

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



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

The Controller and Auditor General
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March, 2006

AR/LG/055/2005

Office of the Controller and Auditor General

The National Audit Office,
United Republic of Tanzania

(Established under Article 143 of the Constitution of the URT).

The statutory duties and responsibilities of the Controller and Auditor General are given in the Public Finance Act No. 6 of 2001.

Our Vision

We aspire to be an organization that fosters a culture of financial discipline, transparency and accountability within the Government of Tanzania.

Our Mission

We are the Supreme Audit Institution in Tanzania, which strives to provide timely and high quality audit services to all our clients in order to enhance public sector financial performance by educating key stakeholders on the effective management of public finances; providing value added services and functioning independently and impartially in auditing and reporting on public accounts.

Therefore, our Core Values are:-

- ✓ We strive to achieve and maintain objectivity in providing impartial audit services so as to promote our independence
- ✓ We pursue excellence in the provision of our audit services
- ✓ We exercise professional integrity by demonstrating high ethical standards
- ✓ We focus on people and have great respect to our stakeholders
- ✓ We encourage and promote innovation amongst our members of staff; and
- ✓ We ensure best resource utilization at national as well as individual public entity level.

We do this by:-

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them:
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with adequate working tools and facilities that promote independence.

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ABBREVIATIONS AND DEFINITION OF TERMS.

CAG	Controller and Auditor General
CD	Council Director
DED	District Executive Director
DPs	Development Partners
LAAM	Local Authority Accounting Manual
GDP	Gross Domestic Product
LAFM	Local Authority Financial Memorandum
GOT	Government of Tanzania
HIPC	Highly Indebted Poor Countries
IFMS	Integrated Financial Management System
IG	Investment Grant
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
NGO	Non-governmental Organisation
MoF	Ministry of Finance
OCAG	Office of the Controller and Auditor General
PER	Public Expenditure Review
ISA	International Standards on Auditing
PMO-RALG	Prime Ministers' Office - Regional Administration and Local Government
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSRP	Public Service Reform Programme
RAS	Regional Administrative Secretary
RS	Regional Secretariat

Financial Statements means:

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

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

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction:

I have completed the audit of Simanjiro 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

The Simanjiro District Council was established in 1994 in terms of the provisions of sections 8 and 9 of the Local Government (District Authorities) Act 1982. Besides the Act, the council operates within the framework of the following instruments.

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

1.3 Operational Objectives

According to the Government (District Authorities) Act the Simanjiro District Council has the following objectives:

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

1.4 Financing

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

30.6.2004 [Six months Accounts]	REVENUE	2004/2005
52,783,388	Own sources	155,701,283
938,528,329	Government Grants	2,502,075,631
368,218,500	Donors	589,084,750
1,359,530,217	Total Revenue	3,246,861,644

1.5 Management structure

Simanjiro District Council operates under directives of the Full Council, which is a supreme body for legislative responsibilities. Under the Full Council there are three Committees which are directly answerable to it. The Chief Executive for the District Council is the District Executive Director (DED) who is responsible for the day-to-day activities. The structure has positions of Internal Auditor and Legal Officer with responsibilities of advising the Director on matters falling under their jurisdiction.

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

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

1.6 Internal Control System

A System of internal control that should be adopted by councils is given under order 9 through 11 of the Local Authority Financial Memorandum 1997. The Order requires the finance committee to adopt written procedures for proper control of finances. In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers, an organization chart of the Finance Department division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is mandatory. The Council is also required to employ its own Internal Auditor who reports directly to the Director. Similarly, the Public Procurement Act No.21 of 2004 Section 28 (1) requires the Council to establish a Tender Board and Sect.34 (1) provides for Establishment of Procurement Management Unit.

The Internal Control set up of Simanjiro District Council complies with this order and Procurement Act. Nevertheless weaknesses arising from review of internal control system are included under part 3 of this report.

