# THE UNITED REPUBLIC OF TANZANIA

## PRESIDENT'S OFFICE
## REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

**KAKONKO DISTRICT COUNCIL**
**REVISED**

**COUNCILLORS' REPORT AND**
**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**30 JUNE 2016**

KAKONKO DISTRICT COUNCIL,
P.O.BOX 3,
KAKONKO,
KIGOMA.
TEL:--028-2820137

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

**COUNCILLORS' REPORT AND FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2016**

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

**COUNCIL INFORMATION**
**30 JUNE 2016**

**PRINCIPAL PLACE OF BUSINESS**
Kakonko District Council
P. O. Box 3,
Kakonko
Kigoma
Tanzania

**BANKERS**
National Microfinance Bank,
P. O. Box 69,
Kibondo
Kigoma
Tanzania

**LAWYERS**
Selemani Komba
P. O. Box 3,
Kakonko
Kigoma
Tanzania

**DISTRICT EXECUTIVE DIRECTOR**
Mr. Lusubilo J.Mwakabibi
P. O. Box 3,
Kakonko,
Kigoma
Tanzania

**AUDITORS**
The Controller and Auditor General
The National Audit Office
P. O. Box 9080
Dar es Salaam
Tanzania

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

**DISTRICT COUNCILLORS' REPORT**
**FOR THE YEAR ENDED 30 JUNE 2016**

## 1. INTRODUCTION

Councilors have the pleasure in Submitting their report, together with the financial Statements of the Council for the year started July 01st 2015 up to 30th June, 2016.

## 2. VISION OF THE COUNCIL

The vision of Kakonko District Council is to ensure the presence of a well educated Community with better livelihood by the year 2025.

## 3. MISSION OF THE COUNCIL

To provide high quality Social-economic Services to the Community through efficient and effective use of resources and good governance for improving living standard.

## 4. CORE VALUES

The Council's core Values include Transparency, accountability at all levels, Better and Sustainable social services, good governance, better infrastructure, sustainable community and involvement of Stakeholders in improvement of social service delivery.

## 5. FUNCTIONS OF THE COUNCIL

According to the Local Government Act No.7 of 1982, the Council has the following responsibilities:

a. Collection of Public funds through taxes, licenses, fees and charge.
b. To convince the public that the use of funds have achieved the maximum benefit through sound financial management.
c. To promote the social welfare and economic well-being of all persons within its area of jurisdiction ,and
d. To maintain and facilitate peace, order and good governance within its area of jurisdiction.

## 6. SOLVENCY EVALUATION

Nothing has come to the attention of the management to indicate that the council will not operate as going concern within the next twelve months.

## 7. MEMBERSHIP OF THE COUNCILLORS

| No. | Name | Position | Ward | Party | Date of appointment |
|---|---|---|---|---|---|
| 1 | Hon.Juma Maganga | Kakonko District Chair man | Kakonko | CCM | 2000 |
| 2 | Hon.Toyi S.Butono | Deputy Chairman | Mugunzu | CCM | 2015 |
| 3 | Hon .Stephan Munigankiko | Councillor | Nyabibuye | CCM | 2005 |
| 4 | Hon. Fides Mahagara | Councillor | Nyaronga | CCM | 2005 |
| 5 | Hon. Esau Marko Banga | Councillor | Kanyonza | CCM | 2015 |
| 6 | Hon.Evangelistha Chiza | Councillor | Gwanumpu | CCM | 2010 |
| 7 | Hon. Rahel Tanu | Councillor | Kakonko | CCM | 2010 |
| 8 | Hon. Ibrahim Katunzi | Councillor | Muhange | CCM | 2015 |
| 9 | Hon.Abdallah R.Magembe | Councillor | Nyamtukuza | CCM | 2015 |
| 10 | Hon. Andrew Mashama | Councillor | Mugunzu | CHADEMA | 2015 |
| 11 | Hon. Nobert L.Gwimo | Councillor | Kasanda | CHADEMA | 2015 |
| 12 | Hon. Renatus N.Damian | Councillor | Kiziguzigu | CCM | 2010 |
| 13 | Hon . Janeth L. Masigo | Councillor | Gwanumpu | CHADEMA | 2015 |
| 14 | Hon . Dafroza E. Dongwe | Councillor | Mugunzu | CHADEMA | 2015 |
| 15 | Hon.Elia Mhoza | Councillor | Kasanda | CHADEMA | 2015 |
| 16 | Hon.Bilago Kasuku (MP) | Councillor | Buyungu | CHADEMA | 2015 |
| 17 | Hon.Medas Amos | Councillor | Rugenge | CHADEMA | 2015 |
| 18 | Hon. Eliya Fedrick | Councillor | Gwarama | CHADEMA | 2015 |
| 19 | Hon. Oscar Bulakuvye | Councillor | Katanga | CHADEMA | 2015 |

The Council met 4 times during the year.

