poor internal control).
- The revenues of the council are held by third party which could have been used for other council activities.

Recommendation

I recommend to the management that the recoveries be made and produce recovery details for audit verification.

3.2.2 Unvouched Expenditure Shs.1,107,000

Paid vouchers amounting to Shs.1,107,000 were not produced for audit examination when called for as detailed below:-

PV. No.	Cheque No.	Amount Shs.	Account
1/10	0334765	97,000.00	Education
72/11	019876	160,000.00	Education
14/7	021546	850,000.00	Kilimo
	Total	<u>1,107,000</u>	

Implication

In absence of payment vouchers the genuineness of expenditure incurred could not be verified, and this may lead to misappropriation of funds of the Council.

Recommendation

I recommend that the missing Payment vouchers be traced and submitted to audit for verification.

3.2.3 Improperly vouched expenditure shs.7,653,722

Payments amounting to Shs. 7,653,722 had no relevant supporting documents attached to payment vouchers.

Implication

In absence of supporting documents to payment vouchers the nature of expenditure incurred could not be ascertained.

Recommendation

I recommend that all relevant supporting documents be obtained and submitted to audit for verification.

3.2.4 Payment effected without being pre-audited Shs. 4,176,650

It was noted during the audit inspection that the payment amounting to Shs.4,176,650 paid prior to being checked by pre-audit section as shown hereunder.

PV. No.	Cheque No.	Amount (Shs.)	Payee
General Fund A/C			
228/5	062193	658,500	Ms. Mount Zion Investment
229/5	062194	485,000	MS. Sango Investment
Education A/C			
4/7		1,124,950	Sundry payees
80/7		240,000	“
81/7		893,200	“
Development A/C			
27/3		350,000	“
28/3		125,000	“
13/6		300,000	“
	Total	<u>4,176,650</u>	

Implication

This implies that there are inadequate system of internal control.

Recommendation

I recommend that all payment vouchers should be pre-audited before payment.

3.2.5 Delays in release of funds to primary schools shs.19,858,225

During the audit inspection it was noted that capitation funds were not disbursed to Primary Schools on time. There was a delay of four (4) months. Such delays hinder the timely implementations of activities approved by Shinyanga Municipal Council as detailed below:-

PV. No.	Description	Amount Shs.	Date received	Date disbursed to schools
21/7-61/7	Capitation	19,858,225	11/04/2004	06/07/2004

Implication

Such delays hinders the timely implementation of activities approved by the council.

Recommendation

Management should ensure that funds approved are released on time to respective schools.

3.2.6 Expenditure incurred without budgetary provision Shs. 10,447,100

An expenditure totalling shs.10,447,100 was incurred by the council during the year under review being safari allowances, hire of transport, breakfast, lunch, dinner and accommodations:

Audit scrutiny of the approved estimates for the council revealed that the expenditure was not included in the approved memorandum of estimates as detailed hereunder:-

PV. No.	Cheque No.	Amount Shs.	Description
1/8	060978	425,000	Being allowances for Nyerere foundation meeting
66/8	061126	662,000	Allowances for board members (Ajira)
68/9	061127	230,000	Finance/Adm. Allowances
185/10 186/10	061261	512,100	Allowances (AjiraO)
57/12-58/12	061445	365,000	"
106/12, 109/12 and 111/12	061475	362,000	Allowance finance/Adm.
110/1	061574	350,000	"
108/6	062246	1,200,000	Motor vehicle hiring
133/6	062263	1,565,000	B/fast, lunch and dinner
134/6	062266	48,000	Paid to Bubinza guest house
135/6	062266	48,000	Paid to New Nancy
136/6	062267	630,000	Paid to Mwoleka
106/6	062245	4,050,000	Sundry allowances
	Total	10,447,100	

Implication

Effecting payments without budgetary provisions implies that activities budgeted for were not implemented as planned.

Recommendation

It is recommended that the council should justify the expenditure which had no prior approval and ensure that in future all expenditure have prior approval.

3.2.7 Special Imprests neither recorded nor retired Shs.486,000

Special Imprests neither recorded in the imprest register nor retired Shs.486,000 were outstanding as at the time of audit January, 2006. This is contrary to LAFM 1997 part VIII order No. 134 (PV. No.3/10 cheque No. 043819 refers).