1.7 Financial Performance issues

(i) Revenue Collection

The total revenue collected by the council from own sources during the year under review were Shs.284,492,329 against the approved estimates of Shs.245,947,487 registering collection surplus of Shs.38,544,842.

(ii) Expenditure

The council closed with an excess expenditure of Shs.630,871,024 arising from net expenditure of Shs.3,763,185,644 against the approved provision of Shs. 3,112,314,620.

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 Public Finance Act No.9 of 1982, (Revised, 2000) the Controller and Auditor General is the statutory auditor of all government revenues and expenditure, including the revenues and expenditures of this District Council.

1.9 Audit Objectives.

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

- To determine whether transactions were executed in accordance with the financial regulations, and recorded properly in the books of accounts for easy preparation of the financial statements.
- To determine whether the revenues due have been collected and used to meet expenses as per approved budget and governing regulations.
- To ascertain whether all supporting documents, records and accounts have been kept in respect of all District Council activities.
- To verify whether goods and services bought were acquired through laid down procedures.
- To perform compliance tests to confirm whether management complied in all material respects with regulations.
- To evaluate whether the internal control procedures instituted are effective to provide relevant and reasonable information to the Management, for implementing and monitoring activities and that the assets of the authority are adequately safeguarded against losses from unauthorized use or disposition.
- To verify whether the Council has implemented audit recommendations made in previous audits.

1.10 Audit Scope

The audit was carried out in accordance with the International Standards on Auditing and INTOSAI audit procedures. The audit covered the evaluation of effectiveness of the financial accounting system and Internal control over the activities of the District Council, examination and verification of the accompanying financial statements and other auditing procedures as was considered necessary for the purpose of forming an opinion on the financial statements. The audit was conducted on a test check basis; therefore, the findings are confined to the extent that records and information requested for the purpose of the audit were made available to 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, the audit was planned so that I would have a reasonable expectation of detecting material misstatement in the financial statements resulting from irregularities or fraud. The responsibility for detection and prevention of irregularities and fraud rests with the Council management who are responsible for setting up and maintaining an adequate and effective system of internal control.

1.11 Audit Methodology

In auditing the financial statements together with their underlying records, the following principal audit steps were followed;

- A review of the council's regulations, guidelines and other Authority's documents as was deemed necessary under the circumstances.
- Examination of receipts and payments to confirm compliance with existing legislation, financial regulations and other instructions or directives.
- A review of the internal control structure by assessing significant policies and procedures and establish its adequacy.
- Review of financial statements, progress reports, various implementation reports and other associated information.
- Conduct compliance tests on the system of awarding contracts and their execution.
- Interview and discuss with some of the staff and other key stakeholders in the implementation of various activities.
- Conduct Local inspection to verify physical implementation of planned activities as well as assessing the progress made.
- Hold entrance and exit meetings with the auditee to discuss the audit objectives and results of the audit respectively.

1.12 Presentation of Audit Findings

The audit was carried out according to the mandate stated above, applying professional standards and audit procedures that were considered appropriate in each situation.

The audit findings are divided into two parts. The first part comprises the opinion on the critical examination of the financial statements submitted for audit and the circumstances surrounding their preparation and presentation.

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system which, if rectified on time, will greatly improve the effectiveness of the internal control system applied.

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The Regional Commissioner,
Manyara Region.

District Executive Director and Accounting Officer,
Simanjiro District Council.

RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF SIMANJIRO 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 Simanjiro District Council shown as 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 Simanjiro District 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 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 Simanjiro District Council, consistently applied and adequately disclosed, evaluating the overall financial statements presentation, and assessing the extent of compliance with the statutory requirements. I believe the audit provides a reasonable basis for my opinion.

Opinion

Except for the material matters pointed out below, in my opinion the financial statements fairly reflect, in all material respects, the financial position of Simanjiro 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, the transactions of procuring ten ton lorry, works on construction of Dams and boreholes, procure and install Epicor and gravity water scheme which I have tested as part of the audit, have generally complied with the requirement of the Public Procurement Act No. 21 of 2004 together with the related regulations.

