



MWANSABOMBWE TOWN COUNCIL

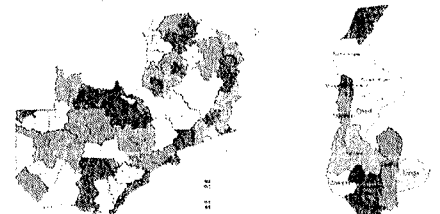
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST

DECEMBER 2021



MWANSABOMBWE TOWN COUNCIL

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



MWNSABOMBWE TOWN COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

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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 31st December, 2021 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 Kazembe along the valley of the Luapula River, on the northern part of Luapula Province. Mwanabombwe is 182 Kilometres from the provincial capital, Mansa and 940 Kilometres (Km) from the capital city of Luşaka.

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. The rainfall pattern in the area is good for farming activities for crops like maize and cassava. 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, which is 2.4% of the total area of Luapula Province. From the 1.200 km², only 64 Square Kilometres make up state land and the remaining 1136km² is customary land under the traditional leadership of his Royal Highness Mwata Kazembe.

Mwanabombwe has a very rich cultural heritage, most notably the famous Umutomboko traditional ceremony, which attracts a huge number of people including local and international tourists and uplifts the economy of the district. It is held annually on the last Saturday of July.

The Kazembe Kingdom was established during the 1740s. During the height of its power in the 1800s, the Kazembe Kingdom occupied a vast territory including parts of the Katanga region of Congo and northern part of Zambia during the reign of the greatest ruler, Kazembe II, named Kaniembo, who conquered most territories and established his capital at Kazembe. It became the centre of trade between the people in the African interior and the Portuguese and Arabs in the eastern coast.

Mwanabombwe district has linear type of settlements. The estimated population is 50,000. However, according to the 2010 census, district population stood at 45,294 people comprising of 23,286 female representing 51 per cent of the total population and 22,008 male 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 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 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, Twelve (12) elected councilors 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 2021 to serve a five year term up to 2026. The Vice Council Chairperson was elected from among the councilors in 2021 for the period of two and half years.

The district has only one constituency namely, Mwansabombwe which is comprised of twelve (12) wards named as Mununshi, Mulele, Salanga, Lufubu, Mwansabombwe, Kazembe, Chipita, Kayo, Kakose and Mukamba Kabalenge and Mbereshi Wards. The Councilors' who held office during the year were;

S/N	NAME	NAME	GENDER	POSITION	WARD
	January -May	August-December			
1	Mwewa John	Terrioh Mwape Chungu	Male	Council Chairperson	Not Applicable
2	Blaston Mpundu Muonga	Blaston Mpundu	Male	Deputy Council Chairperson	Chipita
3	Masenga Chibwe	Chanda Kabwe	Male	Councillor	Mbereshi
4	John Davy Chama	Mbangu Monica	Female	Councillor	Kayo
5	Jenny Kapambwe	Kapya John	Female/Male	Councillor	Mulele
6	Ng'Andwe Christine	Ng'andwe Christine	Female	Councillor	Kazembe
7	Kaunda Jackson	Mwape Patson	Male	Councillor	Lufubu
8	Chansa Edward	Kapembwa Otis	Male	Councillor	Kakose
9	Mpundu Moris	Chansa Nelson	Male	Councillor	Mwansabombwe
10	Kasali Frank	Ngosa Milambo	Male	Councillor	Mununshi
11	Kapya Justine	Kapya Justine	Male	Councillor	Pembe
12	-	Chishala Justine	Male	Councillor	Salanga
13	-	Ngosa Justine	Male	Councillor	Kabalenge
14	Paul Kaniembo Mpemba	Paul Kaniembo Mpemba	Male	Senior Chief 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/No	NAME	GENDER	CONSTITUENCY
1	Hon.Kampampi Kabaso	Male	Mwansabombwe

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

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 Mwanabombwe Town Council is responsible for preparing the financial statements for the year ended 31st December, 2021 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 the Local Government Act No. 2 of 2019, 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 31st December, 2021.