## 8. EMPLOYEES WELFARE

The Council believes that its employees should find working for the Council an inspiring and personally elevating experience, and consequently accepts co-responsibility for the development of each employee to his/her full potential. Career progress is based on the individual initiative towards the fulfillment of their responsibilities complemented by the Council. This encompasses individual commitment towards innovative thinking and professional expertise resulting to reward.

The Council is convinced that equal opportunities for all, irrespective of ethnicity, race, gender, disability or religion, should be pursued. The Council accepts that only through total commitment, loyalty and dedication of its employees will be able to achieve its goal. The Council provides various benefits to staff such as long service awards for retiring employees, best worker rewards and sports bonanza.

Employees are members of Local Government Pensions Fund (LAPF). The Council contributes 15% of basic salary of each employee to PSPF and 10% of gross salary to NSSF on behalf of all permanent employees. The Council operate insured (health benefit) plan where contributions are paid to the National Health Insurance Fund (NHIF), both the employer and employee contribute 3% of gross salary.

The Council provides responsibility allowances to chairperson and chairperson of various councilors' standing committees and monthly allowances for all councilors and also paid 6% of gross allowances to NHIF.

## 9. STATEMENT OF COUNCILLORS' RESPONSIBILITIES

The Local Government Finance Act 1982 Section 40 requires every Local Government Council (LGA) to prepare financial statements of the Council for each financial year, as at the end of the financial period, that gives a true and fair view of the state of affairs of the Council for that period. This legal requirement is further emphasized by the Local Authority Financial Memorandum (LAFM) of 2010, Order No.31.

The Councillors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 30 JUNE 2016. The councillors also confirm that the International Public Sector Accounting Standards (IPSAS) have been followed and that the financial statements have been prepared on the going concern basis and the management concluded that the financial statements presented are fairly.

The Councillors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council and which enable them to ensure that the financial statements comply with the Local Government Act. They are also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.
The Council has an independent Internal Auditor since the establishment of the Council.

Procurement of goods, works, consultancy, and non-consultancy services to the extent that they are reflected in these financial statements have been done in accordance with the Public Procurement Act No. 4 of 2011.

## 10. FINANCIAL POSITION

**a) Property, plant and equipment**
The value of assets (PPE) for the year ended 30th June 2016 is amounting to Tshs 13,680,470,000= as shown in note 29.

**b) Intangible assets**
The Council has got no intangible asset.

**c) Forestry assets**
The Council has a wide area covered with forest, but it is owned by the Central Government

**d) Investment property**
The Council did not engage in investment property during the period

**e) Investments in associates**
The Council has no investments in associates

**f) Other financial assets**
The Council had no other financial assets under in the period under review

**g) Non-current assets held for sale**
The Council has no non- current Assets held for Sale during the period under review.

**h) Inventories**
At the end of financial year 2015/2016, the Council had inventory valued Tshs. 10,777,000 held in stock as shown in note 26)

**i) Other financial assets**
The Council has no other financial assets under the period of review

**j) Receivables and prepayments**

At the end of the year 2015/2016 the Council had the Receivables valued Tshs. 339,102,000 as shown in note 25

**k) Cash and cash equivalents**

At the end of reporting period the Council had cash and cash equivalent amounting to Tshs. 2,103,922,000 in its bank accounts as shown in note 24

## 9. FINANCIAL POSITION

**l) Long-term borrowings**
The Council had no long-term borrowing at the end of the year 2015/2016

**m) Deferred income (Revenue grant)**
At the end of the financial year 2015/2016 Council had unspent balance amounting to Tshs.1, 286,636,000 as shown in note 11

**n) Employee benefits**
Employees benefits amounting to Tshs 6,181,707,000 includes Salaries ,Extra Duty ,Travel expenses, Per Diem ,on Call Allowances, housing allowances ,Sitting allowances and Responsibility Allowances as shown in note 18

**o) Provisions**
The Council had no Provisions during the period under review

**p) Payables**
Payables of TZS 625,310,000 include an amount of TZS 70,617,980 as Creditors for other Charges Account, TZS 11,374,450 as Creditors for Development Account, TZS 460,000 Creditors for Road Fund and TZS 329,355,000 as Staff creditors and Deposit Tshs 45,623,650, MSD creditors amounting to Tshs 37,306,810, Tshs 2,763,000 as Creditors for Secondary, Tshs 11,899,000as Creditors for Primary as shown in note 35