Matters requiring rectification

- (i) Expenditure not supported by proper documentations
Shs.49,087,300
- (ii) Misappropriation of unpaid council staff salaries Shs.7,444,700
- (iii) Revenue collections not brought to account Shs.2,844,750
- (iv) Improperly vouched expenditure Shs.56,034,263
- (v) Foodstuffs and beds short supplied Shs.22,246,908
- (vi) Assets understated in the balance sheet Shs.75,056,766

The details of these items are detailed in part 3 of this report.

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

Office of the Controller and Auditor General
The National Audit Office
DAR ES SALAAM.

31st March 2006.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Status of the previous year's audit recommendations

During the previous audit we noted audit findings, which we recommend some actions to be taken by the management for further improvement as at reporting date (February 2006) the following recommendations have not been acted/implemented by the council management as follows:-

S/No	Year	Paragraph	Recommendation	Status
1	2003	61.2.1	Revenue collection not banked Shs.24,770,368	Partly implemented Tshs. 6,429,066 not yet accounted for
2	2003	61.3.5	Expenditure of allowances supported by fictitious/dubious documentation Tshs. 49,087,300	Not implemented
3	2003	61.3.9(iii)	Beds and mattresses for Ruvu Remit Primary School not delivered Tshs.5,085,000	Not yet accounted for
	2003	61.3.9(iv)	Supporting documentations for purchase of a generator were not attached to authenticate payment effected Tshs.4,270,000	Documents worth Tshs. 2,200,000 have since not been produced.
4	2003	61.3.10(i)	Misappropriation of unpaid salaries to council staff Tshs.2,633,600	Unpaid salaries worth Tshs.2,033,600 not yet accounted for
		61.3.10(ii)	Salaries paid to council staff without proper authority/documentation Tshs. 1,096,202	Balance of Tshs.896,202 not yet resolved

3.2 Council Interim Report for Six month (Jan - June 2004) period not replied.

The council management has not replied our audit report for the interim period of six month ended 30th June 2004. In the circumstances, I was unable to give the status to date.

Implication

The status of audit findings and recommendations for the period ended 30th June 2004 not known.

Audit Recommendation

The council management should furnish replies.

3.3 POSITION OF AUDIT QUERIES

Year	No of Queries Issued	No of Queries Closed	Balance
2003	25	19	6
2004	15	Nil	15
2004/2005	19	Nil	<u>19</u>
Total			<u>40</u>

3.4 Current year's audit findings

3. 4.1 Revenue collection not accounted for Shs. 2,844,750

Revenue collections totalling Shs. 2,844,750 collected by various revenue collectors could not be confirmed to have been accounted for in absence of acknowledgement receipts from the main Cashier or Bank pay in slips

Implication

The collection may be spent on personal benefits by the collectors

Audit Recommendation

Management should ensure that revenue collection amounting to Shs. 2,844,750 have been acknowledged at the District Treasury or recovery of the same be made from the respective revenue collectors concerned.

3.4.2 Missing Revenue earning receipt book - 1

One “Stakabadhi”(HW5) book with serial number 9901 - 950 issued to S. Mkopi- WEO Mererani on 30/8/2004 was not produced to audit at the time of inspection

Implication

Any amount collected on that book could not be confirmed to have been properly accounted for.

Audit Recommendation

The management should ensure that all unused and used receipt books are properly kept under key and lock and any book verified missing should be traced and any collection thereon be brought to account.

3.4.3 Accrued Revenue from Council’s agents not Collected Shs. 30,540,000

Through tendering procedure; seven (7) agents were appointed and entered into contract with the council to collect a total sum of Shs. 81,600,000 on behalf of the Council from different own sources of revenue for the period from Jan, 2004 to Dec. 2005.

