

# MWANSABOMBWE TOWN COUNCIL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019



MWANSABOMBWE TOWN COUNCIL

The Civic Centre



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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<sup>st</sup> December 2019 which disclose the sources, utilization and balances of cash for Mwansabombwe Town Council during the period under review.

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

Mwansabombwe 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. Mwansabombwe 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 Kilometers (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 Square Kilometers make up state land and the remaining 1136Km<sup>2</sup> is customary land under the traditional leadership of His Royal Highness Mwata Kazembe.

Mwansabombwe 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 females representing 51 per cent of the total population and 22,008 males representing 49 per cent, respectively (CSO, 2012). The population density was about 37 persons per Square Kilometre way above the national average of 17.4 and the regional average of 19.6 persons per Square Kilometre. The population growth was estimated at an average of 2.7 per cent per annum from 35,546 in 2000 to 45,294 in 2010 (CSO, 2012).

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

The Civic Centre

P.O Box 750002

Kazembe

**MWANSABOMBWE**

## 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) Heads of 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>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Cash Receipts	7,359,068	9,550,326
Payments	8,224,942	8,261,340
<b>Increase/ (Decrease) in Cash and Cash Equivalents</b>	<b><u>(865,874)</u></b>	<b><u>1,288,986</u></b>

### Key Policies Adopted During the Year

The Council did not adopt major policies.

### Related Party Transactions

There were no related party transactions during the financial year.

### Property, Plant and Equipment

The Council purchased property, plant and equipment amounting to K79,742.

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 forty (40). The total amount spent on employees' remunerations and welfare during the year was K4,689,753.

## REPORT OF THE COUNCIL

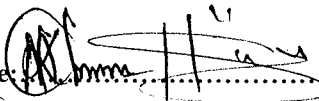
### Health and Safety of Employees

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.

### Auditors

In line with Article 250 of the Constitution of Zambia (Amendment) Act No. 2 of 2016 and Section 44(2) of the Local Government Act No. 2 of 2019, the Council is audited by the Auditor-General.

By order of the Council.

Signature:   
Name: FERRION M. CHING'YA

Position: Council Chairperson

Date: 14/06/2023

**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 2020, 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 2020, 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:

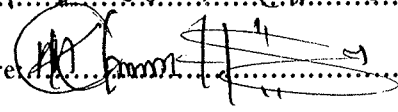
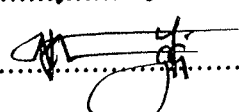
- for the maintenance of accounting records that may be relied upon in the preparation of financial statements,
- for designing, implementing and maintaining systems of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 2020.

Signed on behalf of the Council on 12/02/2021 by;

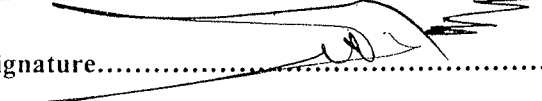
Name: FERRIS M. CHUNDA Name: MULEGA H. MAMBE

Signature:  Signature: 

Position: Council Chairperson

Position: Council Secretary

Name: SMUTSKE JESTUS

Signature: 

Position: Council Treasurer



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, 2019 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 27.

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, 2019 in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) and the Local Authorities Accounting Policies (LAAPs).

**Basis for Qualified Opinion**

- **Misstated Comparatives**

According to the LAAPs, figures reported in the previous financial year should be brought into the current year as comparatives. However, a comparison of audited figures for 2018 with the figures that were brought into 2019 as comparatives showed differences as indicated in the table below.



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No	Details	Note No./ Ref.	Comparative Amount in the 2019 Financial Statements (K)	Amount in the 2018 Financial Statements /Notes (K)	Difference (K)
1	LGEF-Operation expenses	Page 13	5,899,949	5,573,375	326,574
2	LGEF-Capital expenses	Page 13	955,413	1,057,883	102,470
	<b>Total</b>				<b>429,044</b>

- **Differences between amounts stated in the statement of cash receipts and payments and amounts stated in the notes**

Whereas it was reported in the statement of cash receipts and payments that the amount for Use of goods and services was K2,649,434, Note 14 showed an amount of K2,668,434 thereby resulting in a difference of K19,000.

