



# MWANSABOMBWE TOWN COUNCIL

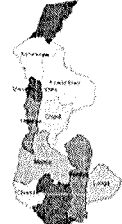
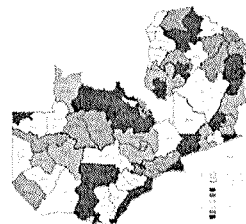
## FINANCIAL STATEMENTS FOR THE YEAR ENDED

### 31<sup>ST</sup> DECEMBER 2018



**MWANSABOMBWE TOWN COUNCIL**

The Civic Centre  
P.O.Box 750002,  
Kazembe,  
Mwansabombwe.



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## REPORT OF THE COUNCIL

The Council has the pleasure of presenting the report together with the financial statements for the year ended 31 December 2018 which disclose the sources, utilization and balances of cash for Mwanabombwe Town Council during the period under review.

### **Background and Location of the Council**

Mwanabombwe Town Council was established and given a District Council status in July, 2012. It was delineated from Kawambwa District and is located in the valley of the Luapula River, on the northern part of Luapula Province. Mwanabombwe District is located within longitudes 28° 30' and 29° 0' east of the Greenwich meridian and latitudes 9° 41' and 10° 9' south of the equator. It shares boundaries with Nchelenge in the north, Mwense in the south, the Democratic Republic of the Congo in the west and Kawambwa in the east. The District covers an area of approximately 1,200 Square Kilometres (Km<sup>2</sup>), which is 2.4% of the total area of Luapula Province. From the 1,200 Km<sup>2</sup>, only 64 Km<sup>2</sup> make up state land and the remaining 1136 Km<sup>2</sup> is customary land under the traditional leadership of His Royal Highness Mwata Kazembe.

Mwanabombwe District has a linear type of settlements. The actual population is believed to be over 50,000. However, according to the 2010 census, District population stood at 45,294 people comprising of 23,286 female representing 51 percent of the total population and 22,008 male representing 49 percent, respectively (CSO, 2012). The population density was about 37 persons per square Kilometer way above the national average of 17.4 and the regional average of 19.6 persons per square Kilometer. The population growth was estimated at an average of 2.7 percent per annum from 35,546 in 2000 to 45,294 in 2010 (CSO, 2012).

The postal address for Mwanabombwe Town Council (MTC) offices is:

The Civic Centre

P.O Box 750002

Kazembe

**MWANSABOMBWE**

## REPORT OF THE COUNCIL

### Composition of the Council

Mwansabombwe Town Council is a corporate body established under Article 152 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 and Section 6 of the Local Government Act, 1991 Cap 281 of the Laws of Zambia. As a Local Authority, the Council administers the Mwansabombwe District.

The Council is composed of an elected Chairperson, ten (10) elected councillors in each ward and a chief representative as provided for under Article 153 of the Constitution of Zambia (Amendment) Act No. 2 of 2016. The current Council was elected to office in 2016 to serve a five year term up to 2021. The Vice Chairperson was elected from among the councillors in 2016 for a period of two (2) and half years.

The District has only one Constituency namely, Mwansabombwe which is comprised of ten (10) wards named as Chipita, Mbereshi, Kayo, Mulele, Kazembe, Lufubu, Kakose, Mwansabombwe, Mununshi and Pembe.

The Councillors who held office during the year were:

S/N	NAME	GENDER	POSITION	WARD
1	Mwewa John	Male	Chairperson	Not Applicable
2	Blaston Mpundu	Male	Vice Chairperson	Chipita
3	Mutundu Morton	Male	Councillor	Mbereshi
4	John Davy	Male	Councillor	Kayo
5	Jenny Kapambwe	Female	Councillor	Mulele
6	Ng'andwe Christine	Female	Councillor	Kazembe
7	Kaunda Jackson	Male	Councillor	Lufubu
8	Mwape Kelvin	Male	Councillor	Kakose
9	Mpundu Moris	Male	Councillor	Mwansabombwe
10	Kasali Frank	Male	Councillor	Mununshi
11	Kapya Justine	Male	Councillor	Pembe
12	Kapale	Male	His Royal Highness Mwata Kazembe	Not Applicable

The District also has one (1) elected Member of Parliament for Mwansabombwe Constituency. The Member of Parliament that held office during the year was:

S/N	NAME	GENDER	CONSTITUENCY
1	Hon.Rodgers Mwewa	Male	Mwansabombwe

The affairs of Central Government in the district are coordinated by the District Commissioner. During the year under review Mr. Kasuba Victor was the District Commissioner for Mwansabombwe District.

## REPORT OF THE COUNCIL

### Council Secretariat

Mwansabombwe Town Council secretariat is headed by the Council Secretary who together with other support staff are appointed by the Local Government Commission. To assist the Council Secretary are five (5) Heads of Departments namely; Finance, Planning, Works, Human Resource and Administration. Under administration are two (2) Units namely Procurement and Internal Audit.