**q) Long-term borrowings**
The Council has no Long- term Liability during the period under review.

**r) Short-term borrowings**
The Council has no Short term borrowing

**s) Deferred Capital Grant.**
The Council at the year ended 30/6/2015 had deferred income of Tshs.14,765,052,000 as shown in note 41

**t) Contributed capital**
The Council had no Contributed Capital under the period of review

## 11. FINANCIAL PERFORMANCE

### Revenue

| Revenue item { A } | 2015/2016 Original Budget { B } | 2015/2016 Actual Amount {C } | 2015/2016 Difference { B – C } | 2015/2016 Variance Vs Budget { B-C }/B*100 | Actual 2014/2015 | Actual 2014/2015 Vs Actual 2015/2016 |
|---|---|---|---|---|---|---|
| | TZS | TZS | TZS | % | TZS | TZS |
| Taxes | 285,003,000 | 187,806,080 | 97,196,920 | 34 | 126,271,629 | 59,684,451 |
| Fees, Fines Penalties and Licenses | 155,747,000 | 111,856,982 | 43,890,018 | 28 | 90,438,188 | 21,418,794 |
| Other revenue | 0 | 1,230,000 | -1,230,000 | 0 | 0 | 0 |
| Capital Grant | 3,500,538,070 | 1,307,070,796 | 2,193,467,274 | 63 | 1,074,631,610 | 1,074,631,610 |
| Recurrent Grants | 12,805,541,000 | 9,960,280,634 | 2,845,260,366 | 22 | 11,919,020,780 | -2,428,189,352 |
| Amortization of capital grant | 0 | 0 | 0 | 0 | 716,616,849 | 37,644,661 |
| **Total** | **16,746,829,070** | **11,568,244,492** | **5,178,584,578** | **31** | **13,926,979,056** | **-1,234,809,836** |

a) **Local taxes**
The Council Managed to collect Tshs.187, 806,080 during the year under review as shown in note 9.

b) **Fees, fines, penalties and licenses**
The Council managed to Collect Tshs 111,856,982 during the period under review as shown in note 10

c) **Recurrent grants**
Up to the year end the council received Tshs. 9,960,280,634 as recurrent Grants as shown in note 11

d) **Transfer from other Government entities**
The Council had no transfer from other Government entities

e) **Revenue from exchange transactions**
There were no revenue from exchange transactions.

**f) Finance income**

There was no finance income under the period of review.

**g) Gain on foreign currency translation**

There was no gain on foreign currency transaction.

**h) Amortization of capital grant**

The Council has Tshs.761, 239,000 as amortization during period under review as shown in note 41

**i) Other own revenue**

For the year ended 30.06.2016 the Council had Tshs 1,230,000 managed to collect other own revenues as shown in note 14

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

KAKONKO DISTRICT COUNCILLORS' REPORT (Continued)
FOR THE YEAR ENDED 30 JUNE 2016

## 10. FINANCIAL PERFORMANCE (Continued)

**Expenses.**

| Expenditure Item | 2015/2016 Original Budget { B } | 2015/2016 Actual Amount {C } | 2015/2016 Difference { B – C } | 2015/2016 Variance Vs Budget { B-C }/B*100 | Actual 2014/2015 | Actual 2014/2015 Vs Actual 2015/2016 |
|---|---|---|---|---|---|---|
| | TZS' | TZS' | TZS' | % | TZS' | TZS' |
| Wages ,Salaries and Employee benefits | 11,955,905,000 | 6,181,707,000 | 5,774,198,000 | 48 | 10,803,992,200 | -4,658,494,898 |
| Supplies and Consumables used | 1,547,835,001 | 1,180,187,000 | 491,116,001 | 32 | 1,323,772,002 | - 375,935,241 |
| Maintenance Expenses | 1,092,596,252 | 244,490,000 | 848,106,252 | 78 | 670,538,873 | - 417,632,132 |
| Grants and other Transfer Payments | 2,150,493,747 | 1,951,494,000 | 198,999,747 | 9 | 127,851,693 | 2,022,642,054 |
| Other Expenses | 0 | 761,238,580 | -754,261,510 | 0 | 716,616,849 | 37,644,661 |
| **TOTAL** | **16,746,830,000** | **10,193,789,890** | **6,558,158,490** | **39** | **13,642,771,617** | **-3,391,775,556** |