- **Unreconciled Closing Balance**

Whereas the statement of cash receipts and payments showed that cash at the end of the year was K2,571,431, Note 22 showed that cash at the end of the year was K3,341,464 thereby resulting in a difference of K770,033.

- **Uncorrected Prior Year Misstatements**

The misstatements that were identified in financial statements for the year ended 31<sup>st</sup> December 2018 had not been corrected.

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.



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**Emphasis of Matter**

I draw attention to part 1.1 of the summary of significant accounting policies to the financial statements which describes the roadmap of the Council to adoption of Accrual Basis Financial Reporting Framework as result of which the Council has not produced Accrual Basis type of financial statements required by the Local Government Act No. 2 of 2019.

My opinion is not modified 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 No. 2 of 2019, 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 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



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OFFICE OF THE AUDITOR GENERAL**

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.
- 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.
- 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.

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.

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

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

THE STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

	NOTES	2019 Kwacha	2018 Kwacha
<b>RECEIPTS</b>			
Local taxes	2	7,533	11,699
Fees and Charges	3	428,457	693,535
Licences	4	505	-
Levies	5	83,777	87,661
Permits	6	5,050	2,000
Local Government Equalisation Fund	7	6,444,167	6,825,933
Constituency Development Fund	8	53,838	1,629,498
Other Grants	9	200,000	300,000
Borrowings	10	-	-
Commercial Venture	11	-	-
Other Receipts	12	137,043	-
<b>TOTAL RECEIPTS</b>		<b>7,359,068</b>	<b>9,550,326</b>
<b>PAYMENTS</b>			
Personal Emoluments	13	4,689,753	4,464,459
Use of Goods and Services	14	2,649,434	2,518,934
Financial Charges	15	-	-
Social Benefits	16	3,981	19,595
Non-Financial Assets Acquisition	17	79,742	1,057,883
Financial Assets	18	-	-
Loan Repayments	19	-	-
Other Payments	20	802,052	200,468
<b>TOTAL PAYMENTS</b>		<b>8,224,962</b>	<b>8,261,340</b>
<b>Increase/(decrease) in Cash</b>		<b>(865,894)</b>	<b>1,288,986</b>
<b>Foreign Exchange Losses</b>	21	-	-
Cash at beginning of the year		3,437,305	2,148,319
Cash at the end of the year	22	2,571,411	3,437,305

Incorporated in the payments recognised in this Statement are those for Local Government Equalisation 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: FERRISA M. CHUNDA Name: MUCOSA A. CHANDE

Signature: [Signature] Signature: [Signature]

Position: Council Chairperson

Position: Council Secretary

Name: SHAMUSKE JESTUS

Signature: [Signature]