### Functions of the Council

The main function of the Council is the delivery of local public goods and services to the people in the District and discharge all or any of the functions set out in Article 147 (2) (c) of the Constitution of Zambia (Amendments) Act No.2 of 2016 and Second Schedule of Cap 281 of the Laws of Zambia which include, among others, power to make By-Laws, power to make regulations, imposition of levies, fees and charges and to formulate local policies to promote, guide and regulate development in the District through various relevant departments of the Council.

### Financial Results

	<b>2018</b>
	<b>Kwacha</b>
Cash Receipts	9,550,326
Payments	8,261,340
<b>Increase/ (decrease) in Cash and Cash equivalents</b>	<b><u>1,288,986</u></b>

### Key Policies Adopted During the Year

The Council did not adopt any new policies during the reporting period.

### Related Party Transactions

There were no related party transactions during the financial year.

### Property, Plant and Equipment

The Council acquired assets amounting to K1,057,883 during the period under review. No property, plant and equipment were disposed of during the year.

### Intangible Assets

There were no purchases of intangible assets during the year.

### Employees

The average number of employees during the year was thirty nine (39). The total amount spent on employees' remuneration and welfare during the year was K4,464,479.

### Health and Safety of Employees

The Council is aware of its responsibilities regarding the safety and health of employees as prescribed in the Occupational, Health and Safety Act No.36 of 2010 and took appropriate measures to safeguard their safety and health.

## REPORT OF THE COUNCIL

### Recreation

The Council did not spend anything during the year towards sponsoring various sporting activities.

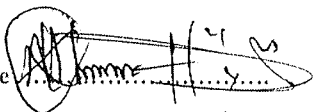
### Corporate Social Responsibility

The Council made donations during the year amounting to K79,909 towards the support of various socially responsible causes

### Auditors

In line with Article 250 of the Constitution of Zambia (Amendment) Act No.2 of 2016, the Council is audited by the Auditor-General.

By order of the Council.

Signature 

Name TERRIAH M. CHWANYA

Position: Council Chairperson

Date: 12/06/2023

**STATEMENT OF RESPONSIBILITIES FOR ANNUAL FINANCIAL STATEMENTS**

The Mwanabombwe Town Council is responsible for preparing the financial statements for the year ended 31<sup>st</sup> December 2018 which are free from material misstatement, whether due to fraud or error, and are prepared, in all material respects, in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS). In preparing the financial statements, the Council selected applicable policies from Local Authorities Accounting Policies (LAAPs) of October 2019, and then applied them consistently, making judgment and estimates that were reasonable and prudent.

The Council is also responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The Auditor General has audited the financial statements and his report is shown on pages 7 to 10.

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with the Cash Basis IPSAS, the requirements of Cap 281 of the Laws of Zambia, the Public Finance Management Act No.1 of 2018 and Local Authorities Accounting Policies (LAAPs) of 2019.

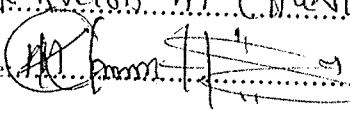
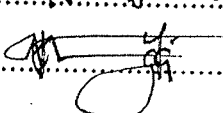
The Council further accepts responsibility:

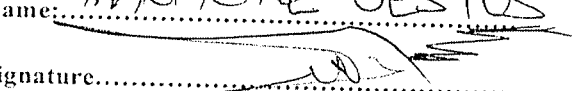
- for the maintenance of accounting records that may be relied upon in the preparation of financial statements,
- for designing, implementing and maintaining systems of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Nothing has come to the attention of the Council to indicate that the Mwanabombwe Town Council will not remain a going concern for at least twelve months from the date of this statement.

In the opinion of the Council, proper books of accounts were maintained to support preparation of Financial Statements that present fairly the financial results of the Mwanabombwe Town Council for the financial year ended 31<sup>st</sup> December 2018.

Signed on behalf of the Council on ....., by;

Name: FERRISA M. CHUNDA Name: MUSANDA H. MANKHELO  
Signature:  Signature:   
Position: Council Chairperson Position: Council Secretary

Name: SIMUTOKO JESTUS  
Signature: 

Position: Council Treasurer  
**INDEPENDENT AUDITOR'S REPORT**



REPUBLIC OF ZAMBIA  
OFFICE OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

STAND No. 7951  
HAILE SELASSIE AVENUE  
LONGACRES  
P.O BOX 50071  
LUSAKA, ZAMBIA

E-mail: [auditorg@ago.gov.zm](mailto:auditorg@ago.gov.zm)  
Website: [www.ago.gov.zm](http://www.ago.gov.zm)  
Telephone: +260252611/252771

To: The Minister – Ministry of Local Government and Rural Development

**Report on the Audit of the Financial Statements of Mwansabombwe Town Council**

**Qualified Opinion**

I have audited the financial statements of the Mwansabombwe Town Council for the financial year ended 31<sup>st</sup> December, 2018 which comprise the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts, Statement of Cash Receipts and Payments for Local Government Equalization Fund and the Statement of Cash Receipts and Payments for Constituency Development Fund (CDF) and a summary of significant accounting policies and other explanatory information on pages 11 to 30.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements of Mwansabombwe Town Council present fairly, in all material respects, its cash receipts and payments and balances for the year ended 31<sup>st</sup> December, 2018 in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) and the Local Authorities Accounting Policies (LAAPs).

