

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE (NAO)



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

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AR/LG/053/2005

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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Table of Contents

	Page
1.0 Background information to the audit	5
1.1 Introduction	5
1.2 Brief history of the client establishment	5
1.3 Operational objectives	5
1.4 Financing	5-6
1.5 Management structure	6
1.6 Brief description of internal control system	6
1.7 Financial performance issues	6-7
1.8 Audit mandate	7
1.9 Audit objectives	7
1.10 Audit scope	8
1.11 Audit methodology	8
1.12 Presentation of audit findings	9
2.0 Audit report on the financial statements	10-11
3.0 Audit findings and recommendations	12
3.1 Follow up of previous year's Audit findings	12
3.2 Current year's findings	13
3.2.1 Financial controls issues	13-19
4.0 Conclusion	20
5.0 Annexures	21
I. Financial Statements and Notes to the Financial statements	
II. Organisation Structure of Kiteto District Council	

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
GAAS	Generally Accepted accounting Standards
IFMS	Integrated Financial Management System
IG	Investment Grant
LGA	Local Government Authorities
LGRP	Local Government Reform Programme
M&E	Monitoring and Evaluation
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 Minister's Office - Regional Administration and Local Government
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSRP	Public Service Reform Programme
RAS	Regional Administrative Secretary
RS	Regional Secretariat

Financial Statements means:

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

Council means - Kiteto District Council, both as Councilors as well as an operating entity.

1.0 BACKGROUND INFORMATION TO THE AUDIT

1.1 Introduction:

We have completed the audit of Kiteto 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

Kiteto District Council was established in 1984 in accordance with the provisions of sections 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 Kiteto 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, licenses, fees and charges.
- (e) To convince the public that the use of funds have achieved the maximum benefits through sound financial management.

In addition to these objectives, the Council has short-term objectives geared towards alleviation of severe malnutrition, food security and poverty alleviation. Other short-term objectives include; improvement of health facilities, clean water supply, improving road sector and reduction of HIV/AIDS prevalence.

1.4 Financing

The Council has two sources of funds; which are own source and external source. The internal source includes collection of Public funds through taxes, fees, licenses and charges. On the other hand, external source includes subsidies from central government as well as grants and loans from donor community. From these sources, total Income during the

year was Shs.2,900,275,527 made up of Shs.205,228,057 from own sources and Shs.2,295,828,766 from government grants and Shs.399,218,705 from donors.

1.5 Management

The Kiteto 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 Brief description of Internal Control System

A system of internal control that should be adopted by councils is given under order 9 through 11 of the Local Authority Financial Memorandum; 1997. The Order requires the finance committee to adopt written procedures for proper control of finances. In addition, the Director and the Treasurer should ensure there is assignment of specific responsibilities to individual officers, an organization chart of the Finance Department, division of responsibilities and periodic rotation of duties. Accountability of all areas of operations by the Director or his designated representative to check effectiveness of the control system is also mandatory. The Council is further 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 Kiteto District Council complies with the statutory requirements. Nevertheless weaknesses arises from review of internal control system are included under part 3 of this report.

1.7 Financial Performance Issues

Revenue

The District Council collected an amount of Shs.205,228,057 from own sources against the internal revenue budget of Shs.216,055,176 reflecting a collection shortfall of Shs.10,827,1120 or 5%. In addition the

Council received grants amounting to Shs.2,695,047,470 making total revenue of Shs.2,900,275,527 during the year.

Expenditure

The Council spent Shs.3,228,905,761 during the year against total income of Shs.2,900,275,527 or 111.33% of total revenue, with over expenditure amount of Shs.328,630,234.

A comparison of the internal revenue of Shs.205,228,057 against expenditure of Shs.3,228,905,761 (net of depreciation) is only 6.4% 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 provisions of Article 143 of the Constitution of the United Republic of Tanzania, and Section 45 of the Local Government Finances Act No.9 of 1982, (revised, 2000); the Controller and Auditor General is the auditor of all government revenues and expenditures, including the revenues and expenditures of this Town 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 account 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 properly kept in respect of all Kiteto 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. The audit covered the evaluation of effectiveness of the financial accounting system and Internal Control over the activities of the District Council, examination and verification of the accompanying financial statements and other auditing procedures as was considered necessary for the purpose of forming an opinion on the financial statements. The audit was conducted on a test check basis; therefore the findings are confined to the extent that records and information requested for the purpose of the audit were made available to us.

As an auditor I am not required to search specifically for fraud; therefore my audit cannot be relied upon to disclose all such matters. However, my 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 examining the financial statements together with the underlying records the following audit steps were followed;

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

1.12 Presentation of audit findings

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

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

The second part comprises the detailed findings on the gaps and shortfalls in the internal control system and compliance, 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,
Kiteto District Council.