Signed on behalf of the Council on 05/04/2022 by;

Name: TERRION M. CHUNDA

Signature: [Signature]

Position: Council Chairperson

Name: MULESAA H. MIMHEDS

Signature: [Signature]

Position: Council Secretary

Name: SIMUTOWE JESTUS

Signature: [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

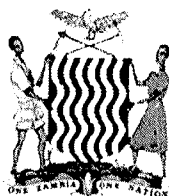
I have audited the financial statements of the Mwansabombwe Town Council for the financial year ended 31st December, 2021 which comprise the Statement of Cash Receipts and Payments, the Statement of Comparison of Budget and Actual Amounts, Statement of Cash Receipts and Payments for Local Government 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 31st December, 2021 in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) and the Local Authorities Accounting Policies (LAAPs).

Basis for Qualified Opinion

i. Differences in the Amounts in the Statement of Cash Receipts and Payments for the Entire Council and the Amounts Disclosed in the Notes

Annex 2 of the LAAPs requires that the amounts recognised in the Statements of Cash Receipts and Payments should equal the amounts disclosed in the Notes to the Financial Statements. However, the amounts reported in Statements of Cash Receipts and Payments – for the entire Council and the LGEF for the financial year ended 31st December 2021 were different from the amounts disclosed in the Notes to the Financial Statements. See table 1 below:



REPUBLIC OF ZAMBIA
OFFICE OF THE AUDITOR GENERAL

Table 1- Differences in Reported Amounts

S/N	Details	Note No.	Amount in Financial Statements K	Amount in the Notes K	Variance K
1	consolidated Statement of Cash Receipts and Payments - Cash at the end of the year	22	4,369,205	4,269,320	99,885
2	consolidated Statement of Cash Receipts and Payments - Local Government Equalisation fund	7	7,984,492	7,984,727	235
3	Statement of Cash Receipts and Payments for LGEF - Operational Expenditure	7 (b)	7,320,971	6,387,782	933,189
4	Statement of Cash Receipts and Payments for LGEF - Capital Expenditure	7 (c)	1,744,425	1,596,945	147,480
	Total		21,419,093	20,238,774	1,180,789

ii. **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 Mwansabombwe 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 describe 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, 2019.

My opinion is not modified in respect of this matter.



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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 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.



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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.....

MWNSABOMBWE TOWN COUNCIL
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

THE STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	NOTES	2021 Kwacha	2020 Kwacha
RECEIPTS			
Local taxes	2	13,263	15,090
Fees and Charges	3	545,494	553,104
Licences	4	-	-
Levies	5	87,591	83,777
Permits	6	61,682	-
Local Government Equalisation Fund	7	7,984,492	8,053,044
Constituency Development Fund *	8	1,644,338	1,643,910
Other Grants	9	-	503,236
Borrowings	10	-	-
Commercial Venture	11	-	-
Other Receipts	12	199,038	160,832
TOTAL RECEIPTS		10,535,897	11,012,993
PAYMENTS			
Personal Emoluments	13	5,102,503	4,464,479
Use of Goods and Services	14	4,385,801	3,951,302
Financial Charges	15	-	-
Social Benefits	16	12,494	1,640
Non-Financial Assets Acquisition	17	1,635,704	552,978
Financial Assets	18	-	-
Loan Repayments	19	-	-
Other Payments	20	-	236,405
TOTAL PAYMENTS		11,136,502	9,206,804
Increase/(decrease) in Cash		(600,605)	1,806,189
Foreign Exchange Losses	21	-	-
Cash at beginning of the year		4,969,810	3,328,016
Cash at the end of the year	22	4,369,205	4,969,810

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: ANNEGA H. MATHIAS

Signature: [Signature] Signature: [Signature]

Position: Council Chairperson

Position: Council Secretary

Name: EMUTSIRE JESTUS

Signature: [Signature]