**Basis for Qualified Opinion**

- **Differences in amounts for Fees and Charges indicated in the statement of cash receipts and payments and the notes**
  - Whereas the statement of cash receipts and payments showed the figure for Fees and Charges of K693,535, Note 3 showed a figure of K598,212 thereby resulting in a difference of K95,323.
  - It was also observed that whereas Note 3 showed that the amount for Fees and Charges of K598,212 was broken down as Fees and Charges (K442,589) and Land Development Charges (K155,623), the corresponding Note 3(b) for Land Development Charges did not show any amount.



**REPUBLIC OF ZAMBIA  
OFFICE OF THE AUDITOR GENERAL**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Mwanabombwe Town Council in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the financial statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

**Emphasis of Matter**

I draw attention to part 1.1 to the financial statements which explains non-inclusion of prior period comparatives in these financial statements due to the first time adoption of Cash Basis as allowed by the provisions of Cash Basis International Public Sector Accounting Standard (IPSAS).

My opinion is not qualified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cash Basis International Public Sector Accounting Standard, the Local Government Act 1991 Cap 281, the Public Finance Management Act No. 1 of 2018 and Local Authorities Accounting Policies (LAAPs), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the



**REPUBLIC OF ZAMBIA  
OFFICE OF THE AUDITOR GENERAL**

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.



**REPUBLIC OF ZAMBIA  
OFFICE OF THE AUDITOR GENERAL**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

*Ron M. Mwambwa*

Dr. Ron M. Mwambwa, FCMA, FZICA, CGMA, CFE  
**ACTING AUDITOR GENERAL**  
**OFFICE OF THE AUDITOR GENERAL**

DATE: *26/06/2023* .....

MWANSABOMBWE TOWN COUNCIL  
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2018

	NOTES	2018 Kwacha
<b>RECEIPTS</b>		
Local Taxes	2	11,699
Fees and Charges	3	693,535
Licences	4	-
Levies	5	87,661
Permits	6	2,000
Local Government Equalisation Fund	7	6,825,933
Constituency Development Fund	8	1,629,498
Other Grants	9	300,000
Borrowing	10	-
Commercial Venture	11	-
Other Receipts	12	-
<b>TOTAL RECEIPTS</b>		<b>9,550,326</b>
<b>PAYMENTS</b>		
Personal Emoluments	13	4,464,459
Use of Goods and Services	14	2,518,934
Financial Charges	15	-
Social Benefits	16	19,595
Non-Financial Assets	17	1,057,883
Financial Assets	18	-
Loan Repayment	19	-
Other Payments	20	200,468
<b>TOTAL PAYMENTS</b>		<b>8,261,340</b>
<b>Increase/(decrease) in Cash</b>		<b>1,288,986</b>
Foreign Exchange Losses	21	-
Cash at beginning of the year	22	2,148,319
<b>Cash at the end of the year</b>	<b>22</b>	<b>3,437,305</b>

Incorporated in the payments recognised in this Statement are those for Local Government Equalisations and Constituency Development Funds. However, the details of payments under each of these Funds are presented separately in each Fund's own Statement of Cash Receipts and Payments.

Name: FERRICA M. CHUNDA Name: MULIGA H. MANKHE  
 Signature: [Signature] Signature: [Signature]  
 Position: Council Chairperson Position: Council Secretary

Name: EMUTSIRE JESTUS  
 Signature: [Signature]  
 Position: Council Treasurer

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018**

	Original Budget Kwacha	Adjustments Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance	Variance Kwacha	% Variance
<b>RECEIPTS</b>							
Local taxes	16500	-	16,500	11,699	71%	(4,802)	-29%
Fees and Charges	1,182,615	-	1,182,615	693,535	59%	(489,080)	-41%
Licences	18,832	-	18,832	-	0%	(18,832)	-100%
Levies	87,409	-	87,409	87,661	100%	253	0%
Permits	9,430	-	9,430	2,000	21%	(7,430)	-79%
Local Government Equalisation Fund	7423299.6	-	7,423,300	6,825,933	92%	(597,367)	-8%
Constituency Development Fund	1,400,000	-	1,400,000	1,629,498	116%	229,498	16%
Other Grants	200,000	-	200,000	300,000	150%	100,000	50%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	-	-	-	-	0%	-	0%
Other Receipts	186,000	-	186,000	-	0%	(186,000)	0%
<b>TOTAL RECEIPTS</b>	<b>10,524,085</b>	<b>-</b>	<b>10,524,085</b>	<b>9,550,326</b>	<b>91%</b>	<b>(973,759)</b>	<b>-9%</b>
<b>PAYMENTS</b>							
Personal Emoluments	4,353,573	-	4,353,573	4,464,459	103%	(110,886)	-3%
Use of Goods and Services	2,658,762	-	2,658,762	2,518,934	95%	139,828	5%
Financial Charges	-	-	-	-	0%	-	0%
Social Benefits	8,000	-	8,000	19,595	245%	(11,595)	-145%
Non-Financial Assets Acquisition	2,103,750	-	2,103,750	1,057,883	50%	1,045,867	50%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	-	0%	-	0%
Other Payments	1,400,000	-	1,400,000	200,468	14%	1,199,532	86%
<b>TOTAL PAYMENTS</b>	<b>10,524,085</b>	<b>-</b>	<b>10,524,085</b>	<b>8,261,340</b>	<b>78%</b>	<b>2,262,745</b>	<b>22%</b>
<b>Increase/(Decrease in Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,288,986</b>		<b>1,288,986</b>	

