

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON
THE FINANCIAL STATEMENTS OF MBEYA DISTRICT
COUNCIL FOR THE YEAR ENDED 30TH JUNE, 2016**

Controller and Auditor General,
National Audit Office of Tanzania,
16 Samora Machel Avenue,
P.O. Box 9080,
11101 DAR ES SALAAM, TANZANIA
Tel: 255 (022) 2115157/8,
Fax: 255 (022) 2117527,
E-mail ocag@nao.go.tz
Website: www.nao.go.tz

March, 2017

AR/LG.78.J1/2015/16

2.0 AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Hon. Chairperson,
Mbeya District Council,
P.O. Box 499,
MBEYA

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MBEYA DISTRICT COUNCIL FOR THE YEAR ENDED 30TH JUNE, 2016

Introduction

I have audited the financial statements of Mbeya District Council which comprises of the Statement of Financial Position as at 30th June, 2016, its Statement of Financial Performance, Statement of Changes in Equity and Cash Flow Statement for the year then ended, Statement of Comparison of Budget and Actual Amounts and a Summary of Significant Accounting Policies and Other Explanatory Information attached as **Annexure I** to this audit report.

Management's Responsibility for the Financial Statements

Management of Mbeya District Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error as per the statement of management responsibility on the financial statements.

Responsibility of the Controller and Auditor General

My responsibility as an auditor is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with, International Standards of Supreme Audit Institutions (ISSAIs) and such other procedures I considered necessary in the circumstances. These standards require that, I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessments, I considered

internal control system relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. The audit also includes standards evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

I believe that, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mbeya District Council as at 30th June 2016, its financial performance and its cash flow for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs) and Part IV of the Local Government Finances Act No. 9 of 1982 (revised 2000).

Emphasis of matter

Without qualifying my opinion, I draw the attention of the users of this report to Note 38 to the financial statements that at the year-end the Council had pending legal cases amounting to TZS 674,220,079 for which court ruling is yet to be reached.

Other of matter

I also draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

(i) Questionable payment TZS 154,820,880

During the course of audit, auditors noted questionable payment made to M/s Consultant Architectonics Studio. Payment was supported by questionable

contract No. LGA/078/2014/2015/C/02 at a contract sum of TZS 154,820,880 for the cost of preparation of draft a plan and Bill of quantities (BOQ) for the Council Project Investment paid through the Deposit Account. The procurement and payment were made without following financial and procurement laws and Regulations. The payment voucher, contract agreement, evidence of existence and source of the funds for the project were not provided to auditors by the Council management. Further, we interviewed the Head of the Procurement Management Unit, District Planning Officer and Acting District Treasury in October 2016 on their understanding of the payment to the said Project activity; they all said that they were not aware of this transaction and activity.

Revenue amounting to TZS 295,280,000 being monthly remittances from July 2015 to June 2016 from revenue collecting agents was not remitted to the Council and correctness of the amount of revenues amounting to TZS 1,587,837,979 disclosed in Note 9 to the financial Statement could not be authenticated.

- (ii) The Council has a shortage of 959 staff equivalent to 21% of the number of required staff.
- (iii) Statutory deductions for Local Authority Pension Fund (LAPF), PAYE, NIC, PSPF and other institutions amounting to TZS 39,236,074.68 related to operational employees' salaries who paid from own source revenue were neither paid to the respective institutions nor contributed by the employer.

Report on Other Legal and Regulatory Requirements

Compliance with the Public Procurement Act, 2011

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and procurement transactions and processes I have reviewed as a part of this audit. I state that, except for the matters stated below, Mbeya District Council procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013;

- (i) The Council Procured goods and services worth TZS 20,915,000 outside the annual procurement plan contrary Sect. 49 of the Public Procurement Act, 2011.

- (ii) Supplies and consumables of TZS254,950,000 were procured from unapproved suppliers during the year contrary to Sect.50 of PPA, 2011 and Regs.131 and 163 of PPR, 2013.
- (iii) School Desks of TZS 210,320,000 were purchased by the Council through uncompetitive bidding whereby at least three competitive price quotations were to determine the most cost effective prices from the most competitive service provider or lowest bidder who will be selected contrary to Reg. 163 & 164 of the Public Procurement Regulations, 2013.
- (iv) The Council spent a sum of TZS 9,907,800 as special imprests for buying goods and services, construction, rehabilitation of roads works contrary to Regs.165, 166 and seventeen schedules to PPR 2013.