Position: Council Treasurer

MWNSABOMBWE TOWN COUNCIL
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2021

	Original Budget Kwacha	Adjustments Kwacha	Final Budget Kwacha	Actual Amounts Kwacha	% Performance	Variance Kwacha	% Variance
RECEIPTS							
Local taxes	12,915	-	12,915	13,263	103%	348	3%
Fees and Charges	1,065,898	-	1,065,898	514,594	48%	(551,305)	-52%
Licences	375	-	375	-	0%	(375)	-100%
Levies	66,803	-	66,803	87,591	131%	20,788	31%
Permits	23,330	-	23,330	61,682	264%	38,352	164%
Charges	1,286,000	-	1,286,000	30,900	2%	(1,255,100)	-98%
Local Government Equalisation Fund	8,491,841	-	8,491,841	7,984,492	94%	(507,349)	-6%
Constituency Development Fund	1,600,000	-	1,600,000	1,600,000	100%	-	0%
Other Grants	-	-	-	-	0%	-	0%
Borrowings	-	-	-	-	0%	-	0%
Commercial Venture	236,479	-	236,479	-	0%	(236,479)	-100%
Other Receipts	137,424	-	137,424	243,376	177%	105,952	77%
TOTAL RECEIPTS	12,921,065	-	12,921,065	10,535,897	64%	(2,385,168.70)	36%
PAYMENTS							
Personal Emoluments	6,076,837	-	6,076,837	5,102,504	84%	(974,334)	-16%
Use of Goods and Services	5,311,628	-	5,311,628	4,385,801	83%	(925,827)	-17%
Financial Charges	-	-	-	-	-	-	0%
Social Benefits	29,500	-	29,500	12,494	42%	(17,006)	-58%
Non-Financial Assets Acquisition	1,409,600	-	1,409,600	1,635,704	116%	226,104	16%
Financial Assets	-	-	-	-	0%	-	0%
Loan Repayments	-	-	-	-	0%	-	0%
Other Payments	93,500	-	93,500	-	0%	(93,500)	-100%
TOTAL PAYMENTS	12,921,065	-	12,921,065	11,136,502	86%	(1,784,563)	-14%
Increase/(Decrease in Cash	-	-	-	(600,606)		(600,606)	

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 31ST DECEMBER 2021**

		2021 Kwacha	2020 Kwacha
RECEIPTS			
Funding	7(a)	<u>7,984,724</u>	<u>8,053,040</u>
TOTAL RECEIPTS		<u>7,984,724</u>	<u>8,053,040</u>
PAYMENTS			
Operational Expenditure Payments:	7(b)		
Salaries and Wages		5,150,430	4,618,201
Terminal Benefits		-	158,505
Utility bills		1,500	800
Service Provision		153,093	142,318
Goods and Services		1,709,630	965,723
Administrative Costs		214,080	23,615
Other Costs		92,238	32,780
Sub-Total		<u>7,320,971</u>	<u>5,941,942</u>
Capital Expenditure Payments:	7(c)		
Infrastructure Development		790,414	845,500
Rehabilitation Works		48,373	30,305
Asset Acquisition		904,193	509,313
Other Costs		1,445	22,640
Sub-Total		<u>1,744,425</u>	<u>1,407,758</u>
TOTAL PAYMENTS		<u>9,065,396</u>	<u>7,349,700</u>
Increase/(decrease) in cash		<u>(1,080,672)</u>	<u>703,340</u>
Cash at the beging of the year		<u>2,543,447</u>	<u>1,840,107</u>
Cash at the end of the year		<u><u>1,462,775</u></u>	<u><u>2,543,447</u></u>

**STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE CONSTITUENCY
 DEVELOPMENT FUND (CDF) FOR THE YEAR ENDED 31ST DECEMBER 2021**