The composition of budget adjustments and explanations of major variances are provided in note 23

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE LOCAL GOVERNMENT  
 EQUALISATION FUND (LGEF) FOR YEAR ENDED 31 DECEMBER 2018**

<b>RECEIPTS</b>	<b>NOTES</b>	<b>2018 Kwacha</b>
LGEF	7(a)	6,825,933
Other		-
<b>TOTAL RECEIPTS</b>		<b>6,825,933</b>
<b>PAYMENTS</b>		
<b>Operational Expenditure Payments:</b>	7(b)	
Salaries		3,310,205
Wages		386,269
Allowances		637,322
Personnel related costs		20,500
Office costs		78,711
Plant, machinery, vehicle running and maintenance cost		242,252
Other administrative operating costs		177,438
Requisites		38,487
Services		264,786
Travel expenses		305,960
Training		95,405
Social assistance benefits		16,040
<b>Sub-Total-</b>		<b>5,573,375</b>
<b>Capital Expenditure Payments:</b>	7(c)	
Rehabilitation Works		284,971
Asset Acquisition		772,911
<b>Sub-Total-</b>		<b>1,057,883</b>
<b>TOTAL PAYMENTS</b>		<b>6,631,258</b>
<b>Increase/(decrease) in cash</b>		<b>194,675</b>

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE CONSTITUENCY  
DEVELOPMENT FUND (CDF) FOR YEAR ENDED 31<sup>ST</sup> DECEMBER 2018**

<b>RECEIPTS</b>	<b>NOTES</b>	<b>2018 Kwacha</b>
Funding	8 (a)	1,600,000
Other sources	8 (b)	29,498
<b>TOTAL RECEIPTS</b>		<b>1,629,498</b>
<b>PAYMENTS</b>		
Infrastructure Development	8 (c )	196,954
Rehabilitation Works	8 (d)	-
Asset Acquisition	8 (e )	-
Administrative Costs	8 (f)	5,754
<b>TOTAL PAYMENTS</b>		<b>202,708</b>
<b>Increase/(decrease) in Cash</b>		<b>1,426,790</b>
Cash at the beginning of the year		712,019
<b>Cash at the end of the year</b>		<b>2,138,809</b>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of the Preparation of the Financial Statements

The Financial Statements have been prepared in accordance with Part 1 of Cash Basis IPSAS, Financial Reporting under the Cash Basis of Accounting, issued by the International Public Sector Accounting Standards Board (IPSASB) and Local Authorities Accounting Policies (LAAPs).

These financial statements have been prepared in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. The accounting policies have been applied consistently throughout the period.

#### 1.1 Comparatives

In line with the Local Authorities Accounting Policies (LAAPs) and the Treasury and Financial Management Circular No. 10 of 2019 issued prior but applicable to finalisation of these financial statements, the starting point for preparation of financial statements using Cash Basis IPSAS *Financial Reporting under the Cash Basis of Accounting* is 2018. The IPSAS allows that in the year of first application, comparative financial statements for the previous year may not be included. In this regard, these financial statements do not include such.

#### 1.2 Reporting Entity

The Financial Statements are prepared for Mwanabombwe Town Council. The financial statements encompass the Council as specified under Cap 281 of the Laws of Zambia, Public Finance Management Act No. 1 of 2018 and the Constitution of Zambia (Amendment), Act No. 2 of 2016. It also includes projects and activities of the Constituency Development Fund and the Local Government Equalisation Fund in the district.

#### 1.3 Authorisation Date

The financial statements were authorized for issue on ..... by the Ordinary/  
Special Council.

#### 1.4 Revenue

Revenue is recognised when cash is received. It is generated from various sources as explained below:

##### a) Local Taxes

Article 161 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 authorises Mwanabombwe Town Council as a Local Authority to levy, impose, recover, and retain local taxes. Further, the Local Government Act No. 22 of 1991 prescribes a system of local taxes by empowering Local Authorities to make By-laws imposing all or any of the following levies:

- a levy on leviable persons owning or occupying property or premises situated within the area of the council.
- A levy on leviable persons carrying on a business, trade or occupation within the area of the council.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A levy on the purchase or sale of a commodity within the area of the District. This includes levies on sale of livestock, grain and poles.