Prof. Mussa J. Assad
CONTROLLER AND AUDITOR GENERAL

March, 2017



Copy: Chief Secretary,
State House,
P.O. Box 9120,
1 Barack Obama Road,
11400 DAR ES SALAAM

Permanent Secretary and Paymaster General,
Ministry of Finance and Planning,
P.O. Box 9111,
1 Madaraka Street,
11468 DAR ES SALAAM.

Permanent Secretary,
PO-RALG,
P.O. Box 9123,
DODOMA.

District Executive Director,
Mbeya District Council,
P.O. Box 499,
MBEYA.

Regional Administrative Secretary (RAS),
P.O. Box 754,
MBEYA.

Regional Commissioner,
Mbeya Region,
P. O. Box 754,
MBEYA.

**STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2016**

These financial statements have been prepared by the management of the Mbeya District Council in accordance with the provisions of Sect 25(4) of the Public Finance Act.No. 6 of 2001 (Revised 2004). The financial statements as required by the said Act are presented in a manner consistent with the International Public Sector Accounting Standards (IPSAS) - Accrual basis of accounting.

The management of Mbeya District Council is responsible for establishing and maintaining an effective Internal Control system designed to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by Mbeya District Council

To the best of my knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the financial statements and underlying records provide a reasonable basis for the preparation of the financial statements for the 2015/2016 financial year.

I accept responsibility for the integrity of the financial statements, the information they contain and their compliance with the Public Finance Act No.6 of 2001 (revised 2004) and instructions issued by Treasury in respect of the year under review.



Signed by Accounting Officer

16th February 2017

Date

**DISTRICT EXECUTIVE DIRECTOR
MBEYA**

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE -REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
MBEYA DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	2016 TZS	2015 TZS
ASSETS			
Current assets			
Cash and cash equivalents	21	3,011,472,520	900,958,405
Receivables and prepayments	22	1,839,305,765	2,618,062,820
Inventories	23	10,860,000	774,628,625
		<u>4,861,638,285</u>	<u>4,293,649,850</u>
Non-current assets			
Other financial assets	24	108,244,049	108,244,049
Property, plant and equipment	25	61,044,877,456	41,641,901,419
		<u>61,153,121,505</u>	<u>41,750,145,468</u>
TOTAL ASSETS		<u>66,014,759,789</u>	<u>46,043,795,317</u>
LIABILITIES			
Current liabilities			
Payables	26	2,250,641,754	2,265,063,229
Employee benefits	27	559,312,056	595,981,902
Deferred income (Grant)	11	1,255,345,280	1,268,604,548
		<u>4,065,299,090</u>	<u>4,129,649,680</u>
Non-current liabilities			
Deferred income (Grant)	28	12,187,041,921	12,124,065,395
		<u>12,187,041,921</u>	<u>12,124,065,395</u>
TOTAL LIABILITIES		<u>16,252,341,011</u>	<u>16,253,715,075</u>
NET ASSETS		<u>49,762,418,778</u>	<u>29,790,080,243</u>
NET ASSETS			
Capital/Taxpayers Fund		-	-
Accumulated surplus/(deficit)		2,016,107,777	1,719,528,115
Revaluation surplus/Loss		47,746,311,001	28,070,552,128
Other reserves		-	-
TOTAL NET ASSETS		<u>49,762,418,778</u>	<u>29,790,080,242</u>

The financial statements were authorised for issue by the Board/Council/Management on _____
and were signed on its behalf by:

Name: IMBATHORY M. KULWIZILA Title: DISTRICT COUNCIL DIRECTOR Signature: [Signature]

Name: MWALINGO M. KISEMBA Title: DISTRICT COUNCIL CHAIRMAN Signature: [Signature]

MWENYEKITI
HALMASHAURI YA WILAYA YAM

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE -REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
MBEYA DISTRICT COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
	Notes	TZS	TZS
Revenue			
Taxes and levies	9	1,587,837,979	905,138,940
Fees, fines, penalties and licenses	10	784,923,042	1,229,514,945
Amortisation of revenue grants	11	40,475,621,483	37,488,899,605
Revenue from exchange transactions	12	27,471,000	36,551,000
Finance income	13	25,405,837	23,161,589
Amortisation of capital grant	28	2,168,085,254	2,092,996,683
Other revenue	14	65,846,052	49,587,918
		45,135,190,647	41,825,850,680
Expenses			
Wages, salaries and employee benefits	15	34,792,167,919	32,797,822,698
Supplies and consumables used	16	4,759,498,587	6,054,337,277
Maintenance expenses	17	456,867,032	967,017,773
Grants and other transfer payments	18	2,626,974,876	470,387,841
Finance costs	19	4,124,160	1,729,839
Depreciation of property, plant and equipment	25	2,189,343,614	2,132,967,283
		44,828,976,188	42,424,262,712
Surplus/(deficit) during the year		306,214,459	(598,412,031)