**Expenses**

a) **Wages, salaries and employee benefits**
During the year, the Council Spent Tshs 6,181,707,000.This amount including personal emoluments see note.18

b) **Supplies and consumables used**
During the year, the Council Spent Tshs. 1,180,187,000 is shown in note 19

c) **Maintenance expenses**
During the year, the Council Spent Tshs.244, 490,000 see note 20

**d) Grants and other transfer payments**

During the year, the Council Spent Tshs.1, 951,494,000 see note 21

**e) Finance costs**

There council has no finance costs as shown in note 22

**f) Loss on foreign currency translation**

The Council has no Loss on foreign currency under the period of review

**g) Depreciation of property, plant and equipment**

The depreciation for property, plant and equipment for the year ending 30/6/2016 amounting to Tshs. 761,238,580 see note 29

**h) Impairment of property plant and equipment**

**T**he council had no impairment of property, plant and equipment**.**

**i) Amortization of intangible assets**

The Council had no amortization of intangible assets during the year under review.

## 12. OWN SOURCE REVENUE

| Revenue item {A} | 2015/2016 Original Budget { B } | 2015/2016 Actual Amount {C } | 2015/2016 Difference { B – C } | 2015/2016 Variance Vs Budget { B-C }/B*100 | Actual 2014/2015 | Actual 2014/2015 Vs Actual 2015/2016 |
|---|---|---|---|---|---|---|
| | TZS' | TZS' | TZS' | % | TZS' | TZS' |
| Taxes | 285,003,000 | 187,806,080 | 97,196,920 | 34 | 126,271,629 | 61,534,4510 |
| Fees ,fines, penalties and licenses | 155,747,000 | 111,856,982 | 43,890,018 | 28 | 90,438,188 | 21,418,794 |
| Other revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **440,750,000** | **299,663,062** | **141,086,938** | **32** | **216,709,817** | **82,953,245** |

The Council managed to collect **Tshs 299,663,062** during the year 2015/2016 which is equals to 68 % of the budget.

## 13. RELATED PARTY TRANSACTIONS

The Council had no related party transactions, but Salaries and other benefits paid to Councilors and management team has been disclosed (see note 17)

## 14. CHARITABLE AND POLITICAL DONATIONS

During the year under review, there were no political donations.

## 15. IMPLEMENTATION OF THE PLAN AND BUDGET 2015/16

During the financial year 2015/2016 the Council's approved annual Plans and budget was Tshs16, 746, 830,000 Wages, salaries and employee benefit 11,955,904,070/= Supplies and consumable used 1,547,835,001, Maintenance expenses 1,092,596,252 and Grants and other transfer payment 2,150,493,747.However actual expenditure amounts to Tshs 10,193,789,000 equals to 61% percent of council's annual approved budget for the year 2015/2016 due to under released of fund from the Government

## 16. KEY PERFORMANCE INDICATORS

***(Include your Performance Ratios and Gearing Ratios)***

## 17. FUTURE PLANS OF THE COUNCIL

- To provide priority on development of agricultural sector as a means to implement MKUKUTA and National Vision 2025. Here the focus will be ensuring the use of modern technologies ,market and crops/ livestock, diseases control and development of soil agricultural infrastructures
- To ensure adequate availability and improvement of social services in sectors of Health, water and Education
- To increase Own Source Revenue Collection Strategies for year 2016/17
- To continue promoting Land ,natural resources and environmental Management
- To ensure Multi –Sector approach on control / fighting against HIV / AIDS
- Mobilization more resources ( Financial / Material ) from stakeholders
- To ensure adequate availability of Roads network and other communication infrastructures in Kakonko District Council

## 18. SERVICES IN KIND

During the year, the Council received the following services in kind from various institutions:

- IPSAS training and assistance, BTC capacity building training.

These have not been recognized in revenue as the Council is not able to measure the fair value of those services received reliably.

## 19. COMMUNITY CONTRIBUTION

**a) In Monetary terms**
During the year 2015/2016, no community contribution from community

**b) In Kind**
For the year 2015/2016, the Community was involved in various activities that enhanced the completion of development projects. Community contributions in kind were such as collection of Sands, stone and gravels for construction activities.