RE: INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS OF KITETO 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 Kiteto District Council shown on annexure I of this report for the financial year ended on 30th June 2005.

Responsibility of Council Management on the financial statements

These financial statements are the responsibility of the management of Kiteto 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 regard to economy and efficiency, whether the accounts have been kept in accordance with Generally Accepted Accounting Standards, and whether they do comply with the requirements of the Local Government Finances Act No. 9 of 1982 and the Local Authorities Financial Memorandum of 1997.

Basis of opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the significant estimates and judgments made in the preparation of the financial statements, assessing whether the internal control system and the accounting policies are appropriate to the circumstances of the Kiteto 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.

The financial statements have been prepared and presented based on the accrual principle of accounting pursuant to Order Nos.56 through 58 of the LAFM. Under the accrual basis, all revenues and all the related costs are matched with the period in which they were earned and incurred.

Opinion

In my opinion, except for the matters detailed below, the financial statements fairly reflect, in all material respects, the financial position of Kiteto District Council as at 30th June 2005 and the results of its operations and cash flows for the year then ended, in accordance with Part IV of the Local Government Finances Act No.9 of 1982.

Limitation of Scope:

1. Nine (9) audit recommendations of the previous years are still outstanding.
2. Four (4) General earning receipt books were missing during audit. Accountability of revenue collections made vide these receipt books could not be ascertained.
3. Revenue collection amounting to Shs.4,745,200 were not accounted for as this could not be confirmed whether the collections were properly accounted for in the Council books of accounts.
4. Shs.4,956,400 were observed to be overpayment to suppliers, which has an implication of inadequate internal control of Council's Finances.
5. Shs.3,825,792 were observed as double payments of allowances to teachers trainees.
6. Shs.12,198,996 were observed as overdrawn from four accounts indicating weak control over management of Council's expenditure.

The details of these matters are given 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.

31 March 2006.

3.0 AUDIT FINDINGS AND RECOMMENDATIONS

3.1 Status of the previous year's audit recommendations.

Matters raised in the previous management letter were dealt with but nine (9) audit recommendations detailed below are still outstanding.

S/N	Year	Paragraph	Recommendation	Status
1.	2000	1.8	Theft of Council staff salaries Shs.38,731,700 not recovered.	The matter is under police investigation. Police investigation report is awaited.
2.	2003	2.1	Revenue earning receipt books not produced - 33	3 GRR books have not been traced.
3.	2004	2.1	Revenue earning receipt books not produced - 39	All books were produced. However, revenue totaling Shs.3,271,200 collected on seven (7) books have not brought to account.
4.		2.2	Revenue collection not brought to account Shs.3,363,540	Revenue amounting to Shs.2,778,540 have not yet been account.
5.		3.1	Delivery records of food staff obtained form unapproved source of supply not furnished Shs.7,775,735	Not implemented.
6.		3.3	Evidence of fuel consumption to Council's vehicles lacking Shs.7,080,000	Not implemented.
7.		3.4	Uncertified repair of a generator Shs.2,131,200	Not implemented.
8.		3.6	(i) Missing payment vouched Shs.20,674,255	Payment vouchers totaling Shs.5,819,000 are still missing.
			(ii) Expenditure inadequately supported Shs.11,065,800	Expenditure totaling Shs.9,945,800 yet to be regularized.
9.		4.6	Stale cheques not analysed Shs.34,533,673	Not implemented.

Position of audit queries

Year	No of Queries Issued	No of Queries Closed	Balance
2000	25	24	1
2003	15	14	1
2004	14	7	7
2004/05	16	Nil	<u>16</u>
Total			<u>25</u>

3.2 Current year's audit findings

3.2.1 Missing revenue earning receipt books - 4

One "Stakabadhi" (HW5) and three "Ushuru wa Mazao" open revenue earning receipt books had not been returned to the council Treasury as at the time of audit inspection.

In addition, (1) Stakabadhi (HW5) and (4) four "Ushuru wa Mazao" were lost in the hands of the officials issued with and approval to write them off as a loss has not been obtained from the competent authority.

Implication

It could not be confirmed whether collections made on them have been properly accounted for.

Audit Recommendation

The management should make efforts to trace the missing books and submit for audit verification.

3.2.2 Revenue collection not remitted to the council treasury - Shs.4,745,200

Revenue collections collected by revenue collectors amounting to Shs. 4,745,200 were not evidenced remitted to the council Treasury in that the main cashier's acknowledgment receipts were not quoted behind the collecting receipts.

Implication

It could not be confirmed whether the collections were properly accounted for in the council books of accounts.