		2021 Kwacha	2020 Kwacha
RECEIPTS			
Funding	8(a)	1,600,000	1,600,000
Other sources	8(b)	44,338	43,910
TOTAL RECEIPTS		<u>1,644,338</u>	<u>1,643,910</u>
PAYMENTS			
Infrastructure Development	8(c)	1,163,783	958,395
Rehabilitation Works	8(d)	-	-
Asset Acquisition	8(e)	-	30,359
Administrative Costs	8(f)	103,929	25,931
Other Payments	8(g)	60,954	99,700
TOTAL PAYMENTS		<u>1,328,666</u>	<u>1,114,385</u>
Increase/(decrease) in Cash		<u>315,672</u>	<u>529,525</u>
Cash at beginning of the year		<u>1,920,119</u>	<u>1,390,594</u>
Cash at the end of the year		<u>2,235,791</u>	<u>1,920,119</u>

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 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 2021 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, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.8 Local Government Equalization Fund

Article 163 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.

1.9 Constituency Development Fund

The Constituency Development Fund (CDF) was established under Article 162 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

- | | |
|-----------------------|----------------------|
| • 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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	2021	2020
	Kwacha	Kwacha
Residential Rates	-	-
Industrial / Commercial Rates	-	-
Personal Levy	13,263	15,090
TOTAL	13,263	15,090

3. Fees and Charges

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

	2021	2020
	Kwacha	Kwacha
Fees and charges	514,594	525,254
Land Development Charges	30,900	27,850
Total	545,494	553,104

a. Fees and charges

The Council generated the following fees:

Fees and Charges Type	2021	2020
	Kwacha	Kwacha
Rentals/Lease of Council's properties	370	-
Application Form Fees	70,581	2,775
Rentals from Houses	129,480	137,080
Market Fees	32,439	21,310
Bus Station Fees	185,036	249,170
Refuse Disposal Fees	-	4,300
Communication Mast Levy	55,000	75,000
Land Record	-	-
Billboard and Banner	3,258	-
Lease of Council Transport	-	-
Other Fees and Charges/other income	38,430	35,619
TOTAL	514,594	525,254

NOTES TO THE FINANCIAL STATEMENTS

b. Land Development Charges

The Council collected the following land development related charges:

Charges Type	2021	2020
	Kwacha	Kwacha
Premium plots - Residential	-	27,850
Premium plots - Commercial	-	-
Other Charges	30,900	-
TOTAL	30,900	27,850

4. Licenses

The Council did not collect any revenue from the licenses.

5. Levies

The Council generated cash receipts by charging levies as follows:

Type of Levy	2021	2020
	Kwacha	Kwacha
Livestock Levy	6,886	3,880
Bird Levy	80	-
Fish Levy	25,288	12,142
Pole Levy	-	2,045
Charcoal Levy	1,496	-
Sand Levy	-	-
Business Levy	30,181	60,156
Miscellaneous Levy	23,660	5,554
TOTAL	87,591	83,777

NOTES TO THE FINANCIAL STATEMENTS

6. Permits

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

Type of Permit	2021 Kwacha	2020 Kwacha
Health Permits	17,872	-
Fire Certificate	17,411	-
Business Permit	5,200	-
Extention of Business Hours	21,199	-
TOTAL	61,682	-

7. Local Government Equalization Fund

a. Funding

	2021 Kwacha	2020 Kwacha
1st Funding -January	673,353	673,353
2nd Funding - February	658,772	673,353
3rd Funding - March	672,060	659,757
4th Funding - April	672,058	673,353
5th Funding -May	672,060	673,353
6th Funding - June	672,060	673,353
7th Funding - July	646,961	659,757
8th Funding - August	650,360	673,353
9th Funding -September	653,719	673,353
10th Funding - October	672,060	673,353
11th Funding November	-	673,353
12th Funding -December	1,341,267	673,353
TOTAL	7,984,727	8,053,040

b. Operational Expenditure

The Council applied amounts totalling K 6,387,782 of LGEF receipts towards meeting operational expenses representing 80% 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 totaling K 1,596,945 of LGEF receipts towards meeting capital expenditure representing 20% 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

	2021 Kwacha	2020 Kwacha
Constituency Mwansabombwe	1,600,000	1,600,000
	-	-
Total Funding	<u>1,600,000</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.