## 20. CONSTRAINTS AND CHALLENGES

- Insufficient budget allocated to the council during budget session
- Central Government delays in disbursement of funds allocated to the council
- Inadequate resources (finance resources) limit the council to plan for sound projects.
- Lack of reliable electrical power in the district council
- Inadequate knowledge on monitoring and supervision at lower levels hinder timely implementation of planned projects
- Inadequate availability of opportunities for new revenue sources in the district
- Donors/partners Guidelines sometimes do not adhere or Conform to priority of the Council.
- Un conducive working conditions including inadequate equipments, and other working facilities

## 21. DISADVANTAGED GROUPS

**i. Disabled persons welfare**

**The council aims;**

- To enhance safety and security of the community with special attention to disabled persons. People with disability or disabled people.
- To make sure that all cross- cutting issues are addressed in development activities with inclusion of disabled persons
- To create awareness and Sensitization of the community against stigmatization of the disabled**.**

*ii.* ***Gender balance policies***

- To make sure that employment opportunities are gender balanced
- To make sure that all financial opportunities such as loans are fairly provided and gender considered at roof and district level.
- To make sure that enrolments of pupils consider gender equality.

- To make sure that gender equality take a great chance in working places specifically in Kakonko District and community level

**iii. HIV/AIDS policies**

- To ensure awareness on HIV/AIDS prevention to all Kakonko council Employees.
- To make sure that all employees are volunteering in HIV/AIDS Counselling and testing.
- To provide awareness on proper use of ARVs to Public servants and community in general
- To ensure awareness on HIV/AIDS prevention at community level

## 22. CORPORATE GOVERNANCE

The composition of councilors includes both nominated and elected members. There are clear demarcations of roles and functions of personnel. The council has the following committees entrusted with specific task of the Governing council: (Include committee names, members of the committees, how many times they held their meetings and a brief of what was discussed).

**a.) Finance, Administration and Planning Committee.**

Members in this committee consist of the Council chairman who chairs the committee, and the Vice chairman who is vice chairman of the committee. Other members are the chairpersons of the standing committee and members of parliament in the council (Both from ruling party and opposition).This Committee conducts its meeting monthly. They normally discuss Revenue and Expenditures of the Council.

**b.) Education, Health and Water Committee.**

Members in this Committee consist of Council chairman, the vice chairman and other Members are from among Councillor. Members met in quarterly basis, they normally discuss various issues patterning Education, health and water sector in general

**c.) Economic Affairs, works and Environmental Committee.**

Membership in this Committee consists of the Council Chairperson, vice chairperson and other members from among the Councillors**.**

**d.) HIV/AIDS Control Committee.**

Members in this Committee consist of the Council Chairperson, vice chairperson and other members from among the Councillors. Members met in quarterly basis and they used discuss issues related to HIV/AIDS and alike.

**e.) Discipline Committee**

Members in this Committee consist of councillors elected to form this committee. Members met quarterly to discuss issue related to councillor's discipline

**f.) Audit Committee**

This committee is headed by Planning Officers and Legal Officer as secretary and consists of various members from other Institutions. Members met in quarterly basis

## 23. RISK MANAGEMENT AND INTERNAL CONTROLS

The Council accepts final responsibility for the risk management and internal control systems of the Authority. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in:

- The safeguarding of the Council's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the accounting records;
- Business sustainability under normal circumstance as well as adverse conditions; and

- Responsible behaviour towards all stakeholders.

The Council assessed the internal control systems throughout the financial year ended 30 June 2016 hence get assured that they met acceptable criteria.

## 24. ENVIRONMENTAL ISSUES

- The forest patrol were done in 6 villages of ( Kasanda, Gwarama , Kinonko , Nyakayenzi ,Nyamtukuza,and Nyabibuye in order to minimize illegal harvesting of forest resources especially local Charcoal processing and Timber harvesting.
- Forest Acts are implemented at root level by making sure that bush fire is prohibit able accordingly
- The Mud bricks makers were educated on proper use of land according to Environmental Management Act of 2004 Section 58 (2)(d) in Kabare, Kakonko, Muhange and Kabingo villages
- Water Sources in Kakonko and Kabare were identified and the surrounding communities were educated to protect water source

## 25. AUDITORS

The Controller and Auditor-General (CAG) is the statutory auditor for the Council pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2000), Section 9 – 12 of the Public Audit Act, 2008, Section 45 of the Local Government Finances Act, 1982 (revised 2000) and Public Finance Act No 6 of 2001 (revised 2004).

| | |
|---|---|
| ……………………………………… | ……………………………………… |
| Lusubilo J.Mwakabibi | Hon.Juma Maganga |
| **District Executive Director** | **District Council Chairperson** |
| **Date:** ……………………………… | Date…………………………. |

I Mercy P. Swai being the Head of Finance of Kakonko District Council hereby acknowledge my responsibility of ensuring that financial statements for the year ended $30^{th}$ June 2016 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Kakonko District Council as on that date and they have been prepared based on properly maintained financial records.