### **b) Fees or Charges**

Section 70 (1) of the Local Government Act, 1991 as amended by Act 19 of 1992 empowers Local Authorities to impose fees or charges payable to the Council:

- For any license or permit issued under any by-law or regulation made under the Act. These may include health permits, fire certificate licenses, burial permits and extension of business hours permits.
- For any service or facility provided or goods or documents supplied by the Council in pursuance of or in connection with the discharge of any function of the Council. These may include survey fees, consent fees, building inspection fees, waste collection fees and parking fees.

### **1.5 Expenditure**

Expenditure is recognised when payment is made for expenses incurred. The Council incurs expenditure relating to the discharge of its functions which includes expenses relating to personal emoluments, use of goods and services, social benefits and acquisition of non-financial assets.

Items of a capital nature are expensed at the time of payment and such transactions are depicted in the appropriate class and heading in the financial statements. Since capital expenditure is expensed when incurred, neither depreciation nor amortization is charged on non-current assets.

### **1.6 Reporting on Gross Basis**

Transactions are reported on gross basis without netting off similar classes of receipts and payments. However, transactions may be reported on net basis when they relate to transactions the Council administers on behalf of other entities recognised in the Financial Statements.

### **1.7 Cash at the Beginning and End of the Year**

Cash at the beginning and end of the year consist of cash on hand, demand deposits and cash equivalents held at such dates.

Cash on hand refers to notes and coins held by the Council at the reporting date and it includes petty cash and cash collections not yet deposited into bank accounts. Demand deposits consist of reconciled balances held in the Council's bank accounts which it can use on demand. Cash equivalents, on the other hand, refer to short term high liquid investments that can easily be converted to known amounts of cash and are subject to insignificant risk of change in values. The Council recognises all short-term high liquid investments having maturities of three months or less as cash equivalents.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.8 Local Government Equalization Fund

Article 163(2) of the Constitution of Zambia (Amendment) Act No. 2 of 2016 provides that Parliament shall annually appropriate monies to the Local Government Equalisation Fund which shall be disbursed by the Ministry responsible for finance to Local Authorities.

Receipts under LGEF supplement revenue generated by the Council. The Council uses at least 20% of the funds received from the equalization fund, in any financial year, to finance capital expenditure and the balance to meet operational expenses.

### 1.9 Constituency Development Fund

The Constituency Development Fund (CDF) was established under Article 162(1) of the Constitution of Zambia (Amendment) Act No. 2 of 2016. The fund was set up to finance micro- community projects for poverty reduction in communities and it is financed by monies appropriated by Parliament.

The administration of CDF is guided by Guidelines on the Management and Utilisation of Constituency Development Fund of 2016. The Council maintains separate bank accounts for each constituency. Transfers are made from CDF into constituency bank accounts from which payments are made to finance approved CDF projects.

### 1.10 Other Grants

These include grants in lieu of rates and support from Cooperating Partners. Grants in lieu of rates are paid by the Government to the Council to cover property rates of Government properties in the district. Support from Cooperating Partners may consist of cash receipts under bilateral and multilateral agreements.

### 1.11 Presentation Currency

The presentation currency is Zambian Kwacha.

### 1.12 Foreign Currencies

Transactions in other currencies are converted into Zambian Kwacha using the ruling Bank exchange rates at the time of payment. Balances expressed in foreign currencies at the year-end are translated into Kwacha at the ruling rate then.

The council did not have any transaction in forex in the year ending 2018.

### 1.13 Borrowings

Borrowings comprise actual cash inflows received from financial institutions, bilateral and multilateral institutions.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.14 Budget and Actual Amounts

A final budget includes all adjustments (supplementary and re-allocations) made to the original approved budget during the year. Supplementary budgets consist of additional provisions beyond what was originally approved while re-allocations are approved budget variations.

The approved budget is developed on the same accounting and classification basis, and for the same period as for the financial statements. All material differences between final budgets and actual amounts are explained in the notes to the annual financial statements. Budget differences of 20% and above are considered material.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Local Taxes

During the year, the Council generated local tax cash receipts as follows:

Local Tax Type	2018 Kwacha
Residential Rates	-
Industrial / Commercial Rates	-
Mining Rates	-
Personal Levy	11,699
<b>TOTAL</b>	<b>11,699</b>

### 3 Fees and Charges

The local authority generated cash receipts in form of fees and charges as follows:

	2018 Kwacha
Fees and charges	442,589
Land Development Charges	155,623
<b>Total</b>	<b>598,212</b>

#### a. Fees and Charges

The Council generated the following fees:

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Fees and Charges Type</b>	<b>2018</b>
	<b>Kwacha</b>
Consent Fees	-
Survey Fees	-
Building Inspection fees	-
Plan Scrutiny Fees	-
Rentals/Lease of Council's properties	121,890
Application Form Fees	30,968
Sketch Fees	-
Search Fees	-
Market Fees	23,208
Parking Fees	-
Bus Station Fees	153,063
Affidavit Fees	-
Grave Reservation	-
Refuse Disposal Fees	-
Notice of Marriage	-
Abattoir/Meat Inspection Fees	-
Farm Produce Levy	-
Communication Mast Levy	50,000
Land Record	-
Billboard and Banner	560
Lease of Council Transport	-
Illegal Vending Fees	-
Penalties	-
Site Rent	-
Change of ownership of plot	-
Other Fees and Charges/other income	62,900
<b>TOTAL</b>	<b>442,589</b>