	2021 Kwacha	2020 Kwacha
Constituency Mwansabombwe	44,338	43,910
	-	-
Total Other Sources	<u>44,338</u>	<u>43,910</u>

c) Infrastructure Development

	2021 Kwacha	2020 Kwacha
Constituency Mwansabombwe	1,163,783	958,395
Total Infrastructure development payments	<u>1,163,783</u>	<u>958,395</u>

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

d) Rehabilitation Works

	2021 Kwacha	2020 Kwacha
Constituency Mwansabombwe	-	-
Total Rehabilitation payments	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

e) Asset Acquisition

No assets were acquired using CDF during the reporting period.

f) Administrative Costs

	2021	2020
Constituency	Kwacha	Kwacha
Mwansabombwe	103,929	25,931
Total	<u>103,929</u>	<u>25,931</u>

g) Economic Benefit -Empowerment

	2021	2020
Constituency	Kwacha	Kwacha
Mwansabombwe	60,954	99,700
Total	<u>60,954</u>	<u>99,700</u>

9. Other grants

During the year, the Council received the following grants:

Revenue Source	2021	2020
	Kwacha	Kwacha
Grants in Lieu of Rates	-	370,000
Grants from Cooperating Partners	-	90,236
Other	-	43,000
TOTAL	<u>-</u>	<u>503,236</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.

NOTES TO THE FINANCIAL STATEMENTS

12. Other Receipts

The Council received amounts totaling K199,038 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'

Receipts	2021	2020
	Kwacha	Kwacha
Interest on investments	1,011	-
Community contribution	22,001	-
Other income	176,026	160,832
TOTAL	199,038	160,832

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	2021	2020
	Kwacha	Kwacha
Salaries Division 1	2,221,757	2,243,693
Salaries Division 2	1,315,052	1,116,715
Salaries Division 3	566,093	332,173
Wages- Division 4	560,926	487,415
Cash in Lieu of Leave Div I	-	-
Cash in Lieu of Leave Div II	6,000	-
Cash in Lieu of Leave Div III	5,500	-
Cash in Lieu of Leave Div IV	-	-
Travelling on Leave/Holiday	-	16,744
Other Allowances	365,885	444,905
NAPSA	33,516	-
Local Authorities Superannuation Fund	27,773	-
Medical Costs	-	-
TOTAL	5,102,503	4,641,645

NOTES TO THE FINANCIAL STATEMENTS

14. Use of Goods and Services

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

Expenditure Type	2021	2020
	Kwacha	Kwacha
Office Costs	215,192	166,474
Building, Repair and Maintenance Costs	255,379	136,139
Plant, Machinery, Vehicle Running and Maintenance Costs	701,867	467,017
Other Administrative Operating Costs	362,473	183,822
Requisites	386,529	209,009
Services	1,523,251	2,168,845
Travel Expenses	595,052	503,707
Training	346,058	116,290
TOTAL	<u>4,385,801</u>	<u>3,951,302</u>

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 K12,494.

17. Non-financial Asset Acquisition

Acquisition of assets involved the following payments:

	2021	2020
	Kwacha	Kwacha
Purchase of Tractor	-	495,013
Purchase of Computer	-	19,365
Printers (2)	-	28,600
Biometric Finger Print	-	8,500
Routers	-	1,500
Kiosk Solar Equipment	320,234	-
Construction of Ablution Block	343,331	-
Computers	27,300	-
Camera	29,649	-
Office Furniture	10,998	-
Motor Vehicles<=3500kg	904,193	-
TOTAL	<u>1,635,704</u>	<u>552,978</u>

18. Financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS

19. Loan Repayments

There were no loan repayments during the financial year ended 31st December, 2021.