Implication

The accountability of the imprests issued could not be justified.

Recommendation

I recommend to the management that all imprests issued should be recorded in the imprest register and should be retired immediately within 14 days after the conclusion of the intended activity as required by regulations.

3.2.8 Violation of Directives issued by Minister for returning three council motor vehicles sold to Councillors Shs.2,755,000

The Council sold three motor vehicles to the councilors for Shs.2,775,000 which were supposed to be sold on Public action as it was already written off by board of survey on 7th May 2004. But due to unknown reasons the management sold the vehicle to the councilors on 15th October, 2004. The basis of valuation, prices assigned to the sold vehicles were not established. However, the Minister instructed that the motor vehicles be returned to the council, contrary to that vehicles were yet to be returned till the time of writing this report (January, 2006).

Type of motor vehicle	Sold to	HW5 No.	Amount (Shs.)
Toyota Hilux SM 2080	Hon. Juma H. Ngasa	15635	1,875,000
Suzuki Samurai SM 1846	Hon. Fransis Mushi	15633	450,000
Toyota L/Cruiser SM 1538	Hon. Charles Mgina	15634	450,000
		Total	<u>2,775,000</u>

Implication

This implies non-compliance to Order No. 161 of Local Authority Financial Memorandum, which requires that where the disposal of assets is by way of sale then Public auction should be applied.

Recommendation

- I recommend to the management that should confirm that the cars have been returned to the council as directed by the Minister.
- In future the council should observe financial regulations for disposal of council assets and properties

3.2.9 Doubtful payment of lunch and soft drinks Shs.1,542,300

Payment amounting to shs.1,542,300 were made by the council to MS. Zainabu Muro to meet expenditure for Lunch and soft drinks expenses of “Kufuatilia taaluma Mashuleni”. However the payments were not supported by names of participants of the process. (Refer PV. No.83/7 development A/C and PVs. 97/7, 82/7 Education Account).

Implication

In absence of relevant supporting documents the genuineness of expenditure incurred could not be verified.

Recommendation

I recommend that participants names should be submitted to audit to justify the expenditure.

3.2.10 Stores not traced in site ledger Shs.3,854,000

Stores valued at Shs.3,854,000 purchased and recorded into the main store ledger (HQ ledgers), were directly issued to construction site. However, no evidence was obtained to audit confirm that the stores issued were received to the site due to non-availability of receipted issue vouchers and site ledger as shown below:-

Account	PV. No.	Cheque No.	Amount	Details
Development	31/7	043764	500,000	50 bags of cement
“	2/2	“	1,120,000	Various B/materials
“	6/8	043774	608,000	“
”	7/8	043774	112,000	“
”	8/8	043774	620,000	”
“	1/2	543900	894,000	”
			3,854,000	

Implication

Material purchased might have been used for other purpose contrary to intended needs.

Recommendation

I recommend to the management that in future all stores issued from main stores to construction site should be recorded in the site ledger.

3.2.11 Doubtful car hire Shs.652,000

A council entered in contract with one employee for car hiring with Registration No. TZD 7202 to perform official activities of the council.

However, it is not easy to justify whether the work performed is genuine for the reason that the owner is employee of the council and one logged the claim is the engineer of the council claiming that he paid the sum from his own pocket but the refund was paid to the car owner. (PVs No. 66/2 General fund and 35/9 Development Account).

Implication

This may imply inadequate internal control of council systems.

Recommendation

I recommend to the management to recover the amount wrongly paid and future normal procedures for hiring cars should be followed.

3.2.12 Unclaimed salaries not surrendered to Treasury Shs.2,158,799.34

Unclaimed salaries in respect of employees no longer in service due to different reasons i.e. deceased, retired, absconded etc. Amounting to Shs.2,158,,799.34 were not surrendered to Treasury as at the time of audit inspection December, 2005.

Implication

The Council could use the unclaimed salaries for other purposes without approval from relevant authority.

Recommendation

I recommend to the management to surrender unclaimed salaries to Treasury and submit acknowledgement receipt to audit for verification.