In the event, only Shs. 51,060, 000 was collected leaving uncollected balance of Shs. 30,540,000 as at the time of finalizing the audit exercise.

Implication

With long lapse of time the revenue due for collection may become uncollectible constitute a loss of revenue to the council.

Recommendation

It is now over two years accrued revenue, hence; management should collect the same from the agents as soon as possible to enable the council implementing its budgeted activities smoothly.

3.4.4 Payments not Supported by relevant documents Shs. 56,034,262.90

Examination of payment vouchers revealed cases of payments not well supported of Shs. 56,034,262.90. In the absence of such vital supporting documents, the genuineness of the payment could not be justified.

Implication

Shs. 55,117,462.90 was inadequately supported by relevant document, hence, the reality of such payment could not be ascertained

Audit Recommendation

The Management should find out the entire relevant supporting document and attach to the payment vouchers for audit scrutiny.

3.4.5 Expenditure Partially Supported of Shs. 1,537,600

Education A/c Shs. 1,537,600

Examination of payment vouchers revealed that the council incurred an expenditure of Shs. 11,492,000 in respect of council officers being allowance and other expenses on training. It was observed that the amount of Shs. 1,537,600 was not supported and the possibility of this balance being misappropriated cannot be ruled out.

Implication

In the absence of full relevant supporting documents it could not be confirmed whether the amount was used for public interest.

Recommendation

The management should ensure that the remaining balance of Shs.1,537,600 has since been receipted on HW5 and banked accordingly.

3.4.6 Doubtful Procurement of Stores Shs. 17,655,100

The council paid Shs. 17,655,100 to various suppliers being procurement of stationeries, spare parts, furniture, medicines, tires, foodstuffs and Science Kits.

However, during the time of audit inspection, the following irregularities were noted:

- That competitive quotations were not sought,
- Tax invoices and Delivery Notes were not obtained from the supplier,
- Receipt vouchers upon which the items were receipted and Issue vouchers to support their issues were missing

- Old parts replaced with new were not returned to store,
- The items were not accounted for in the stores ledger, and
- Utilization accounts by user departments were not in place.

Implication

In view of the irregularities noted, it was difficult on the part of audit to ascertain whether the goods were delivered and applied to the intended activities by the respective procurement departments.

Audit Recommendation

The council management should always ensure that effective procurement management is in place and Annual Report on Procurement of goods, works and services is prepared as per requirement of Section 19(1) of the Public Procurement Act, 2001.

3.4.7 Doubtful Procurement of Fuel Shs. 18,687,000

A sum of Shs. 18,687,000 was paid to M/s Membi Transport and General Supplies and M/s Lemaya Filling Station based in Orkesumet for procurement of fuel. Apparently the purchase was not supported by the following vital procurement documents:

- Requisition for stores forms
- Local purchase orders,
- Delivery Notes,
- Receipt vouchers.

The ante numbers of fueled vehicles were not disclosed; ledger folios quoted on the payment documents were irrelevant and the activities for which the fuel was consumed for lacks transparency. Further, neither the fuel taken on ledger charge nor utilization accounts produced for audit verification.

Implication

Due to the absence of such ideal documents and anomalies became difficult for audit to establish whether the council was the bonafide user of the procured fuel.

Recommendation

The management should adhere to the procurement regulations and procedures. In the circumstance, all the ideal documents in question should be availed accounted for and authorized utilization account produced for scrutiny.

3.4.8 Consumption of Fuel not Supported Shs. 4,692,100

4,756 Litres of diesel worth Shs. 4,692,100 was verified to have been struck off ledger charge as issues to the functional heads of the council departments without supporting authorization, issue vouchers and respective vehicle's log books. Both the order forms in place filled by head of departments authorizing be issued with fuel still lacking some vital details such as activity to be performed and place. In the circumstances, the genuineness of the fuel consumption could not be established.

