



MWANSABOMBWE TOWN COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020



MWANSABOMBWE TOWN COUNCIL

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

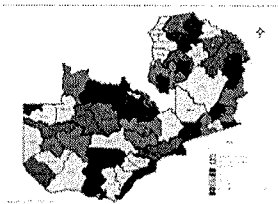


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REPORT OF THE COUNCIL

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 No. 2 of 2019, mandated to perform functions, among them, service delivery to the community and policy making.

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 (2) (c) of the Constitution of Zambia (Amendment) Act No. 2 of 2016. The current Council was elected to office in 2016 to serve a five (5) year term up to 2021. The Vice Chairperson was elected from among the councillors in 2019 for the period of two (2) and a 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 and Mununshi.

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	Honorable Kabaso Kampampi	Male	Mwansabombwe Constituency

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

REPORT OF THE COUNCIL

Council Secretariat

The Secretariat of Mwanabombwe Town Council is headed by the Council Secretary. The Council Secretary and the rest of the Secretariat are appointed by the Local Government Service Commission.

The Council Secretary is assisted by five (5) Heads of Departments namely; Finance, Planning, Works, Human Resource and Administration. Under institution Management are two 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 First Schedule of the Local Government Act No. 2 of 2019 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

	2020 Kwacha	2019 Kwacha
Cash Receipts	11,025,763	7,359,068
Payments	9,383,970	8,224,942
Increase/ (Decrease) in Cash and Cash Equivalents	1,641,793	(865,874)

Key Policies Adopted During the Year

The Council adopted the following policies during the year:

Related Party Transactions

There were no related party transactions during the financial year.

Property, Plant and Equipment

The Council purchased property, plant and equipment costing K552,978 which included for purchase of a Tractor, Computers, Printers, Biometric Finger Printer and Routers among other Assets.

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 45. The total amount spent on employees' remuneration and welfare during the year was K4,641,645.

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.

Recreation

There were no recreation transactions during the financial year under review.

Corporate Social Responsibility

The Council made donations during the year amounting to K12,494.00 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: TERRIST M. CHUSKA

Position: Council Chairperson

Date: 14/06/2023

STATEMENT OF RESPONSIBILITIES FOR ANNUAL FINANCIAL STATEMENTS

The Mwansabombwe Town Council is responsible for preparing the financial statements for the year ended 31st 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:

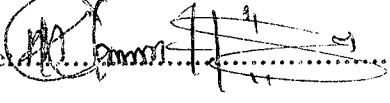
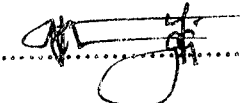
- for the maintenance of accounting records that may be relied upon in the preparation of financial statements,
- for designing, implementing and maintaining systems of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement,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

Nothing has come to the attention of the Council to indicate that the Mwansabombwe 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 Mwansabombwe Town Council for the financial year ended 31st December 2020.

Signed on behalf of the Council on 12/02/2023 by;

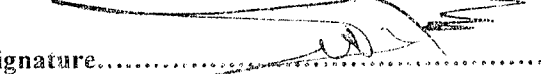
Name: JERRICA M. CHUNDA Name: ANNEKA H. CHANES

Signature:  Signature: 

Position: Council Chairperson

Position: Council Secretary

Name: SIMUTSKE 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
Website: 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 31st December, 2020 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 31.

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 31st December, 2020 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 2019 with the figures that were brought into 2020 as comparatives showed differences as indicated in the table below.



REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

No.	Details	Note No./ Ref.	Comparative Amount in the 2020 Financial Statements (K)	Amount in the 2019 Financial Statements /Notes (K)	Difference (K)
1	Other Payments	Note 20	45,447	802,032	756,585
2	LGEF-Salaries and wages	Page 13	4,689,753	4,605,070	84,683
3	CDF-Cash at the beginning of the	Page 14	2,078,773	2,138,809	60,036
4	Rehabilitation of Challets	Note 17	42,776	15,461	27,315
5	Cash Balances	Note 22	3,328,016	3,341,464	13,448
	Total				942,067

• **Uncorrected Prior Year Misstatements**

The misstatements that were identified in financial statements for the year ended 31st December 2019 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.

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.



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

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 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.



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

- 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.....

STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

RECEIPTS	Note	2020 Kwacha	2019 Kwacha
Local taxes	2	15,090	7,533
Fees and Charges	3	553,104	427,157
Licences	4	-	505
Levies	5	96,550	83,777
Permits	6	-	5,050
Local Government Equalisation Fund	7	8,053,040	6,444,167
Constituency Development	8	1,600,000	53,838
Other Grants	9	503,236	200,000
Borrowings	10	-	-
Commercial Venture	11	-	-
Other Receipts	12	204,742	137,043
TOTAL RECEIPTS		11,025,763	7,359,069
PAYMENTS			
Personal Emoluments	13	4,641,645	4,689,753
Use of Goods and Services	14	3,951,302	2,649,434
Financial Charges	15	-	-
Social Benefits	16	1,640	3,981
Non-Financial Assets	17	552,978	79,742
Financial Assets	18	-	-
Loan Repayment	19	-	-
Other Payments	20	236,405	45,447
TOTAL PAYMENTS		9,383,970	7,468,358
Increase/(decrease) in Cash		1,641,793	(109,289)
Foreign Exchange Losses	21	-	-
Cash at beginning of the year	22	3,328,016	3,437,305
Cash at the end of the year	22	4,969,810	3,328,016

