

2.0 Audit Report on the Financial Statements

To: Hon. Chairperson of the Council,
Lushoto District Council,
P.O. Box 32,
LUSHOTO.

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

Introduction

I have audited the Financial Statements of Lushoto District Council which comprises of the Statement of Financial Position as at 30th June 2016, its Statement of Financial Performance, Statement of Change in Equity and Cash Flows 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 II** to this audit report.

Management's Responsibility for the financial statements

Management of Lushoto District Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such 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 attached in **Annexure I**.

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 misstatements. 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 misstatements 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 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 Lushoto District Council as at 30th June 2016, its Financial Performance and its Cash Flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSASs) under Accrual basis of accounting 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 on the following Notes to the financial statements:

(a) Overdue Accounts Payable TZS.1,613,737,767

Note 18 and 24 describes the Council had a total of TZS.1,613,737,767 as Account Payables from which TZS.1,349,024,548 (83.5 percent) has been outstanding for more than a year.

Other Matters

I further draw the attention of the users of this report on the following matters that relate to my responsibilities in the audit of the financial statements:

(a) Procurements of goods and services not supported by Electronic Fiscal Device (EFD) TZS.104,655,737.28

Council paid TZS.104,655,737.28 to various suppliers for the purchases of goods and services without demanding fiscal receipts contrary to Reg. 10 (5) and 28(1) of the Income Tax (Electronic Fiscal Devices) Regulations, 2012.

(b) Over consumption of fuel by Council's motor vehicles TZS.1,191,048

There were over consumption of fuel compared to kilometer travelled as all vehicles in average travel between 3.75km 4.8km per litre instead of the set standard of 6km per litre for revalued vehicles and no exception report from Transport Officer on the performance of motor vehicles.

(c) Expenditure erroneously charged to wrong expenditures codes TZS.38,184,042

A sum of TZS.38,184,042 was erroneously charged to wrong expenditure codes contrary to Order 23(1) of LGFM, 2009. Thus misstating the amount on the individual activity expenses reported in the quarterly implementation reports.

(d) Avoidable cost incurred by the Council due to non-availability of medical supplies at MSD TZS.48,514,000.

Despite that all procurement process was properly followed, Council incurred additional but avoidable cost of TZS.48,514,000 in procurement of medicines from a private firm as result of MSD lacking the requisite medicines at that time of purchase.

(e) Non contribution to Women and Youths Fund TZS.141,739,847.80

Council did not contribute 10% of their own source revenue amounting to TZS.141,739,847.80 into Women and Youths Fund contrary to Para 5.5 (i) of the Women Development Fund Guideline and Directives issued by the Government.

(f) Construction of School laboratories not completed

Out of 159 secondary school's laboratories planned for construction, only 11 or 7 percent had been completed and the other 148 laboratories or 93 percent were not completed.

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 processes I have reviewed as part of this audit, I state that, Lushoto 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 except for the issue noted below:

(a) Procurement and making of school desks through imprest above the required limit TZS.27,906,000

Council granted TZS.27,906,000 in form of imprest to various officers but exceeded the limit set out in the Seventh Schedule to PPR, 2013 of TZS.5,000,000.


Prof. Mussa J. Assad
CONTROLLER AND AUDITOR GENERAL

March, 2017



Copy to:

The 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.

THE UNITED REPUBLIC OF TANZANIA
PRIME MINISTER'S OFFICE - REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
LUSHOTO DISTRICT COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
	Notes	TZS	TZS
Revenue			
Local taxes	3	425,281,623	398,048,465
Fees, fines, penalties and licenses	4	386,395,474	377,184,135
Recurrent grants	5	39,280,447,039	32,000,508,902
Revenue from exchange transactions	7	126,757,318	62,892,032
Other Own Revenue	12	627,142,463	247,421,907
Amortisation of capital grant	6	2,225,506,347	180,176,157
		43,071,530,264	33,266,231,598
Expenses			
Wages, salaries and employee benefits	8	33,425,487,520	27,593,637,771
Supplies and consumables used	9	4,154,870,170	1,847,490,126
Maintenance expenses	10	1,294,253,075	1,164,180,427
Grants and other transfer payments	11	1,441,243,088	2,166,068,023
Finance costs	12	936,000	
Depreciation of property, plant and equipment	25	2,242,056,347	200,002,463
		42,558,846,201	32,971,378,810
Surplus/(deficit) during the year		512,684,064	294,852,788

The notes on pages 23 to 55 form part of these financial statements and were signed

on its behalf by:

Mr. Kazimbaya M. Adeladius
District Council Executive Director
Date: 10/07/2016

Mr Lucas Semndolwa
District Council Chairperson
Date: 10/07/2016