Implication

In the absence of authorization; issue vouchers and Log books it could not be confirmed whether the fuel utilized properly.

Recommendation

The Council management should adhere to the prevailing procurement procedures/ regulations. In the circumstance, the utilization account of the same should be produced for scrutiny.

3.4.9 Food stuffs Short Supplied of Shs. 17,496,908

The council ordered and paid for foodstuffs worth Shs. 36,497,197 for Naberera and Simanjiro Boarding Primary Schools from M/S Roici Enterprises, a supplier based in Simanjiro who awarded a tender to supply foodstuffs to such schools. However, foodstuffs valued at Shs. 17,496,908 were short supplied between September 2004 and June 2005.

Implication

There has been a weak internal control over ordering, delivery, inspection against quantity ordered and quality before receipt of foodstuffs in store.

Recommendation

The council management should ensure that the unsupplied food has been obtained from the supplier or a refund of Shs. 17,496,908 worth of the unsupplied food has been affected. In future payment of stores should be made after cross - checking with delivery and receiving report from the Supplies Officer to establish payment position.

3.4.10 Beds Short Supplied Shs. 8,550,000

Education A/c Shs. 4,750,000

A total sum of Shs.8,500,000 was paid to M/S Ronam General Supplies based in Arusha for supplying 90 wooden beds double - decker each Shs.95,000 ordered vide LPO No.2823 of 3/12/2003 for Ruvu Remit primary school.

To date only 40 beds have been supplied although not supported by delivery notes and such beds were issued to Msitwa Tembo Secondary school instead of the intended Ruvu Remit Boarding primary school. The balance remains of 50 beds worth Shs. 4,750,000 has not been supplied.

Implication

Considering a long lapse of time since the beds were paid for, there is a possibility of the council's funds be subjected at risk of loss.

Recommendation

The council management should ensure that the beds have been supplied or legal action be instituted against the supplier for infringement of the tender agreement. This matter was also reported in my previous audit report for the accounts ended 30/6/2004.

3.4.11 Purchase of Motor Vehicles Shs. 102,168,206

PV13/8/2004	Shs. 46,556,766	Education A/c
PV4/6/ 2005	" 28,500,000	-do-
PV0001516/8/2005	" <u>27,111,440</u>	Water A/c
Total Shs.	<u>102,168,206</u>	

The Council purchased two air conditioned Toyota Land Cruiser Pick ups worth Shs. 102,168,206 from M/s Toyota Tanzania Ltd of Arusha. Ordered vide LPO No. 00003 and 00309 of 11/8/2004 and 20/6/2005 respectively.

The following anomalies were observed:

- The purchase documents including SBE, TRA new tax invoice were not made available for audit verification.
- One Pick up Toyota L/C worth Sh.46,556,776 supplied within the year under review its cost was not included in the schedule of fixed assets nor reported in the balance sheet.
- The pre paid amount of Shs. 28,500,000 for the second Pick up Toyota L/C which remained unsupplied during the year under review was not reflected in the balance sheet under Advance asset.

Implication

In the absence of the procurement documents, the real cost of the vehicles purchased could not be established.

Recommendation

The council management should ensure that the procurement documents are obtained and made available for audit verification.

3.4.12 Suspected Misappropriation of Unpaid Salaries Shs. 5,411,100

It was observed during audit inspection that unpaid salaries amounting to Shs. 5,411,100 belong to officers who have died or left the local government service on various grounds was neither receipted back in the council's Treasury nor physically found in the council coffer during cash survey. The possibility of the whole sum being misappropriated cannot be ruled out.

Implication

There was no close supervision on payment of salaries and no control measures were in place to account for unpaid salaries as this weakness was not uncovered by the council.