**b. Land Development Charges**

The Council collected the following land development related charges

<b>Charges Type</b>	<b>2018</b>
	<b>Kwacha</b>
Service charges - residential plots	-
Service charges - Industrial plots	-
Premium plots - Residential	-
Premium plots - Commercial	-
Lease charges	-
Other	-
<b>TOTAL</b>	<b>-</b>

**4 Licences**

The Council did not generate any revenue from licences during the period under review.

**NOTES TO THE FINANCIAL STATEMENTS**

**5 Levies**

The Council generated K87,661 cash receipts by charging levies as follows:

<b>Type of Levy</b>	<b>2018 Kwacha</b>
Livestock levy	4,886
Bird levy	-
Fish levy	10,743
Pole levy	-
Charcoal levy	1,320
Business levy	69,662
Miscellaneous/Other levies	1,050
<b>TOTAL</b>	<b>87,661</b>

**6 Permits**

The Council generated K2,000 cash receipts from issuing various permits as follows:

<b>Type of Permit</b>	<b>2018 Kwacha</b>
Health Permit	-
Burial Permits and Grave sites	-
Fire Certificates	-
Extension of business hours permits	-
Public permits (social gatherings, etc)	-
Other Permits	2,000
<b>TOTAL</b>	<b>2,000</b>

**7 Local Government Equalisation Fund**

**a. Funding**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2018</b>
	<b>Kwacha</b>
1st Funding	618,608
2nd Funding	618,608
3rd Funding	618,608
4th Funding	617,914
5th Funding	618,608
6th Funding	647,914
7th Funding	618,608
8th Funding	614,297
9th Funding	617,729
10th Funding	617,729
11th Funding	617,309
12th Funding	
<b>TOTAL</b>	<b>6,825,933</b>

**b. Operational Expenditure**

The Council had an opening balance of K863,208. During the year under review the Council received LGEF in amounts totalling K6,825,933 bringing the total amount to K7,689,141.

The Council applied amounts totalling K5,573,375 towards operational expenditure representing 82% of LGEF receipts for the reporting period. These expenses are included in the amounts disclosed in the notes accompanying the Statement of Cash Receipts and Payments.

**c. Capital Expenditure**

The Council applied amounts totalling K1,057,883 of LGEF receipts towards meeting capital expenditure representing 15% of the total LGEF funding for the reporting period, leaving the closing balance of unused capital funds of K1,176,977. This expenditure is included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments.

**8 Constituency Development Fund**

The various elements constituting Statement of Cash Receipts and Payments for CDF are analysed as follows:

**(a) CDF Funding**

In the year 2018, the funding for the constituencies was as in the table below:

	<b>2018</b>
	<b>Kwacha</b>
Constituency	
Mwansabombwe	1,600,000
<b>Total Funding</b>	<b>1,600,000</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**(b) Other CDF Sources of Funding**

	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>
Mwansabombwe	29,498
<b>Total Other Sources</b>	<b>29,498</b>

There was K29,498 other sources of CDF funding during the period under review.

**(c) Infrastructure Development**

	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>
Mwansabombwe	196,954
<b>Total Infrastructure Development Payments</b>	<b>196,954</b>

Infrastructure development works included construction of mothers' shelters at various clinics classroom blocks, completion of Markets as well as completion of VIP toilets.

**(d) Rehabilitation Works**

There were no rehabilitation works undertaken using CDF during the financial year ended 31<sup>st</sup> December, 2018.

**(e) Asset Acquisition**

The Council did not acquire any assets for the period under review using CDF sources of funding.

**(f) Administrative Costs**

	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>
Mwansabombwe	5,754
<b>Total Administrative Costs</b>	<b>5,754</b>

The administrative costs included project supervision costs and monitoring

**9 Other grants**

During the year, the Council received the following grants:

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Revenue Source</b>	<b>2018</b>
	<b>Kwacha</b>
Grants in Lieu of Rates	300,000
Other	-
<b>TOTAL</b>	<b><u>300,000</u></b>

**10 Borrowing**

The Council did not borrow from any lending institution during the reporting period.

**11 Commercial Venture**

The Council did not have a commercial venture during the reporting period ended 31<sup>st</sup> December, 2018.

**12 Other Receipts**

There was no revenue classified as other receipts in 2018.