Position: Council Treasurer

**THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

	Original Budget Kwacha	Adjustments Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance	Variance Kwacha	% Variance
<b>RECEIPTS</b>							
Local taxes	26,500	-	26,500	7,533	28%	(18,968)	-72%
Fees and Charges	1,374,822	-	1,374,822	428,457	31%	(946,365)	-69%
Licences	21,827	-	21,827	505	2%	(21,322)	-98%
Levies	100,797	-	100,797	83,777	83%	(17,020)	-17%
Permits	10,950	-	10,950	5,050	46%	(5,900)	-54%
Local Government Equalisation Fund	8,383,300	-	8,383,300	6,444,167	77%	(1,939,133)	-23%
Constituency Development Fund	1,600,000	-	1,600,000	53,837	3%	(1,546,163)	-97%
Other Grants	200,000	-	200,000	200,000	100%	-	0%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	-	-	-	-	0%	-	0%
Other Receipts	395,345	-	395,345	137,043	35%	(258,302)	-65%
<b>TOTAL RECEIPTS</b>	<b>12,113,541</b>	<b>-</b>	<b>12,113,541</b>	<b>7,359,068</b>	<b>64%</b>	<b>4,754,473</b>	<b>36%</b>
<b>PAYMENTS</b>							
Personal Emoluments	5,599,243	-	5,599,243	4,689,753	84%	909,490	16%
Use of Goods and Services	5,225,508	-	5,225,508	2,649,434	51%	2,576,074	49%
Financial Charges	-	-	-	-	-	-	0%
Social Benefits	5,000	-	5,000	3,981	80%	1,019	20%
Non-Financial Assets Acquisition	1,283,790	-	1,283,790	79,742	6%	1,204,048	94%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	-	0%	-	0%
Other Payments	-	-	-	802,032	-	(802,032)	-
<b>TOTAL PAYMENTS</b>	<b>12,113,541</b>	<b>-</b>	<b>12,113,541</b>	<b>8,224,942</b>	<b>68%</b>	<b>3,888,599</b>	<b>39%</b>
<b>Increase/(Decrease) in Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(865,874)</b>		<b>865,874</b>	

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

**THE STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE LOCAL GOVERNMENT EQUALISATION FUND (LGEF) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

		2019 Kwacha	2018 Kwacha
<b>RECEIPTS</b>			
Funding	7(a)	6,444,167	6,825,933
<b>TOTAL RECEIPTS</b>		<b>6,444,167</b>	<b>6,825,933</b>
<b>PAYMENTS</b>			
<b>Operational Expenditure Payments:</b>			
	7(b)		
Salaries and Wages		4,605,070	4,354,296
Terminal Benefits		-	-
Utility bills		-	-
Service Provision		-	-
Goods and Services		1,307,045	1,529,613
Administrative Costs		-	-
Other Costs		2,950	16,040
<b>Sub-Total</b>		<b>5,915,065</b>	<b>5,899,949</b>
<b>Capital Expenditure Payments:</b>			
	7(c)		
Infrastructure Development		-	-
Rehabilitation Works		4,380	284,971
Asset Acquisition		42,427	670,442
Other Costs		-	-
<b>Sub-Total</b>		<b>46,807</b>	<b>955,413</b>
<b>TOTAL PAYMENTS</b>		<b>5,961,872</b>	<b>6,855,362</b>
<b>Increase/(decrease) in cash</b>		<b>482,295</b>	<b>(29,429)</b>
Cash at the beginning of the year		-	-
<b>Cash at the end of the year</b>		<b>-</b>	<b>-</b>

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE CONSTITUENCY  
 DEVELOPMENT FUND (CDF) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

		<b>2019</b>	<b>2018</b>
		<b>Kwacha</b>	<b>Kwacha</b>
<b>RECEIPTS</b>			
Funding	8(a)	-	1,600,000
Other sources	8(b)	53,837	29,498
<b>TOTAL RECEIPTS</b>		<b>53,837</b>	<b>1,629,498</b>
<b>PAYMENTS</b>			
Infrastructure Development	8(c)	717,148	196,954
Rehabilitation Works	8(d)	26,790	-
Asset Acquisition	8(e)	-	-
Administrative Costs	8(f)	-	5,754
<b>TOTAL PAYMENTS</b>		<b>743,938</b>	<b>202,708</b>
<b>Increase/(decrease) in Cash</b>		<b>(690,101)</b>	<b>1,426,790</b>
Cash at beginning of the year		2,138,809	712,019
<b>Cash at the end of the year</b>		<b>1,448,708</b>	<b>2,138,809</b>

Note 8 explains the composition and other details relating to the various elements included in this Statement.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Statements have been prepared in accordance with 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 Migration to Accrual Basis Financial Reporting

Mwansabombwe Town Council is required, under the Local Government Act No. 2 of 2019 to produce a Statement of Comprehensive Income and a Statement of Financial Position. The production of these statements entails adoption and application of Accrual Basis of Accounting in financial reporting. However, the Act does not specify which particular accrual basis of accounting to use. In applying Cash Basis of Accounting, the Council followed guidance listed below:

(a) Cash Basis IPSAS, *Financial Reporting under the Cash Basis of Accounting*.