Audit Recommendation

The Management should ensure that revenue collections amounting of Shs.3,743,800 have been acknowledged at the council treasury and the acknowledgement receipt should be made available for audit verification.

3.2.3 Revenue collection not confirmed to have been accounted for Shs.822,500

Revenue collection aggregating to Shs.882,500 though remitted to the main cashier by various collectors could not be confirmed to have been properly accounted for as the respective receipts in acknowledgment of the amount were not quoted behind the collecting receipts books.

Implication

It could not be confirmed whether revenue collected were accounted for and used to the council interest.

Audit Recommendation

The management should make effort to ensure that revenue collected are properly accounted for.

3.2.4 Questionable payment of school materials Shs. 2,666,200

An amount of Shs. 2,666,200 was paid to Zizi Enterprises and General Supplies vide PV 49/8 (Education A/c) being final payment in respect of unspecified school material supplied to the Council.

However the final payment was not cross referenced to earlier documents upon which advance payment was initially paid.

Implication

The school materials all alleged to have been supplied could not be authenticated to have been received and utilized by the council to the planned activities.

Audit Recommendation

Documentary evidence of the items supplied as well as accountability of the same should be produced for ease of audit verification.

3.2.5 Overpayment to suppliers Shs.4,956, 400

Various purchases of goods and services worth Shs.4,956,400 were paid to suppliers above the approved tender rates. In addition, the suppliers were noted to have not been approved by the Council Tender Board (CTB) for the year 2004/2005. Reasons why the goods were not purchased from the approved suppliers were not given by the council management.

Implication

The assurance of 3E's in the use of Council finances could not be established

Audit Recommendation

Agreed contract/tender terms and conditions between the Council and Tenderers within a specified period to supply should strictly be observed and no alterations of agreed rates without reference to and approval of

Council Tender Board after its satisfaction on the reasons put forward by the tenderers.

3.2.6 Double payment of allowances trainee Shs. 3,825,792

Amount of Shs.3,825,792 was paid to DED Kiteto vide PV 18/7 (Education A/c) for subsequent payment of an advance teaching allowances for the month of June 2004 to the newly employed teachers (i.e. 123 teachers @ 31,104). However, vide PV 35/8 full amount of teachers teaching allowance of Shs.7,589,376 was drawn and paid to the respective teachers. In this regard, the advance payment made is considered to be a double payment.

Implication

The council's management has no adequate control over payment of such allowances.

Audit Recommendation

The management should investigate the matter and take appropriate action and confirm by submitting documents for audit verification.

3.2.7 Double payment of VEO's salaries Shs. 4,908,067.50

A total of Shs. 8,492,000 was drawn from General fund account vide PVs 3/10; 26/11 and 41/11 in respect of WEO's and VEO's salaries for the months of September and October 2004. However, later vide PV 25/11 (Deposit A/c) Shs.12,270,168.75 was again drawn to pay five months VEO's salary covering the period from July to November, 2004, resulting in a double payment of salaries amounting to Shs.4,908,067.50 (i.e the months of September and October 2004 each month Shs.2,454,033.75

Implication

The Council management has no adequate control over payment of salaries to VEO's and WEO's.

Audit Recommendation

Recoveries of the amount double paid should be initiated and confirm by submitting documents for audit verification.

3.2.8 Questionable refund of amount initially transferred Shs.10,440,000

The council refund a total amount of Shs. 10,440,000 from Education account to various accounts initially transferred to meet expenditure of the receiving account. However, the payment vouchers used to reimburse the fund could not be cross referenced to the initial payment vouchers used to transfer the funds, hence the amount refunded could not be authenticated.

Implication

There is a possibility for refund of an amount initially not transferred.

Audit Recommendation

The vouchers on which the amount was early transferred should be referred as supporting evidence.

3.2.9 Transfer of funds not reimbursed Shs. 12,980,000

The council transferred Shs. 8,288,000 to General fund account and Shs.4,692,000 to Machinery and Equipment account from Miscellaneous Deposit Account. The receiving accounts had not reimbursed the amount owing to the giving accounts up to the time of writing this report.

Implication

The possibility of the transferred funds be used for other purposes than that intended cannot be ruled out.

Audit Recommendation

The amounts borrowed should be reimbursed to the giving accounts and confirm by submitting evidence for audit verification.

3.2.10 Purchases of fuel through Imprest system not accounted for Shs.2,217,900

2245 Lts of diesel worth Shs.2,217,900 were purchased through imprest system. However, receipt of the same and utilization account were not ascertained as the fuel was not recorded in the respective motor vehicles' log books.

Implication

This implies that the fuel might have not been used for the intended activities.