Signed by........................................

Position: - District Treasurer
NBAA Membership..........................

Date............................................

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2016**

## 1. COUNCIL INFORMATION

Kakonko is a Council established under Act 7 and 8 Section 5 of the Local Government (District Authorities) Act, Cap 28799 (REV.2002) under the Ministerial establishment order No GN.42 dated 18/03/2013 and certification of establishment and issued by Clerk of the National Assembly on 13 May 2013

The Council is under the supervision of the Ministry of Local Government under the Prime Minister's Office. The running of the Council is vested on the councilor of 15 members who are either elected or nominated in accordance with section 19 of the Act. The day to day running of the affairs is on the Council Director.

The head office of the council is located at Kakonko town- Kakonko ward Executive office near – MP office.

The area of the Council is 7,715 kilometer square. According to the recent census (2012), the Council population is 167,555 out of which 86,138 being women and 81,417 being men. The Council is divided into 3 divisions, and 13 wards consisting of 44 villages.

## 2. PRINCIPAL ACTIVITIES

The primary activities of the Council according to Local Government Act 1982 are.

a. Collection of Public funds through taxes, licenses, fees and charge.
b. To convince the public that the use of funds have achieved the maximum benefit through sound financial management.
c. To promote the social welfare and economic well-being of all persons within its area of jurisdiction ,and
d. To maintain and facilitate peace, order and good governance within its area of jurisdiction.

## 3. AUTHORISATION OF FINANCIAL STATEMENTS

The Council Financial Statements for the year ended 30th June 2016 were authorized for issue on 23rd September 2016 by the full Council meeting held on 23rd September 2016

## 4. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and accrual concepts except
For land and buildings, financial instruments and available-for-sale investments that have been measured at fair value. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest Shilling.

**Statement of compliance**

The financial statements of the Council have been prepared in accordance with International Public Sector Standards (IPSAS) and comply with the Local Government Finances Act, 1982 as amended in 2000.

**IPSAS Used in preparation of financial statement:-**

- IPSAS 1- Presentation of financial statements
- IPSAS 2-Cash Flow Statements
- IPSAS 3-Accounting Policies, changes in accounting estimates and errors
- IPSAS 12-Inventories
- IPSAS 14-Events after reporting dates
- IPSAS 17-Property, Plants and Equipments
- IPSAS 20-Related part of disclosures
- IPSAS 24-Presentation of budget information in financial statements
- IPSAS 25-Employee benefits
- IPSAS 35-Consolidated financial statements

**IPSAS not used in preparation of financial statement:-**

- IPSAS 4-The effect of changes in foreign exchange rates
- IPSAS 8- Financial reporting of interest in joint ventures
- IPSAS 10-Financial reporting of hyperinflationary economics
- IPSAS 19-Provision, Contingent liabilities and Contingent assets
- IPSAS 21-Impairments of non cash generating assets
- IPSAS 26- Impairments of cash generating assets
- IPSAS 31-Intangible assets
- IPSAS 32-Services concession arrangements

**New IPSAS not used in presentation of financial statement:-**

- IPSAS 34-Separate financial statement
- IPSAS 36-Investment in association and joint ventures
- IPSAS 37-Joint arrangements
- IPSAS 38-Disclosure of interest in other entities

## 5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Council has adopted the following new IPSAS as of 1 July 2013. The impact of this adoption has been disclosed in respective sections in these financial statements.

- IPSAS 28 – Financial Instruments: Presentation, effective for accounting period beginning on or after 01 January 2013;
- IPSAS 29 – Financial Instruments: Recognition and Measurement, effective for accounting period beginning on or after 01 January 2013; and
- IPSAS 30 – Financial Instruments: Disclosures, effective for accounting period beginning on or after 01 January 2013.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, which are consistent with those of previous years, are shown below.

**Foreign currency translation**

*Functional and presentation currency*
Items included in the financial statements of the Council are measured using the currency of the primary economic environment in which the Council operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings (TZS), which is the Council's functional and presentation currency.

*Transactions and balances*
Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance.

**Cash and cash equivalents**

Cash and bank balances in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less, and is measured at mortised cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**Employment benefits**

Employee benefits include salaries, pensions and other related - employment costs. Employee benefits are recognised on accrual basis.