20. Other Payments

The Council did not make other payments during the year.

Other Payments	2021	2020
	Kwacha	Kwacha
Grants and Other Payments	-	-
Constitutional & Statutory Expenditure	-	236,405
Other	-	-
TOTAL	-	236,405

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 31st December, 2021 consisted of demand deposits:

	2021	2020
	Kwacha	Kwacha
Cash on hand	-	-
Demand Deposits	4,269,320	4,969,810
Cash equivalents	-	-
TOTAL	4,269,320	4,969,810

a. Cash on hand

The Council had no cash on hand as at 31st December, 2021.

b. Demand Deposits – Bank Balances

The Council had the following reconciled bank account balances as at the 31st December 2021:

Account Name	Account No.	2021	2020
		Kwacha	Kwacha
Salaries Account	Zanaco - 5078199300104	7.753	518.468
Local Government Equalisation Capital Fund Account	Zanaco - 2018851300101	1,773,797	2,024,979
District Fund Account	Zanaco - 1864737300175	10.076	341
Chinyanta Market Account	Zanaco - 0359495500174	3,635	255
Constituency Development Fund	Zanaco - 0359582300121	2,235,791	1,920,118
Water Account	Zanaco - 1995462400120	1,087	194.623
Land Development Fund	Zanaco - 5694208300150	237,181	311,027
TOTAL		4,269,320	4,969,810

c. Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

23. Budget and Actual Variances Explanations

• **Fees and Charges**

The Council planned to raise K1,065,898 in fees and charges. However, the Council managed to raise only K514,594 resulting in a variance of K551,305 representing 52% 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 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.

• **Permits**

The Council planned to raise K23,330 from permits. The Council only raised K61,682 resulting in a variance of 164%. 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.

• **Charges**

The Council planned to raise K1,286,000 from permits. The Council only raised K30,900 resulting in a variance of 98%. The Variance was due to the fact that not many had applied for plots this is because basic facilities like water and electricity is lacking in the township.

• **Social Benefits**

The Council planned to spend K29,500 on social benefits. However, the Council spent K12,494 resulting in a variance of K17,006 representing 58% 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 K1,443,745 on non-financial assets but spent K1,635,704 resulting in a variance of K191,959.

24. Provision of Services

The Town Council incurs expenditure to offering services it is mandated to provide to the residents of the District.

25. Property, Plant and Equipment

The Council had property, plant and Equipment valued at K.....

	Land K	Land and Buildings K	Plant & Machinery K	Motor vehicles K	TOTAL K
Opening balance	-	-	-	-	-
Additions	-	-	-	-	-
Revaluation	-	-	-	-	-
Re-classification	-	-	-	-	-
Disposal	-	-	-	-	-
Closing balance	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

26. Investments in Other Entities

The Council did not hold any shares in any entity.

27. Administered Transactions

The council did not administer any transaction on behalf of other entities

28. Related Party Disclosures

The following disclosures are made in the financial statements of Mwanabombwe Town Council:

a. Fringe benefits Disclosures

The Council Chairperson was provided with a personal-to-holder car, an office and personal secretary.

b. Remuneration of the Councilors

The aggregate remuneration of members of the Council and the number of individuals determined on a full-time equivalent basis receiving remuneration from Mwanabombwe Town Council are:

Aggregate Remuneration	K.....
Number of persons

None of the councillors acquired loans from the Council during the period under review nor had any outstanding loans.

c. Remuneration of Senior Management

The aggregate remuneration of members of the Senior Management and the number of individuals determined on a full-time equivalent basis receiving remuneration from the Local Authority are:

Aggregate Remuneration	K.....
Number of persons

None of the members of senior management acquired loans from the Council during the period under review nor had any outstanding loans.

29. External Assistance

The amounts, class of provider and purpose for which external assistance was received during the year are outlined below.

The Council received external assistance from amounting to K..... for

30. Third Party Payments

Mwanabombwe Town Council did not benefit from payments by any third parties.