This standard provides that public sector entities adopting Accrual Basis for the first time may apply Cash Basis IPSAS provisions as an intermediate step to assist them in the transition to Accrual Basis IPSASs. In this vein, the Council has produced these financial statements under Cash Basis IPSAS as part of its transition to Accrual Basis of Accounting.

(b) Accounting Pronouncement: 2018/3 – Applicability of International Public Sector Accounting Standards (IPSASs).

This pronouncement issued by the Zambia Institute of Chartered Accountants (ZICA) pursuant to the Accountants Act, 2008 requires the adoption of Accrual Basis of Accounting by public entities by 31<sup>st</sup> December, 2022. The Council is preparing to adopt Accrual Basis IPSASs on 1<sup>st</sup> January, 2022

(c) Treasury and Financial Management Circular No 10 of 2019 issued by the Secretary to the Treasury pursuant to the Public Financial Management Act, No. 1 of 2018. The Treasury and Financial Management Circular provides as follows:

- i. That in order to have a standard financial reporting framework, all Local Authorities should adopt the International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting as a first step in migration to IPSASs Accrual Basis of Accounting.
- ii. Local Authorities shall use Part 2 of Cash Basis IPSAS which requires extra disclosures called 'Encouraged Additional Disclosures' in Cash Basis financial statements for the years ending 31<sup>st</sup> December 2019 up to 2021.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- iii. All Local Authorities shall adopt and apply Accrual Basis IPSAS of Accounting starting 1<sup>st</sup> January, 2022 by following the guidelines provided in IPSAS 33 – “First Time Adoption of Accrual Basis IPSASs”.
- iv. That the three (3) year transition period provided under IPSAS 33 should commence on 1<sup>st</sup> January, 2022 and should end on 31<sup>st</sup> December, 2024. Thereafter, all Local Authorities shall be required to comply fully with Accrual Basis IPSASs.

Based on these guidelines, the Council has not yet commenced production of Accrual Basis financial statements required by the Local Government Act, 2019. However, the Council has adopted Part 2 Cash Basis IPSAS, *Financial Reporting under the Cash Basis of Accounting* to help it transition its financial reporting to Accrual Basis IPSASs.

### 1.2 Reporting Entity

The Financial Statements are prepared for Mwanabombwe Town Council (MTC). The financial statements encompass the Council as specified in the Constitution of Zambia (Amendment) Act No. 2 of 2016, as read with the Local Government Act No.2 of 2019, and the Public Finance Management Act No.1 of 2018. It also includes projects and activities of the Constituency Development Fund and the Local Government Equalization Fund in the district.

### 1.3 Authorization Date

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

### 1.4 Revenue

Revenue is recognized 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. 2 of 2019 section 25(1) prescribes, subject to the Constitution and the Business Regulatory Act No. 3 of 2014, a system of local taxes which Local Authorities can raise by passing By-laws imposing levies on:

- leviable persons owning or occupying property or premises situated within the area of the District;
- leviable persons carrying on a business, trade or occupation within the area of the District; or
- the purchase or sale of a commodity within the area of the District.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **b. Fees and Charges**

Section 27 (1) of the Local Government Act No.2 of 2019 empowers Local Authorities, subject to the Business Regulatory Act No. 3 of 2014, to impose fees or charges payable to the Council:

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

### **1.5 Expenditure**

Expenditure is recognized 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 in hand at the Beginning and the 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.

### **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 Equalization 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.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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 regulated by the Constituency Development Fund Act No. 11 of 2018. 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 resulting difference from the conversion and translation are charged to the Statement of Cash Receipts and Payments.