Incorporated in the payments recognized in this Statement are those for Local Government Equalization 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: MUCIGA H. MANDU

Signature: [Signature] Signature: [Signature]

Position: Council Chairperson

Position: Council Secretary

Name: SIMUTSKE JESTUS

Signature: [Signature]

Position: Council Treasurer

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED
 31ST DECEMBER 2020**

	Original Budget Kwacha	Adjustments Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance	Variance Kwacha	% Variance
RECEIPTS							
Local taxes	12,915	-	12,915	15,090	120%	(2,175)	-17%
Fees and Charges	1,041,548	-	1,041,548	553,104	54%	488,444	47%
Licences	-	-	-	-	0%	-	0%
Levies	66,804	-	66,804	96,550	145%	(29,746)	-45%
Permits	-	-	-	-	0%	-	0%
Local Government Equalisation Fund	8,491,841	-	8,491,841	8,053,040	95%	438,801	5%
Constituency Development Fund	1,600,000	-	1,600,000	1,600,000	100%	-	0%
Other Grants	500,000	-	500,000	503,236	101%	(3,236)	-1%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	-	-	-	-	0%	-	0%
Other Receipts	415,600	-	415,600	203,482	49%	212,118	51%
TOTAL RECEIPTS	12,128,708	-	12,128,708	11,024,502	91%	1,104,206	9%
PAYMENTS							
Personal emoluments	5,674,917	-	5,674,917	4,641,645	81%	1,033,272	18%
Use of goods and services	5,095,341	-	5,095,341	3,951,302	78%	1,144,039	22%
Consumption of fixed capital	-	-	-	-	0%	-	0%
Financial charges	-	-	-	-	0%	-	0%
Social benefits	10,000	-	10,000	1,640	16%	8,360	84%
Non-financial assets	1,154,950	-	1,154,950	552,978	49%	601,972	52%
Loan Repayment	-	-	-	-	0%	-	0%
Other Payment	193,500	-	193,500	236,405	122%	(42,905)	-22%
TOTAL PAYMENTS	12,128,708	-	12,128,708	9,383,970	77%	2,744,739	23%
Increase /(Decrease is Cash	-	-	-	1,640,533		(1,640,533)	

Note: 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 THE YEAR ENDED 31ST DECEMBER 2020**

		2020	2019
		Kwacha	Kwacha
RECEIPTS			
Funding	7(a)	<u>8,053,040</u>	<u>6,444,167</u>
TOTAL RECEIPTS		<u>8,053,040</u>	<u>6,444,167</u>
PAYMENTS			
Operational Expenditure Payments:	7(b)		
Salaries and Wages		4,618,201	4,689,753
Terminal Benefits		158,505	-
Utility bills		800	-
Service Provision		142,318	102,343
Goods and Services		965,723	1,007,784
Administrative Costs		23,615	196,918
Other Costs		32,780	2,950
Sub-Total		<u>5,941,942</u>	<u>5,999,748</u>
Capital Expenditure Payments:	7(c)		
Infrastructure Development		845,500	-
Rehabilitation Works		30,305	4,380
Asset Acquisition		509,313	42,427
Other Costs		22,640	-
Sub-Total		<u>1,407,758</u>	<u>46,807</u>
TOTAL PAYMENTS		<u>7,349,700</u>	<u>6,046,555</u>
Increase/(decrease) in cash		<u>703,340</u>	<u>397,612</u>

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE CONSTITUENCY
 DEVELOPMENT FUND (CDF) FOR THE YEAR ENDED 31ST DECEMBER 2020**

		2020	2019
		Kwacha	Kwacha
RECEIPTS			
Funding	8(a)	1,600,000	-
Other sources	8(b)	44,510	53,837
TOTAL RECEIPTS		1,644,510	53,837
PAYMENTS			
Infrastructure Development	8(c)	903,849	717,148
Rehabilitation Works	8(d)	-	26,790
Asset Acquisition	8(e)	-	-
Administrative Costs	8(f)	8,607	-
Other Costs	8(g)	200,608	-
TOTAL PAYMENTS		1,113,064	743,938
Increase/(decrease) in Cash		531,446	(690,101)
Cash at beginning of the year		1,388,672	2,078,773
Cash at the end of the year		1,920,118	1,388,672

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 No. 13 of 2008 requires the adoption of Accrual Basis of Accounting by public entities by 31st December, 2022. The Council is preparing to adopt Accrual Basis IPSASs on 1st 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 31st December 2020 up to 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- iii. All Local Authorities shall adopt and apply Accrual Basis IPSAS of Accounting starting 1st 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 1st January, 2022 and should end on 31st 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 No. 2 of 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, 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 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. 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;
- the purchase or sale of a commodity within the area of the Council.