The Council operates a defined contribution plans. Employees are members of PSPF and LAPF. The Council contributes 15% of basic salary for each employee and the employee contributes 5% of the basic salary. Additionally, the Council operate insured (health benefit) plan where contributions are paid to the National Health Insurance Fund (NHIF), both the employer and employee contribute 3% of gross salary.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue from exchange transactions**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. *Revenue is reduced for estimated customer returns, rebates and other similar allowances.* The following specific recognition criteria must also be met before revenue is recognized:

*Sale of goods*
Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Council has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Rendering of services*
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the statement of financial position date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.
- Income from providing financial guarantee is recognised in statement of financial performance over the guarantee period on a straight line basis.

*Interest income*
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

*Dividend income*
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

*Royalties*
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

*Rental income*
Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from non-exchange transactions

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Government grants*
Government grants are not recognized until there is reasonable assurance that the Council will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to statement of financial performance on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

*Other transfers*
Other transfers include fees, fines, penalties, licenses, gifts, donations (including goods-in-kind), and transfers from other government entities. These are recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and the fair value of the asset can be measured reliably.

Services-in-kind are not recognised as revenue, but are disclosed in the financial statements.

*Local taxes and levies*
Taxes and levies are recognised when the taxable event occurs and the asset recognition criteria are met.

### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the statement of financial performance for the period in which they arise.

### Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal group) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of any replacement parts in accordance with the related recognition criteria. Depreciation is calculated on a straight-line basis over the useful life of the assets. The annual rates of depreciation which have been consistently applied are:

| Description | Years |
|---|---|
| ***Administration assets*** | |
| Leasehold land | Over the lease term |
| Buildings | 25 |
| Plant and machinery | 10 |
| Furniture, fixture and equipments | 10 |
| Motor vehicles | |
| ▪ Heavy duty (5 tons and above) | 5 |
| ▪ Light duty (below 5 tons) | 10 |
| Motor cycle | 7 |
| Computer hardware | 5 |
| | |
| ***Infrastructural assets*** | |
| Leasehold land | Over the lease term |
| Roads | |
| ▪ Gravel roads and culverts/drifts | 4 |
| ▪ Tarmac roads and culverts/drifts | 10 |
| ▪ Earth roads (initial cost) and culverts/drifts | |
| Bridges | |
| ▪ Wooden bridges | 2 |
| ▪ Concrete bridges | 15 |
| ▪ Steel bridges | 30 |
| Buildings | 25 |
| Shallow wells | 15 |
| Boreholes | 15 |
| Sewerage systems | 15 |
| Water systems | 15 |
| Drainage systems | 15 |
| Agriculture and livestock extension system | 25 |
| Plant and machinery | 10 |
| Furniture, fixture and equipments | 10 |
| Motor vehicles | |
| ▪ Heavy duty (5 tons and above) | 5 |
| ▪ Light duty (below 5 tons) | 8 |
| Motor cycle | 7 |
| Computer hardware | 5 |

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

The carrying values of cash – generating property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

The residual values, useful lives and methods of depreciating property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

When each major inspection is performed, its cost is recognised in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied.

The following recognition criteria are used for roads:

| Description | Years |
|---|---|
| Road formation | 20 |
| Routine maintenance (expensed) | N/A |
| Spot maintenance* | |
| Periodic maintenance | |
| ▪ Gravel roads | 4 |
| ▪ Tarmac roads | 10 |
| | |

*Spot maintenance is evaluated on individual basis to determine whether they meet the recognition criteria for an asset, or need to be expensed.

The Council owns land which is in the process of making valuation during the year 2016/2017 therefore it is not included in the financial position

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

Intangible assets (consisting of computer software's) acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is charged against surplus/deficit in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The expected useful life is approximately 5 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of financial performance. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus/deficit when the asset is derecognised.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in surplus/deficit when the liabilities are derecognised as well as through the amortisation process.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Council expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in surplus/deficit net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. They include relationship with subsidiaries, associates, joint ventures and key Management personnel. For XYZ Council key management include; Mayor, deputy mayor, council members, directors, heads of departments and Units and their close relatives. Some of the Council's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Council in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IPSAS are recognised at their fair values at the acquisition date, except for non-current assets (or disposal group) that are classified as held for sale in accordance with *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Council's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of financial performance.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Council's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the surplus/deficit on disposal.

The Council's policy for goodwill arising on the acquisition of an associate is described under 'Associates' below.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Associates

An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Council's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Council's interest in that associate (which includes any long-term interests that, in substance, form part of the Council's net investment in the associate) are not recognised, unless the Council has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Council's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Council's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in surplus/deficit.
Where a Council entity transacts with an associate of the Council, profits and losses are eliminated to the extent of the Council's interest in the relevant associate.