### **1.13 Borrowings**

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

### **1.14 Budgets 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:

<b>Local Tax Type</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Residential Rates	-	-
Industrial / Commercial Rates	-	-
Personal Levy	7,533	11,699
<b>TOTAL</b>	<b>7,533</b>	<b>11,699</b>

**3. Fees and Charges**

The Council generated cash receipts in form of fees and charges arising from offering various services as follows.

	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Fees and charges	427,157	442,589
Land Development Charges	1,300	155,623
<b>Total</b>	<b>428,457</b>	<b>598,212</b>

**a. Fees and charges**

The Council generated the following fees:

<b>Fees and Charges Type</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Rentals/Lease of Council's properties	1,750	121,890
Application Form Fees	9,270	-
Rentals from Houses	133,270	-
Market Fees	14,400	23,208
Bus Station Fees	159,205	153,063
Refuse Disposal Fees	540	-
Communication Mast Levy	35,000	50,000
Land Record	-	-
Billboard and Banner	2,541	560
Lease of Council Transport	-	-
Other Fees and Charges/other income	71,181	62,900
<b>TOTAL</b>	<b>427,157</b>	<b>442,589</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**b. Land Development Charges**

The Council collected the following land development related charges:

<b>Charges Type</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Premium plots - Residential	-	74,767
Premium plots - Commercial	-	77,600
Other Charges	1,300	3,256
<b>TOTAL</b>	<b>1,300</b>	<b>155,623</b>

**4. Licenses**

A total of K505 cash receipts was raised from issuance of various licenses.

<b>Licence Type</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Firearm and ammunition licence	300	-
Other licences	205	-
<b>TOTAL</b>	<b>505</b>	<b>-</b>

**5. Levies**

The Council generated cash receipts by charging levies as follows:

<b>Type of Levy</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Livestock Levy	3,880	4,886
Bird Levy	-	-
Fish Levy	12,142	10,743
Pole Levy	-	-
Charcoal Levy	2,045	1,320
Business Levy	60,156	69,662
Miscellaneous levies	5,554	1,050
<b>TOTAL</b>	<b>83,777</b>	<b>87,661</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**6. Permits**

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

Type of Permit	2019	2018
	Kwacha	Kwacha
Business Permit	5,050	2,000
<b>TOTAL</b>	<b>5,050</b>	<b>2,000</b>

**7. Local Government Equalization Fund**

**a. Funding**

	2019	2018
	Kwacha	Kwacha
1st Funding -January	617,309	618,608
2nd Funding - February	677,409	618,608
3rd Funding - March	617,409	618,608
4th Funding - April	617,409	617,914
5th Funding -May	617,409	618,608
6th Funding - June	617,409	647,914
7th Funding - July	672,243	618,608
8th Funding - August	662,153	614,297
9th Funding -September	672,153	617,729
10th Funding - October	673,263	617,729
11th Funding November	-	617,309
12th Funding -December	-	-
<b>TOTAL</b>	<b>6,444,167</b>	<b>6,825,933</b>

**b. Operational Expenditure**

The Council applied amounts totalling K5,915,065 of LGEF receipts towards meeting operational expenses representing 92% of the total LGEF funding for the reporting period. These expenses are included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments.

**c. Capital Expenditure**

The Council applied amounts totalling K46,807 of LGEF receipts towards meeting capital expenditure representing 1% of the total LGEF funding for the reporting period. This expenditure is included in the amounts disclosed in notes accompanying the Statement of Cash Receipts and Payments

**NOTES TO THE FINANCIAL STATEMENTS**

**8. Constituency Development Fund**

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

**a) CDF Funding**

	<b>2019</b>	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>	<b>Kwacha</b>
Mwansabombwe	-	1,600,000
	-	-
<b>Total Funding</b>	<u>-</u>	<u>1,600,000</u>

**b) Other CDF Sources of Funding**

Other CDF sources of funding consisted interest earned on the amounts held in CDF bank accounts.