**13 Personal Emoluments**

Personal Emoluments consist of actual amounts of salaries and wages paid to staff of the Municipal Council. The Council had categories of staff that were paid as follows

<b>Grade</b>	<b>2018</b>
	<b>Kwacha</b>
Salaries Division 1	2,098,977
Salaries Division 2	953,262
Salaries Division 3	276,446
Wages- Division 4	426,752
Cash in Lieu of Leave Div I	146,125
Cash in Lieu of Leave Div II	29,757
Cash in Lieu of Leave Div III	9,683
Cash in Lieu of Leave Div IV	20,578
Travelling on Leave/Holiday Allowance	71,179
Other Allowances	429,000
Medical Costs	2,700
<b>TOTAL</b>	<b><u>4,464,459</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

**14 Use of Goods and Services**

General expenditure consists of expenditure incurred on administrative activities.

<b>Expenditure Type</b>	<b>2018</b>
	<b>Kwacha</b>
Office Material	87,430
Telephone, Fax, Telex, Radio (Charges and Maintenance)	1,050
Postal Charges	3,000
Computer and Peripheral Costs	33,540
Electricity Charges	14,850
Building Maintenance (Maintenance, Consumables, Cleaning)	154,366
Petrol, Oil and Lubricants	142,240
Servicing (Other Consumables)	133,502
Spare Parts	830
Tyres	15,940
Insurance	36,967
Meal Allowance	142,851
Boards Councils and Committees Allowances	41,644
Other Costs	92,364
Protective Wear, Clothing and Uniforms	17,173
Water Treatment Chemicals	550
Boreholes, pumps and other Water Reticulation Material	157,223
Advertisement and Publicity	37,360
Public Functions and Ceremonies	79,907
Boards, Councils and Committees expenses	16,745
Hire of Motor Vehicles	1,350
Land Demarcation and Survey	10,290
Bush Clearing and Grass Cutting	182,773
Labour Day Expenses and Awards	23,640
Waste and Refuse Collection	96,741
Bank Charges	30,658
Other Services	15,153
Road, Rail and Air Fares	91,042
Allowances	522,393
Petrol, Oil and Lubricant	26,259
Registration (Others)	9,440
Subscriptions (Others)	96,955
Contituency development fund	202,708
<b>TOTAL</b>	<b><u>2,518,934</u></b>

**15 Financial Charges**

The Council did not spend on financial charges during the reporting period

**NOTES TO THE FINANCIAL STATEMENTS**

**16 Social Benefits**

Social benefits include payments towards death on duty, burial, and other benefits. During the year, the Council made social benefit payments amounting to K19,595.

	2018
	Kwacha
Burial Benefit	19,595
Other	-
<b>TOTAL</b>	<b><u>19,595</u></b>

**17 None Financial Assets**

Acquisition of assets involved the following:

	2018
	Kwacha
Purchase of Office Furniture	169,042
Purchase of GPS for the Planning	155,000
Purchase of Plotter	162,897
Rehabilitation of Challets	214,251
Computers	28,500
Air Conditioner	13,192
Purchase of One Motor Vehicles	315,000
<b>TOTAL</b>	<b><u>1,057,883</u></b>

**18 Financial Assets**

The Council did not acquire any financial assets in 2018.

**19 Loan Repayments**

The Council did not make any loan repayments during the reporting period.

**20 Other Payments**

There was an amount of K200,468 for other payments in 2018.

**21 Foreign Exchange Losses**

The Council in the year 2018 did not make any transactions in foreign currency hence there were no foreign exchanges gains or losses.

**NOTES TO THE FINANCIAL STATEMENTS**

**22 Cash Balances**

**Cash Balances at the Beginning of the Year**

The Council's cash amounts at the beginning of the year consisted of demand deposits:

	<b>2018</b>
	<b>Kwacha</b>
Cash on hand	
Demand Deposits	2,148,319
Cash Equivalents	-
<b>TOTAL</b>	<b><u>2,148,319</u></b>

**a. Cash on Hand**

The Council had no cash on hand as at 1<sup>st</sup> January, 2018.

**b. Demand Deposits**

The Council had the following reconciled bank account balances at the beginning of the year.

<b>Account Name</b>	<b>Account No.</b>	<b>2018</b>
		<b>Kwacha</b>
Salaries Account	Zanaco - 5078199300104	193,686
Local Government Equalisation Capital Fund	Zanaco - 2018851300101	863,209
District Fund Account	Zanaco - 1864737300175	11,173
Chinyanta Market Account	Zanaco- 0359495500174	16,996
Constituency Development Fund Account	Zanaco- 0359582300121	712,019
Water Account	Zanaco-1995462400120	351,236
<b>TOTAL</b>		<b><u>2,148,319</u></b>

**c. Cash Equivalents**

The Council had no cash equivalents as at 1<sup>st</sup> January, 2018.

**NOTES TO THE FINANCIAL STATEMENTS**

**Cash Balances at the End of the Year**

The Council's cash amounts at the end of the year consisted of demand deposits:

	<b>2018</b>
	<b>Kwacha</b>
Cash on hand	
Demand Deposits	3,437,305
Cash Equivalents	-
<b>TOTAL</b>	<b><u>3,437,305</u></b>

**a. Cash on Hand**

The Council had no cash on hand as at 31<sup>st</sup> December, 2018.