Recommendation

- (i) The unpaid salaries amounting to Shs. 5,411,100 which appear to be misappropriated by the paying officers should be recovered.
- (ii) Intimate control measures you have instituted to stop its reoccurrence

3.4.13 Contracts and Associated Document for Minor Works not Produced Shs. 41,076,000

A sum of Shs. 41,076,000 was observed to have been paid to two contractors for construction of Abattoir at Mererani; Orkersumt Resource Centre and renovation of Msitu wa Tembo Secondary School; Naberera Health Center and Naberera maternity Ward. However, the payments were not supported by mutual contract agreements, evaluation reports, and bill of quantities (BOQ'S) and minutes of site meetings contrary to regulations.

Implication

The betterment of the buildings could not be verified due to lacking of such vital documents.

Audit Recommendation

Relevant supporting documents should be produced for audit verification

3.4.14 Renovation of Msitu wa Tembo Dispensary Shs 10,140,000

PV77/6 C/N107726 Shs. 10,140,000 Contract No SMJ/UJ/C/B/14

In June, 2005, the council paid M/S Aleni Civil Contractor of Arusha towards renovation of Msitu wa Tembo Dispensary.

The site visit on 05.02.2006 revealed the following anomalies:

- (i) In the presence of clinical officer and, Health officer Incharge of the dispensary and as per BOQs, the contractor purported to have executed works valued at Shs. 1,080,000 already done by World Vision, a non governmental organization.
- (ii) BOQs state that, the entire building should be replaced with new ceiling boards. However, the case was inverse.
- (iii) Value for money was not observed by either parts of the contract.

Implication

It is the indication that the contract specifications and conditions were not adhered to by either parts of the contract.

Audit Recommendation

- (i) Explain or recover Shs.1,080,000 pertaining to the works purported to have been executed by the contractor.
- (ii) Variation order(s) in respect of the ceiling boards in question is called and /or envisage the value of the new ceiling boards to be replaced and recover the same from the contractor.
- (iii) Further, value for money should be observed; in the event, VFM for 3steps, emulsion paint and tyrolean amounting to Shs.1,676,000 should be envisaged and recover the same.
- (iv) It is advised to shade the patients waiting area by using the money to be recovered from the contractor.

3.4.15 Cash at Bank Shs. 232,464,496

The figure of cash at bank reflected in the balance sheet could not be ascertained as the reconciliation statements and cash at bank of Shs. 36,664,217 for Education account were not produced for verification

Implication

No efforts taken by the council management to prepare bank reconciliation for Education account

Audit Recommendation

Immediately action is called for to prepare the reconciliation statement for ascertaining cash at bank of Shs. 36,664,217

3.4.17 Assets Understated by Shs. 75,056,766

The value of fixed assets and debtors of Shs. 3,887,380,821 and Shs. 25,985,191 reflected in the balance sheet were understated by Shs. 46,566,766 and Shs. 28,500,000 respectively being value of new purchased motor vehicle Toyota L/C Pick up and advance payment to Toyota Tanzania Ltd - Arusha for purchase of Toyota L/C Pick up.

Implication

The omission was both material and fundamental to have material effects on the amounts of the financial statements.

Audit Recommendation

The Balance Sheet should be revised to incorporate the omission.

3.4.18 Sundry Creditors Shs. 32,980,464

Consolidated Balance sheet as at 30th June, 2005 disclosed the following outstanding balances of payables:

Category	Amount (Shs)
Staff creditors	1,478,120
PM's Office [Relief food]	29,300,000
Other Creditors	<u>2,202,344</u>
Total Shs.	<u>32,980,464</u>

Audit Recommendation

Council creditors should be settled as they become due.

4.0 CONCLUSION.

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

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

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

CC: Permanent Secretary,
Prime Minister's Office,
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Box 1923,
DODOMA.

Permanent Secretary and Paymaster General,
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DAR ES SALAAM.

5.0 ANNEXURES

- Notes to the financial statements - annexure I
- Organization structure of Simanjiro District Council - annexure II

FINANCIAL STATEMENTS

ORGANIZATION STRUCTURE OF SIMANJIRO DISTRICT COUNCIL