	<b>2019</b>	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>	<b>Kwacha</b>
Mwansabombwe	53,837	29,498
	-	-
<b>Total Other Sources</b>	<u>53,837</u>	<u>29,498</u>

**c) Infrastructure Development**

	<b>2019</b>	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>	<b>Kwacha</b>
Mwansabombwe	717,148	196,954
<b>Total Infrastructure development payments</b>	<u>717,148</u>	<u>196,954</u>

Infrastructure development works included construction of mothers' shelters at various clinics and classroom blocks.

**d) Rehabilitation Works**

	<b>2019</b>	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>	<b>Kwacha</b>
Mwansabombwe	26,790	-
<b>Total Rehabilitation payments</b>	<u>26,790</u>	<u>-</u>

Rehabilitation works included renovation of mothers' shelters at various clinics and classroom blocks.

**NOTES TO THE FINANCIAL STATEMENTS**

**e) Asset Acquisition**

No assets were acquired using CDF during the reporting period.

**f) Administrative Costs**

	<b>2019</b>	<b>2018</b>
<b>Constituency</b>	<b>Kwacha</b>	<b>Kwacha</b>
Mwansabombwe	-	5,754
<b>Total</b>	<u>-</u>	<u>5,754</u>

**9. Other grants**

During the year, the Council received the following grants:

<b>Revenue Source</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Grants in Lieu of Rates	200,000	300,000
Grants from Cooperating Partners	-	-
Other	-	-
<b>TOTAL</b>	<u>200,000</u>	<u>300,000</u>

**10. Borrowings**

During the year the Council did not borrow from any lending institution.

**11. Council Commercial Venture**

This Council did not have a commercial venture during the reporting period.

**12. Other Receipts**

The Council received amounts totaling K137,043 in its various bank accounts that is for interest from various accounts. Therefore, the amounts in question could not be recognized under any particular class of receipts in the financial statements except as 'other receipts'

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Emoluments

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

Grade	2019	2018
	Kwacha	Kwacha
Salaries Division 1	2,463,255	2,098,997
Salaries Division 2	1,095,312	953,262
Salaries Division 3	293,072	276,446
Wages- Division 4	408,931	426,752
Cash in Lieu of Leave Div I	3,241	146,124
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	-	71,179
Other Allowances	388,311	429,000
NAPSA	30,682	-
Local Authorities Superannuation Fund	6,950	-
Medical Costs	-	2,700
<b>TOTAL</b>	<b>4,689,753</b>	<b>4,464,479</b>

### 14. Use of Goods and Services

Use of Good and services consist of expenditure incurred on administrative activities

Expenditure Type	2019	2018
	Kwacha	Kwacha
Office Costs	169,255	125,020
Building, Repair and Maintenance Costs	40,068	169,216
Plant, Machinery, Vehicle Running and Maintenance Costs	351,227	329,479
Other Administrative Operating Costs	287,169	276,859
Requisites	84,048	174,946
Services	956,249	494,927
Travel Expenses	597,359	953,182
Training	183,060	103,095
<b>TOTAL</b>	<b>2,668,434</b>	<b>2,626,723</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**15. Financial Charges**

The Council did not pay any financial charges during the reporting period.

**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 K3,981.

	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Death on Duty Benefit	-	-
Burial Benefit	3,981	19,595
Other	-	-
<b>TOTAL</b>	<u><u>3,981</u></u>	<u><u>19,595</u></u>

**17. Non-financial Asset Acquisition**

Acquisition of assets involved the following payments:

	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Purchase of Office Purchase Furniture	7,996	154,042
Purchase of GPS for the Planning Department	-	155,000
Purchase of Plotter	-	46,400
Rehabilitation of challets	15,461	284,971
Purchase of one Motor Vehicle	-	315,000
Borehole spares	27,315	-
Water Tank	6,000	-
Computers	18,700	-
Genset	4,270	-
<b>TOTAL</b>	<u><u>79,742</u></u>	<u><u>955,413</u></u>

**18. Financial Assets**

The Council did not acquire any financial assets during the year.