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 license 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;

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 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 in hand at the Beginning and the End of the Year

Cash at the beginning and end of the year consists 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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and 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.

1.15 Encouraged Disclosures of Accrual Type of Items

During the year, the Council adopted Part 2 of Cash Basis IPSAS which provides extra Accrual Basis type of disclosures called Encouraged Additional Disclosures as follows:

i. Property, Plant and Equipment

These are assets that have useful economic lives or service potential of more than one year. They are recorded and disclosed at either cost or valuation. Valuations are conducted by the Government Valuation Department and the Council's own Valuation staff. Where valuation has been undertaken, the applicable valuation bases are as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Land Current Value
- Buildings Cost or Market Value
- Plant and Equipment Cost

ii. Investments in Other Entities

The Council discloses the following details about its investments in other entities:

- (a) Name of the entity
- (b) Principal activity of the entity
- (c) Percentage of shareholding in the entity
- (d) Receipts in form of dividends and other returns on the investments

iii. Administered Transactions

Administered transactions are cash flows resulting from transactions administered by the Council as an agent of Central Government and any of its agencies. All cash collected in this manner is deposited into an account of the Central Government or its appropriate agent and such accounts are not controlled by the Council. The Council deems as part of cash under its control any collections made and administered by the Council on behalf of the Central Government but are allowed to be deposited in any of its bank accounts prior to its transfer to the Central Government or any of its agents.

iv. Related Party Transactions

A related party is one that has the ability to control the Council or exercise significant influence over the Council in making financial and operating decisions. The related party entity is also any entity that is subject to common control with the Council.

Related parties include:

- (a) Entities that directly or indirectly through one or more intermediaries, control or are controlled by the Council;
- (b) Associates being entities over which the Council has significant influence
- (c) Individuals that have significant influence over the Council and close members of the family of any such individual;
- (d) Key management personnel and close members of the family of key management personnel; and
- (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

The key management personnel of the Council are:

- (a) the Chairperson, elected Councillors, Co-opted members of the Audit and Procurement Committees, Chiefs who are part of the Council representing other Chiefs in the district, and
- (b) The Principal Officers and Chief Officers.

Spouses, children and grandchildren, grandparents, brothers, sisters, parents in law, brothers in law, and sisters in law of key management personnel are related parties to the Local Authority.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements. Such transactions may include remuneration, loans and contracts awarded to key management personnel and their close relatives.

v. External Assistance

External assistance comprises loans and grants from multilateral and bilateral agencies provided under agreements specifying the purposes for which the assistance will be utilized. Mwanabombwe Town Council discloses total external assistance received in cash during the period, total external assistance paid by the agencies for the benefit of the Council, external assistance received in form of loans and grants, their classifications, purposes for which it was received and undrawn balances.

vi. Payments to Third Parties

Third party payments also known as direct payments are those that are made by third parties to construct or acquire property, plant and equipment and or pay for services on behalf of Mwanabombwe Town Council. These do not constitute cash receipts and payments by the Council. They include payments for goods and services made by multilateral and bilateral aid agencies and non-governmental organizations and are included in the disclosures of external assistance.

NOTES TO THE FINANCIAL STATEMENTS

2. Local Taxes

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

Local Tax Type	2020	2019
	Kwacha	Kwacha
Residential Rates	-	-
Industrial / Commercial Rates	-	-
Mining Rates	-	-
Personal Levy	15,090	7,533
TOTAL	<u>15,090</u>	<u>7,533</u>

3. Fees and Charges

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

	2020	2019
	Kwacha	Kwacha
Fees and charges	525,254	425,857
Land Development Charges	27,850	1,300
Total	<u>553,104</u>	<u>427,157</u>

NOTES TO THE FINANCIAL STATEMENTS

a. Fees and charges

The Council generated the following fees:

Fees and Charges Type	2020	2019
	Kwacha	Kwacha
Consent Fees	-	-
Survey Fees	-	-
Building Inspection fees	-	-
Plan Scrutiny Fees	-	-
Rentals/Lease of Council's properties	137,080	135,020
Application Form Fees	2,775	9,270
Sketch Fees	-	-
Search Fees	-	-
Market Fees	21,310	14,400
Parking Fees	-	-
Bus Station Fees	249,170	159,205
Affidavit Fees	-	-
Grave Reservation	-	-
Refuse Disposal Fees	4,300	540
Notice of Marriage	-	-
Abattoir/Meat Inspection Fees	-	-
Farm Produce Levy	-	-
Communication Mast Levy	75,000	35,000
Land Record	-	-
Billboard and Banner	-	1,241
Lease of Council Transport	-	-
Illegal Vending Fees	-	-
Penalties	-	-
Site Rent	-	-
Change of ownership of plot	-	-
Other Fees and Charges/other income	35,619	71,181
TOTAL	525,254	425,857

b. Land Development Charges

The Council collected the following land development related charges:

Charges Type	2020	2019
	Kwacha	Kwacha
Service charges - residential plots	27,850	-
Service charges - Industrial plots	-	-
Premium plots - Residential	-	-
Premium plots - Commercial	-	-
Lease charges	-	-
Other	-	1,300
TOTAL	27,850	1,300