3.2.13 Outstanding Debtors Shs. 34,347,962

Current assets indicates amount of shs.34,347,962 as outstanding debtors as follows:-

Salary advance	Shs. 455,771.96
Women and Youth fund Loans	Shs.18,424,020.00
Imprest	Shs.15,468,170.59
Total Shs.	<u>34,347,962.55</u>

Implication

The council has inadequate internal control Mechanism over debtors control.

Recommendation

I recommend that the council management to ensure that the amount outstanding are cleared.

3.2.14 Sundry Creditors Shs.44,902,042.65

Current liabilities include Shs. 44,902,042.65 as accrued expenditure for the year ended 30th June, 2005 as below:-

	Shs.
Balance B/F	12,271,403.35
Sango Investment G. Supplies	3,715,350.00
Mount Zion Investment	1,581,580.00
Mewa Malecos	4,709,050.00
New Kambarage Injection Pump	753,250.00
Mathew Mabula	1,387,800.00
Dumco Investment	1,480,906.00
Hilda Luhende	626,347.00
Zainab Muro	48,500.00
J. Mashandete	151,250.00
Foutes Garage	2,112,906.00
Shinyanga General Mechenics	113,040.00
Galame Traders	74,000.00
Shinyanga Mwadui Garage	1,131,420.00
Charles Ilomo	607,650.00
Medard General Supplies	720,720.00
Benadetha John	19,200.00
Wachundu enterprises	322,750.00
Oxfam	5,300,000
Tume ya Uchaguzi	13,072,620.30
Total	<u>44,902,042.65</u>

Implication

The council has inadequate credit control to ensure that it meets its obligations on due dates.

Recommendation

I recommend to the management to ensure early settlements of these debts.

3.2.15 Furniture and Equipment Shs.169,946,497.10

The figure of furniture and equipment reflected in the balanced sheet Shs. 169,946,497.10 is not the same with that shown on the schedule of furniture and equipment i.e. Shs. 148,027,995.52.

As the result fixed assets was overstated by Shs. 21,918,501.58.

Implication

The figure for furniture and equipment have been overstated hence the council's assets have also been overstated.

Recommendation

I recommend that the figure of furniture and equipment to be adjusted according to the schedule.

3.2.16 Uncleared items

the under mentioned items were found uncleared in bank reconciliation statements during audit inspection.

Account	Receipts in the bank statement but not in cash book	Receipts in cash book but not in bank statement	Payment in the bank statement but not in the cash book
General fund	1,533,335.16	-	-
Development	460,400.50	541,269.84	-
Deposit	12,714,94.67	2,228,936.00	3,823,968.32
Education	3,390,955.95	-	2,604,939.77
Health	-	43,999.85	240,000.00
Road Toll	4,000.00	-	-
Mradi wa Maji	-	125,000.00	-
Maji Machafu	-	1,270,000.00	20,000.00
Mradi wa Gari	248,000.00	-	-
Oxfam	448,800.00	-	-

Implication

Uncleared matters in the bank reconciliation may lead to loss of councils funds undetected.

Recommendation

The management should make follow-up to clear these items.

3.2.17 The Consolidated Statement of Income and Expenditure

Examination of the above statement revealed the following errors:-

- The expenditure side includes Recurrent Revenue of Shs.85,392,653, the figure of which is not supported by any explanation or analysis.
- Expenditure on the Road Services amounted to Shs.3,065,734,257, while the total income received during the year was Shs.29,954,971 only. The extra amount spent of Shs.3,035,779,466 is not supported by explanation or analysis.
- Bad debts amounting to Shs.58,103,955 were written off during the year. However, approval from the proper authority could not be made available to audit.
- The revenue side include opening and closing stocks of Shs.2,798,484 and Shs.235,404,338 respectively contrary to the Accounting Principles.

Implication

The correctness of the deficit figure could not be established.

Recommendation

The consolidated Statement of Income and expenditure should be corrected and revised statement submitted.

4.0 CONCLUSION

The detailed audit finding presented above have been communicated to management of the Shinyanga Municipal Council during exit meeting. Management of the Shinyanga Municipal 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

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

5.0 ANNEXURES

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

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF SHINYANGA MUNICIPAL COUNCIL