The financial statements were authorised for issue by the Board/Council/Management on _____
and were signed on its behalf by:

Name: AMELITHORY M. KULWIZILA Title: DISTRICT COUNCIL DIRECTOR Signature: _____

Name: MWALINGO M. KUSEMBA Title: DISTRICT COUNCIL CHAIRMAN Signature: _____

DISTRICT EXECUTIVE
MBEYA

MWENYEKITI
HALMASHAURI YA WILAYA YA MBEYA

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
MBEYA DISTRICT COUNCIL

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016

	Capital/Taxpayer s Fund	Accumulated surplus/(deficit)	Revaluation surplus/Loss	Other reserves	Total
	TZS	TZS	TZS	TZS	TZS
At 01 July 2015	-	1,719,528,115	28,070,552,128	-	29,790,080,242
Additional capital injected	-	-	-	-	-
Surplus/(deficit) for the year	-	306,214,459	-	-	306,214,459
Prior year adjustment	-	(9,634,796)	-	-	(9,634,796)
Transfer to and from surplus/deficit	-	-	19,675,758,873	-	19,675,758,873
Other reserves	-	-	-	-	-
At 30 June 2016	-	2,016,107,777	47,746,311,001	-	49,762,418,778
At 01 July 2014	-	2,351,094,433	-	-	49,762,418,778
Additional capital injected	-	-	-	-	-
Surplus/(deficit) for the year	-	(598,412,031)	-	-	(598,412,031)
Transfer to and from surplus/deficit	-	(33,154,287)	28,070,552,128	-	28,037,397,841
Other reserves	-	-	-	-	-
At 30 June 2015	-	1,719,528,115	28,070,552,128	-	77,201,404,588

THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE -REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
MBEYA DISTRICT COUNCIL

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

X

	2016	2015
Note	TZS	TZS
Cash flows from operating activities		
Receipts		
Taxes and levies	1,338,210,979	928,609,000
Fees, fines, penalties and licenses	784,923,042	794,453,000
Rendering of services	27,471,000	36,551,000
Grants received	7,710,975,970	4,239,320,000
Sales of goods	-	-
Interest received	355,837	12,744,000
Exchequer transfers/subsidies from/(to) other government entities	-	2,879,685,000
Dividends received	-	-
Other income	70,428,975	1,298,762,000
Payments		
Employee costs	(517,315,000)	(2,438,893,000)
Payments to suppliers	(4,759,498,587)	(3,836,514,000)
Interest paid	(4,124,160)	(1,730,000)
Other expenses	(3,087,966,068)	(2,433,680,000)
Net cash from operating activities	1,563,461,988	1,479,307,000
Cash flows from investing activities		
Acquisition of property, plant, and equipment & investment properties	(1,146,728,489)	(3,403,402,000)
Acquisition of intangibles	-	-
Payments for derivatives	-	-
Receipts from derivatives	-	-
Acquisition of investments	-	-
Net cash from investing activities	(1,146,728,489)	(3,403,402,000)
Cash flows from financing activities		
Capital injected	-	-
Development grants received	1,693,781,021	-
Grants refunded/transferred	-	-
Net cash used in financing activities	1,693,781,021	-
Net increase in cash and cash equivalents	2,110,514,520	(1,924,095,000)
Net foreign exchange difference	-	-
Cash and cash equivalents at beginning of period	900,958,000	2,825,053,000
Cash and cash equivalents at end of period	3,011,472,520	900,958,000

21

The financial statements were authorised for issue by the Board/Council/Management on _____
and were signed on its behalf by:

DISTRICT EXECUTIVE DIRECTOR

Name: AMULITHORY M- KULWIZILA Title: DISTRICT COUNCIL DIRECTOR Signature: MBEYI

Name: MWALINGO M- KISEMBA Title: DISTRICT COUNCIL CHAIRMAN Signature: [Signature]

MWENYEKITI
HALMASHAURI YA WILAYA YAMBWEYA