**b. Demand Deposits**

The Council had the following reconciled bank account balances at the end of the year.

<b>Account Name</b>	<b>Account No.</b>	<b>2018</b>
		<b>Kwacha</b>
Salaries Account	Zanaco - 5078199300104	(27,607)
Local Government Equalisation Capital Fund Account	Zanaco - 2018851300101	1,176,977
District Fund Account	Zanaco - 1864737300175	45,087
Chinyanta Market Account	Zanaco - 0359495500174	11,624
Constituency Development Fund	Zanaco - 0359582300121	2,138,809
Water Account	Zanaco -1995462400120	92,414
<b>TOTAL</b>		<b><u>3,437,305</u></b>

**c. Cash Equivalents**

The Council had no cash equivalents as at 31<sup>st</sup> December, 2018.

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Budget Adjustments and Variances

#### a) Budget Adjustments

There were no budget adjustments during the financial year ended 31<sup>st</sup> December, 2018.

#### b) Budget Variances

##### • Fees and Charges

The Council planned to raise K1,182,615 in fees and charges. However, the Council managed to raise only K298,212 resulting in an adverse variance of 49%. This can be attributed to the fact the District is not fully developed and lacks essential services such water and electricity which attracts the developers.

The District therefore has very limited properties on which the Council can impose charges. This is compounded by the fact that, the Council has no valuation roll making it difficult to meet the revenue targets. Having taken note of the above, the Council will in future budget to raise revenue that is within the collectable amount considering the prevailing situation.

##### • Licences

The Council planned to raise K18,832 from licence fees. The Council did not raise anything resulting in an adverse variance of 100%. This is due to the fact that the most businesses did not qualify to be issued with liquor licence, which is the most common licence issued in the District.

##### • Permits

The Council planned to raise K9,430 from permits. The Council only raised K2,000 resulting 79% adverse variance. This is due to the fact that the Council only give specific permits to individuals or businesses who have met the prescribed criteria. The Variance is due to the fact that no many had applied for various types of permits and of those who applied, only those who met the criteria were issued with permits.

##### • Other Grants

The Council had budgeted to receive the grants in lieu of rates of K200,000. However, the Council received K300,000 resulting in a favorable variance of 50%. This is due to the fact that the Council has no Control over the timing and amount sent by the Ministry of finance.

##### • Social Benefits

The Council planned to spend K8,000 on social benefits. However, the Council spent K19,595 resulting in a variance of 145%. This can be attributed to the unforeseen circumstances on which the Council had to spent funds.

## NOTES TO THE FINANCIAL STATEMENTS

- **CDF and Non-Financial assets**

The Council had variances of 86% and 50% on expenditure of Constituency development funds and expenditure on financial assets respectively. This can be attributed to the fact that these are capital projects in nature. Therefore the procurement process and the execution of the projects is what led to the delay in the expending the funds.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018**

	Original Budget Kwacha	Adjustments Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance	Variance Kwacha	% Variance
<b>RECEIPTS</b>							
Local taxes	16500	-	16,500	11,699	71%	(4,802)	-29%
Fees and Charges	1,182,615	-	1,182,615	693,535	59%	(489,080)	-41%
Licences	18,832	-	18,832	-	0%	(18,832)	-100%
Levies	87,409	-	87,409	87,661	100%	253	0%
Permits	9,430	-	9,430	2,000	21%	(7,430)	-79%
Local Government Equalisation Fund	7423299.6	-	7,423,300	6,825,933	92%	(597,367)	-8%
Constituency Development Fund	1,400,000	-	1,400,000	1,629,498	116%	229,498	16%
Other Grants	200,000	-	200,000	300,000	150%	100,000	50%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	-	-	-	-	0%	-	0%
Other Receipts	186,000	-	186,000	-	0%	(186,000)	0%
<b>TOTAL RECEIPTS</b>	<b>10,524,085</b>	<b>-</b>	<b>10,524,085</b>	<b>9,550,326</b>	<b>91%</b>	<b>(973,759)</b>	<b>-9%</b>
<b>PAYMENTS</b>							
Personal Emoluments	4,353,573	-	4,353,573	4,464,459	103%	(110,886)	-3%
Use of Goods and Services	2,658,762	-	2,658,762	2,518,934	95%	139,828	5%
Financial Charges	-	-	-	-	0%	-	0%
Social Benefits	8,000	-	8,000	19,595	245%	(11,595)	-145%
Non-Financial Assets Acquisition	2,103,750	-	2,103,750	1,057,883	50%	1,045,867	50%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	-	0%	-	0%
Other Payments	1,400,000	-	1,400,000	200,468	14%	1,199,532	86%
<b>TOTAL PAYMENTS</b>	<b>10,524,085</b>	<b>-</b>	<b>10,524,085</b>	<b>8,261,340</b>	<b>78%</b>	<b>2,262,745</b>	<b>22%</b>
<b>Increase/(Decrease in Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,288,986</b>		<b>1,288,986</b>	

The composition of budget adjustments and explanations of major variances are provided in note 23