### Interests in joint ventures

A joint venture is a contractual arrangement whereby the Council and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Where an Council undertakes its activities under joint venture arrangements directly, the Council's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Council's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Council and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Council reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under Non-current Assets Held for Sale and Discontinued Operations. The Council's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Any goodwill arising on the acquisition of the Council's interest in a jointly controlled entity is accounted for in accordance with the Council's accounting policy for goodwill arising on the acquisition of a subsidiary. Where the Council transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Council's interest in the joint venture.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of non-financial assets

The Council assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Council makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of financial performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of financial performance. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Inventories

Inventories held for sale are stated at the lower of cost or net realizable value. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- *Raw materials* – purchase cost on first in first out basis.
- *Stationeries and other consumables* – cost is determined on first in first out basis.
- *Finished goods and work in progress* – cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Council as lessor*
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Council's net investment outstanding in respect of the leases.
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*The Council as lessee*
Assets held under finance leases are recognised as assets of the Council at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to statement of financial performance, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Council's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.
Rentals payable under operating leases are charged as an expense to the statement of financial performance on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### Investments and other financial assets

Financial assets within the scope of IPSAS 15 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Council determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Council commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.
Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

*Held-to-maturity investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Council has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at mortised cost using the effective interest method. Gains and losses are recognized in surplus/deficit when the investments are derecognized or impaired, as well as through the amortization process.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement loans and receivables are carried at mortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in surplus/deficit when the loans and receivables are derecognized or impaired, as well as through the amortization process.

*Available-for-sale financial investments*
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in surplus/deficit.

*Fair value*
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

*Amortised cost*
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of financial assets**

The Council assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

***Assets carried at amortised cost***

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in surplus/deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in surplus/deficit.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Council will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

***Available-for-sale financial investments***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in surplus/deficit, is transferred from equity to surplus/deficit. Reversals in respect of equity instruments classified as available-for-sale are not recognised in surplus/deficit. Reversals of impairment losses on debt instruments are reversed through surplus/deficit, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in surplus/deficit.

**Derecognition of financial assets and liabilities**

***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired;
- The Council retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Council has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recognition of financial assets and liabilities (Continued)**

Where the Council has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Council's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Council could be required to repay.

***Financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

**Taxes**

The Municipal/District Councils are exempt from tax on the surplus/deficit for the year.

*Value added tax*
Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation Council, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation Council is included as part of receivables or payables in the statement of financial position.

**Events after reporting date**

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

## 7. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Council's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Judgments**
In the process of applying the Council's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

*Determination of the useful lives of property, plant and equipment*
Management uses reasonable judgment in determining the useful lives and hence depreciation rates of the items of property, plant and equipments.

**Estimates and assumptions**
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment of non-financial assets*
The Council assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 8. STANDARDS ISSUED BUT NOT YET EFFECTIVE

- IPSAS 32 – Service Concession Arrangements: Grantor, effective for accounting period beginning on or after 01 January 2014.

The Council has not early adopted IPSAS 32, however the adoption is not expected to have any impact on the on the financial position or performance of the Council.

## 46. EMPLOYEES

The number of employees at the end of the year 2015/2016 was 944

## 47. COMPARATIVE FIGURES

No previous year's balances have been regrouped whenever appropriate for comparison purposes.

## 48. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

None of the Council's assets has been pledged as security for liabilities.

## 49. EVENTS AFTER THE REPORTING DATE

There are no significant known event that has impacted on the result for the year and financial position of the Council after the reporting date.

## 50. CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated surplus/deficit and other reserves.

Equity is represented by net assets.

The objective of managing these items is to achieve sustainable equity, which is a principle promoted in the Act and applied by the Council. Sustainability of equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

## 51. SERVICES IN KIND

During the year, the Council received the following services in kind from various institutions:

- IPSAS training and assistance

These have not been recognised in revenue as the Council is not able to measure the fair value of those services received reliably.

## 52. COMMITMENTS AND CONTINGENCIES

**Capital commitment**

As at 30 JUNE 2016, the Council had no capital commitments under various contracts amounting to the breakdown of which is as shown below?

| Capital expenditure contracted for at balance date but not yet incurred for: | | | | |
|---|---|---|---|---|
| | | **2016** | | **2015** |
| | | **TZS '000** | | **TZS '000** |
| - property, plant and equipment | | | | |
| - Building | | | | |
| **-Water well and scheme** | | | | |
| Capital expenditure authorized but not contracted | | | | |
| - property, plant and equipment | | | | |
| | | | | |
| **TOTAL** | | | | |

**Legal claims.**

As at year end, the Council had no legal claim