Audit recommendation

Procurement of goods in bulk form through imprest system should be discouraged and the requirement of the Public Procurement Act should be observed.

3.2.11 Unclaimed salaries not acknowledged receipt - Shs.591,500

Unclaimed salaries relating to a deceased officer with check number 5004- 7043439 for the months of December, 2004 through March, 2005 and salary for March, 2005, of another officer with check number 5004 -9797002 which ordered not be paid. The whole sum of Shs. 347,600 was not acknowledged by receipt vouchers.

Audit verification revealed that the amount was neither banked nor physical cash was in the till box. In addition, salaries for the months of July, September through November 2004 of one officer who died in

June, 2004 amounting to Shs.243,900 had been collected and signed by unknown person.

Implication

There is a possibility of the unreceipted and receipted salaries being misappropriated.

Audit Recommendation

Internal control over payment of salaries should be enhanced and Shs.591,500 in respect of unpaid salaries should be accounted for on HW5 receipt.

3.2.12 Questionable payment of unclaimed salaries paid to NMB Kibaya Shs.1,191,808

Unclaimed salaries pertaining to deceased and seconded employees amounting to Shs.1,191,808 was paid to NMB Kibaya for subsequent payment to Treasury. Reasons for the payment paid through bank instead of paid directly to Treasury were lacking. However, up to the time of writing this report the amount is still yet not acknowledged receipt by the intended payee.

Implication

There is a possibility that the transferred fund be credited in the wrong hand.

Audit recommendation

Acknowledgement receipt from Treasury DSM should be produced for audit verification.

3.3.13 Consolidated Balance Sheet

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

(i) Debtors Shs. 36,936,052

Category	Amount (Shs)
Accrued revenue	32,428,000
Imprests	<u>4,508,052</u>
Total Shs	<u>36,936,052</u>

(ii) Creditors - Shs. 187,262,460

Statutory deductions	102,372,666
VEO's and WEO's unpaid salaries	15,305,286
Deposits	<u>69,584,504</u>
Total Shs	<u>187,262,460</u>

Implication

Non clearance of the Debtors and Creditors affect the Council's liquidity.

Audit Recommendation

The management should make efforts to collect the due revenue.

(iii) Unutilised Grants/ Donor Funds - Shs.153,233,273

The consolidated Balance Sheet disclosed unapplied capital grants in respect of donor/grants funds of Shs.153,233,273 which remained unspent as at 30th June, 2005 as follows:-

Account	Amount (Shs)
Road Toll Fund	110,202,379
Community Sub Project	31,491,000
DRWS and Sanitation Project	8,137,872
Development Grants	1,966,692
Partimbo Boarding Girls School	<u>1,437,330</u>
Total Shs	<u>153,233,273</u>

Implication

This implies that the planned activities were not implemented.

Audit Recommendation

The Council should plan and budget for activities that can be implemented.

3.2.14 Long term Capital Outlay - Shs. 407,250,552

The amount of the Long Term Capital Outlay should read Shs.407,250,552 (audit figure) instead of Shs.334,148,906 reflected in the consolidated Balance sheet. The difference of Shs.73,101,646 in respect of previous years balance was not included in the current year's expenditure.

3.2.15 Accounts overdrawn Shs.12,198,996

The Bank reconciliation statements disclosed that four accounts closed with a total cash book overdraft of Shs.12,198,996 indicating weak control over management of council's expenditure. More cheques were written in excess of funds available in the cash book or payments were made based on bank balance: viz;-

Account	Amount Over drawn (Shs)
General Fund	9,444,272
Health Fund	2,170,381
LAMP	15,843
Livestock Development Fund	<u>568,500</u>
Total Shs	<u>12,198,996</u>

This weakness also reported in my previous management report Ref. As. 22/80A dated 15th January 2005 at paragraph 5.1 for the accounts ended 30th June 2004.

Implication

This implies weak control over management of Council's expenditure.

Audit Recommendation

The management of the Council should observe to their budgets.

3.2.16 Uncleared items in the bank reconciliation statement Shs.16,697,137

The Bank Reconciliation statement submitted along with the final accounts disclosed unpresented cheques amounting to Shs.16,697,137 pertaining to four accounts which had not been pursued and cleared as at the time of audit inspection (February, 2005).

Implication

This has an implication that, the Council cannot establish true picture of its accounts and bank balances.

Audit Recommendation

The management should carry out bank reconciliation and confirm by submitting the documents for audit verification.

4.0 CONCLUSION

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

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

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

CC: The Permanent Secretary,
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DODOMA.

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

5.0 ANNEXURES

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

Annexure I

FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS.

ORGANIZATION STRUCTURE OF KITETO DISTRICT COUNCIL