**19. Loan Repayments**

There were no loan repayments during the financial year ended 31<sup>st</sup> December, 2019.

**20. Other Payments**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Other Payments</b>	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Grants and Other Payments	-	-
Constitutional & Statutory Expenditure	802,052	125,871
Other	-	-
<b>TOTAL</b>	<b>802,052</b>	<b>125,871</b>

**21. Foreign Exchange Losses**

During the reporting period, the Council did not carry out transactions in foreign currency and therefore there were no foreign exchange gains or losses.

**22. Cash Balances**

The Council's Cash amounts as at 31<sup>st</sup> December, 2019 consisted of demand deposits:

	<b>2019</b>	<b>2018</b>
	<b>Kwacha</b>	<b>Kwacha</b>
Cash on hand	-	-
Demand Deposits	3,341,464	3,437,305
Cash equivalents	-	-
<b>TOTAL</b>	<b>3,341,464</b>	<b>3,437,305</b>

**a. Cash on hand**

The Council had no cash on hand as at 31<sup>st</sup> December, 2019.

**b. Demand Deposits – Bank Balances**

The Council had the following reconciled bank account balances as at the 31<sup>st</sup> December 2019:

<b>Account Name</b>	<b>Account No.</b>	<b>2019</b>	<b>2018</b>
		<b>Kwacha</b>	<b>Kwacha</b>
Salaries Account	Zanaco - 5078199300104	(747,549)	(27,607)
Local Government Equalisation Capital Fund Account	Zanaco - 2018851300101	1,884,410	1,176,977
District Fund Account	Zanaco - 1864737300175	777,811	45,087
Chinyanta Market Account	Zanaco - 0359495500174	1,414	11,624
Constituency Development Fund	Zanaco - 0359582300121	1,386,758	2,138,809
Water Account	Zanaco - 1995462400120	37,320	92,414
Land Development Fund	Zanaco - 5694208300150	1,300	-
<b>TOTAL</b>		<b>3,341,464</b>	<b>3,437,305</b>

## NOTES TO THE FINANCIAL STATEMENTS

### c. Cash Equivalents

The Council did not hold any cash equivalents during the reporting period.

## 23. Budget and Actual Variances Explanations

### • Local Taxes

The Council planned to generate K26,500 from the local taxes but instead only managed to collect K7,533 resulting in an adverse variance of K18,968 representing 72% of the budget. This can be attributed to the non-remittance of the personal levy because most of the employees were still getting paid through Kawambwa payroll.

### • Fees and Charges

The Council planned to raise K1,374,822 in fees and charges. However, the Council managed to raise K428,457 resulting in an adverse variance of K946,365 representing 69% of the budget. This can be attributed to the fact that the District is not fully developed and lacks essential services such as water and electricity which attract developers.

The District has very limited properties on which the Council could impose charges. Further, 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 collect K21,827 from licence fees. The Council only raised K505 resulting in an adverse variance of K21,322 representing 98% of the budget. This was due to the fact that most businesses did not qualify to be issued with liquor licences, which is the most common licence issued in the District.

### • Permits

The Council planned to raise K10,950 from permits. The Council only raised K5,050 resulting in an adverse variance of 54%. This was due to the fact that the Council only gave specific permits to individuals or businesses who met the prescribed criteria. The Variance was due to the fact that not many had applied for various types of permits and of those who applied, only those who met the criteria were issued with permits.

### • Social Benefits

The Council planned to spend K5,000 on social benefits. However, the Council spent K3,981 resulting in a variance of K1,019 representing 20% of the budget. This can be attributed to the unforeseen circumstances on which the Council had to spend funds.

### • Non-Financial assets

The Council planned to spend K1,283,790 on non-financial assets but spent K79,742 resulting in a variance of K1,204,047.